

UNCLASSIFIED

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DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D.C. 20523

PROJECT PAPER  
SOLIDARIOS  
DEVELOPMENT FUND

LAC/DR:78-14

Project Number 598-0587

UNCLASSIFIED

## ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR (LAC)

FROM: LAC/DR, Marshall D. Brown

Problem: Authorization of the \$4.0 million SOLIDARIOS Development Fund Grant

Discussion: The goal of the project is to improve the standard of living of low income groups in Latin America, particularly in the rural areas, by increasing their access to capital resources through private, non-government institutions. The project is designed to help the Council of American Development Foundations (SOLIDARIOS) provide increased financial, managerial and technical assistance to its member foundations for the development and implementation of subprojects benefitting low income groups. Subprojects will include credit programs for small farmers, artisans and small businesses, programs which support marketing and consumer activities, and possible social projects such as community centers and low cost housing.

The project calls specifically for: (1) the creation of a \$3.55 million revolving credit fund to be administered by SOLIDARIOS, from which its members can draw in order to implement development projects for the benefit of low income groups in their respective countries; (2) establishment of a self-supporting training and technical assistance program for those member foundations which need to strengthen their planning, administrative, or technical capacities to develop and implement local projects; and (3) the addition of two staff members -- both regional loan analysts -- to strengthen SOLIDARIOS' capability to analyze the financial, social and economic feasibility of loan applications from member foundations.

The grant will total \$4.0 million over three years, broken down as follows: \$3.55 million as seed capital for the SOLIDARIOS revolving loan fund; \$250,000 for technical assistance provided by SOLIDARIOS to member development foundations; and \$200,000 to finance two new SOLIDARIOS regional loan analysts for a period of three years. Because the project is a regional project, the minimum counterpart requirement under Section 110(a) of the FAA is not applicable.

The Bureau's Environmental Committee has reviewed the Initial Environmental Examination prepared in conjunction with the PP and has concurred in the recommendation for a Negative Determination.

The project was not included in the FY 1978 Congressional Presentation, although it is included in the FY 1979 CP. An Advice of Program Change was prepared and forwarded to Congress on June 14, 1978. Fifteen days have passed since that time and the project can now be authorized.

The DAEC reviewed and approved the project on July 6, 1978, with the following modifications to the Project Paper: (1) that the criteria to be used by SOLIDARIOS for selecting and approving loans to NDFs (national development foundations) be set out in more detail in one section of the PP; (2) that the section describing the selection criteria make reference to the condition precedent which requires that NDFs make certain improvements called for by the management survey report; (3) that the target group to be reached by the project be described more fully; (4) that a more complete summary of the terms of SOLIDARIOS loans to NDFs be added to the PP; (5) that the PP describe more fully the financial contribution NDFs are expected to make toward SOLIDARIOS funded sub-projects; (6) that Annex 4 be revised to include information on assistance not to educational institutions; and (7) that the log frame indicator of project purpose be revised to indicate an increase in SOLIDARIOS' capability to sustain a revolving lending program.

Recommendation: That you sign the attached Project Authorization and Request for Allotment of Funds (PAF), thereby authorizing AID/W to negotiate and sign a Project Agreement for the SOLIDARIOS Development Fund project.

Attachments: TAB A - PAF  
TAB B - Project Paper

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DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D. C. 20523

ASSISTANT  
ADMINISTRATOR

PROJECT AUTHORIZATION AND REQUEST FOR ALLOTMENT OF FUNDS

Name of Entity: SOLIDARIOS  
Name of Project: SOLIDARIOS Development Fund  
Number of Project: 598-0587

Pursuant to Part I, Chapter 1, Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize a Grant to SOLIDARIOS, a private, non-profit consortium, incorporated in the Dominican Republic ("SOLIDARIOS"), of not to exceed One Million Five Hundred Thousand United States Dollars (\$1,500,000), to help in financing certain foreign exchange and local currency costs of goods and services required for the project as described in the following paragraph. The project consists of the establishment of a credit fund to support national development foundations ("NDFs") which are members of SOLIDARIOS and to provide technical support to these NDFs for the development and implementation of projects for low income groups (the "Project").

I approve the total level of A.I.D.-appropriated funding planned for this Project of not to exceed Four Million United States Dollars (\$4,000,000), all of which will be Grant funded, including the funding authorized above, during the period FY 1978 through FY 1980. I approve further increments during that period of Grant funding up to \$2,500,000, subject to the availability of funds in accordance with A.I.D. allotment procedures.

I hereby authorize the initiation of negotiation and execution of the Project Agreement by the officer to whom such authority has been delegated in accordance with A.I.D. regulations and Delegations of Authority, subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate:

A. Source and Origin of Goods and Services

Except for ocean shipping, goods and services financed by A.I.D. under the Project shall have their source and origin as permitted by Chapter 16B1c(4)(a) of Supplement B to A.I.D. Handbook 1, except as A.I.D. may otherwise agree in writing. Ocean shipping financed under the Grant shall be procured in the United States.

B. Conditions Precedent to Initial Disbursement

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement, SOLIDARIOS shall furnish in form and substance satisfactory to A.I.D.:

1. a certified copy of the corporate charter and by-laws of SOLIDARIOS, duly authorized by the SOLIDARIOS Executive Board.

2. a certified copy of the operating policies, procedures, and standards of SOLIDARIOS, which shall include:

a. SOLIDARIOS' Credit policy, including:

(i) the procedures to be followed for the objective and comprehensive review and authorization of all activities to be financed by SOLIDARIOS from the proceeds of the Grant, to assure that such proposed activities are economically justified, technically sound, and will have the desired impact on the agreed upon target group of beneficiaries

(ii) a plan for periodic audit of sub-loans made by SOLIDARIOS

(iii) the standards and procedures to be followed in providing technical assistance to member NDFs.

b. The first quarterly implementation plan for the Development Fund of SOLIDARIOS.

c. The plan of SOLIDARIOS for recruiting and assigning two new analysts, including job descriptions.

- d. A statement that, unless otherwise agreed by A.I.D., all loans made by SOLIDARIOS with A.I.D. funds shall be subloaned by NDFs directly to the target groups.

C. Other Conditions

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement, to finance individual credit programs, other than the Fundacion del Centavo of Guatemala, Funde of Nicaragua, FDD of the Dominican Republic, and FMDR of Mexico:

1. The SOLIDARIOS management survey team shall have completed an evaluation, together with recommendations for improving performance of the NDF requesting loan support from SOLIDARIOS, and shall have submitted a report of their findings to such NDF and to SOLIDARIOS;

2. The NDF shall have taken positive action on the recommendations set forth in the SOLIDARIOS survey team's report;

3. The NDF and SOLIDARIOS shall furnish evidence satisfactory to A.I.D. of the institutional capacity of such NDF to absorb the additional level of funding requested and to manage effectively an expanded program.

D. Covenants

Except as A.I.D. shall otherwise agree in writing, SOLIDARIOS shall covenant that:

1. It will charge a 5% interest rate to the NDFs for loans made from the proceeds of the Grant.

2. No more than \$550,000 of the Grant will be distributed to any one NDF.

3. It will submit a quarterly progress report, beginning the second quarter of the Project period, detailing progress in implementing the preceding quarter's plan of operations and providing the following information for each of the subloans approved: NDF recipient, copy of request with details of target group, expected impact and loan terms, and copy of SOLIDARIOS staff findings and recommendations to Executive Committee.

Edward W. Coy  
Assistant Administrator  
Bureau for Latin America and  
the Caribbean

July 25 1978  
Date

Clearances:

LAC/DR, AMerrill Alm Date 7/14

LAC/DR, TBrown Alm Date 7/14

LAC/DR, MBrown \_\_\_\_\_ Date \_\_\_\_\_

LAC/DP, JHanks 9/14 Date 7/14

GC/LAC, JKessler JK/Alm Date 7/14

GC/LAC, GMW Alm Date: 7/14/78:  
X29183

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AGENCY FOR INTERNATIONAL DEVELOPMENT  <b>PROJECT PAPER FACESHEET</b>	1. TRANSACTION CODE <input type="checkbox"/> A ADD <input checked="" type="checkbox"/> C CHANGE <input type="checkbox"/> D DELETE	PP  2. DOCUMENT CODE <b>3</b>
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3. COUNTRY/ENTITY <b>LA Regional</b>	4. DOCUMENT REVISION NUMBER <input type="checkbox"/>
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5. PROJECT NUMBER (7 digits) <input type="text" value="598-0587"/>	6. BUREAU/OFFICE A. SYMBOL <input type="text" value="LA"/> B. CODE <input type="text" value="05"/>	7. PROJECT TITLE (Maximum 40 characters) <input type="text" value="SOLIDARIOS Development Fund"/>
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8. ESTIMATED FY OF PROJECT COMPLETION FY <input type="text" value="81"/>	9. ESTIMATED DATE OF OBLIGATION A. INITIAL FY <input type="text" value="78"/> B. QUARTER <input type="checkbox"/> C. FINAL FY <input type="text" value="80"/> (Enter 1, 2, 3, or 4)
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10. ESTIMATED COSTS (\$000 OR EQUIVALENT \$) -						
A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. TOTAL	E. FX	F. L/C	G. TOTAL
AID APPROPRIATED TOTAL	100	1,400	1,500	250	3,750	4,000
(GRANT) S/D	( 100 )	( 1,400 )	( 1,500 )	( 250 )	( 3,750 )	( 4,000 )
(LOAN)	( )	( )	( )	( )	( )	( )
OTHER U.S. 1.						
OTHER U.S. 2.						
HOST COUNTRY						
OTHER DONOR(S)						
<b>TOTALS</b>	<b>100</b>	<b>1,400</b>	<b>1,500</b>	<b>250</b>	<b>3,750</b>	<b>4,000</b>

11. PROPOSED BUDGET APPROPRIATED FUNDS (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. 1ST FY <u>78</u>		H. 2ND FY <u>79</u>		K. 3RD FY <u>80</u>	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	I. GRANT	J. LOAN	L. GRANT	M. LOAN
(1) SD	773	920		1,500		1,500		1,000	
(2)									
(3)									
(4)									
<b>TOTALS</b>				<b>1,500</b>		<b>1,500</b>		<b>1,000</b>	

A. APPROPRIATION	N. 4TH FY		O. 5TH FY		LIFE OF PROJECT		12. IN-DEPTH EVALUATION SCHEDULED
	C. GRANT	D. LOAN	P. GRANT	Q. LOAN	R. GRANT	S. LOAN	
(1) SD					4,000		MM YY
(2)							
(3)							
(4)							
<b>TOTALS</b>					<b>4,000</b>		

13. DATA CHANGE INDICATOR WERE CHANGES MADE IN THE PID FACESHEET DATA BLOCKS 12, 13, 14, OR 15 OR IN PRP FACESHEET DATA, BLOCK 12? IF YES, ATTACH CHANGED PID FACESHEET

1. NO  
 2. YES

14. ORIGINATING OFFICE CLEARANCE SIGNATURE _____ TITLE <b>Chief, Central America and Panama Finance Division</b>	15. DATE DOCUMENT RECEIVED IN AID/W OR FOR AID/W DOCUMENTS. DATE OF DISTRIBUTION DATE SIGNED MM DD YY <input type="text" value="06"/> <input type="text" value="30"/> <input type="text" value="78"/>
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SOLIDARIOS Development Fund

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PART I. SUMMARY AND RECOMMENDATIONS

A. Face Sheet

B. Recommendations. The AID Regional Development Office/Central America recommends authorization of a grant for \$4,000,000 to provide assistance to the Council of American Development Foundations (SOLIDARIOS). The grant will be funded over a period of three years as follows: FY 78 - \$1,500,000; FY 79 - \$1,500,000; FY 80 - \$1,000,000.

C. Grantee. The Grantee will be SOLIDARIOS, a federation of twelve Latin American development foundations, legally chartered in Guatemala and the Dominican Republic, with headquarters in Santo Domingo, D.R. SOLIDARIOS provides credit, financial, technical and representational services to its member foundations, who promote and finance developmental projects undertaken by low-income groups.

D. Program Summary. The purpose of this project is to increase SOLIDARIOS' institutional capacity to provide member foundations with (a) a source of credit to support development programs carried out by member development foundations and (b) needed technical assistance for the development and implementation of projects for low income groups.

The formation of national development foundations (NDFs) began in the 1960s when various elements of the private sector became concerned over the lack of opportunity for socioeconomic development among low income groups. The foundations were seen as vehicles for providing technical assistance and credit to groups and individuals for whom institutional credit was otherwise unavailable in both rural and urban areas. Most foundations began operations with relatively small levels of capitalization from local private sector sources, and although many have succeeded in attracting contributions from international donors, sources of market rate funds remain limited. With the formation of SOLIDARIOS, the aggregate fund-raising capacity of the member foundations will be increased significantly.

Projects supported by the individual NDFs cover a broad spectrum of activities. While agricultural projects seem to predominate, there is also significant support of various small business projects in the urban sector and an occasional social project addressing health or education needs. Typically a group of campesinos or barrios workers will pool their resources in a joint effort, such as cooperative marketing of their crops or raising livestock, development of a small handicraft business such as wood or weaving, or joint participation in a small enterprise venture, e.g., clothing manufacture, cabinetry, bookbinding.

The great majority of foundations have established credit policies which give preference to group clients. Although collateral is rarely required, peer pressure within the group being financed has operated to ensure a

high rate of recovery. The groups are usually small, numbering 5-20 heads of family, and are often formally organized as cooperatives. This type of an association has been promoted by many foundations, generally with accompanying technical assistance in the areas of organization, administration, and financial management.

Projects which ultimately receive AID funding will pass through two review processes; after approval at the NDF level they will be submitted to SOLIDARIOS which will review them to ensure that they conform with SOLIDARIOS' credit policy and are also consistent with the conditions and lending criteria set forth in the AID grant agreement.

In addition to contributing \$3,550,000 in seed capital, which will increase SOLIDARIOS' capacity to lend financial support to its members, the project will provide managerial and technical assistance to the foundations. The institutional support component will help SOLIDARIOS to establish a self-supporting program whereby member foundations can be provided with needed assistance in project development, implementation and evaluation. The creation and funding of two regional loan analyst positions in SOLIDARIOS is included in this component.

A technical assistance component will provide support for a management survey team at the onset of the project. This team, composed of a financial analyst and a development generalist, will visit eight of the newer member foundations which have demonstrated a need for assistance in developing certain institutional capabilities. The survey team will evaluate the performance record and present capacity of each foundation, identify problem areas, and recommend courses of action to deal with these deficiencies. A report on the survey team's evaluation and recommendations will be submitted both to SOLIDARIOS and the member foundations, which will then take appropriate action based on the recommendations. The survey team will make follow-up visits to these foundations to evaluate the progress they have made and determine their capacity to absorb requested loan funds from SOLIDARIOS. The technical assistance component also includes continuing support for additional consultants (e.g., the "punch corps") which SOLIDARIOS will employ to address specific technical assistance needs of individual NDFs, including those identified in the survey team's reports.

E. Summary Financial Plan. It is expected that AID grant funds for the project will be allocated as follows:

	<u>Financial Plan</u> (in U.S.\$000s)
Seed Capital	3,550
Institutional Support	200
Technical Assistance	<u>250</u>
Project Total	4,000

Interest charges on loans from SOLADARIOS to the member NDFs using AID seed capital will be 5%. Interest rates charged by member NDFs to ultimate borrowers will vary but will be equal at or near commencement than prevailing market rates in each country.

F. Summary Findings. The SOLIDARIOS Development Fund project appropriately addresses the problem of credit constraints inhibiting the development of low-income target groups in Latin America, and the continued viability of the fund has been determined to be financially and administratively feasible. Based on SOLIDARIOS' present institutional capacity, their record of sound financial management, and current involvement and performance in providing assistance to national development foundations of Latin America, the project is considered to be ready for implementation.

A management survey team will immediately be fielded to evaluate the present capacity of newer member foundations of SOLIDARIOS. The team's report will provide the basis for channeling foundation-specific technical assistance to ensure that all member foundations will develop the institutional capabilities necessary to absorb additional funding and expand their individual credit programs. Loans to four of the member foundations will begin immediately, and it is expected that all NDFs will be receiving loan support from SOLIDARIOS by December, 1979.

The project meets all applicable statutory criteria (Annex 2). A Mission Director's 611 Certification is not required.

G. Project Issues.

1. Bilateral lending to national development foundations. To the extent that international development institutions and donors contribute directly to NDFs, by-passing the regional credit delivery system mechanism that this project will help build, the viability of SOLIDARIOS may be impaired. The experience has been, however, that financing near or equal to that of commercial rates is simply not sufficient to meet current and projected credit requirements of the target groups served by national development foundations. While AID funds will carry a 5% interest charge by SOLIDARIOS to the borrower-foundation, the ultimate cost of credit to the borrowers will not vary widely from prevailing market rates, and will provide a source of reasonable credit that would otherwise not be available to low-income groups.

2. Institutional Capacity of SOLIDARIOS. SOLIDARIOS is a relatively new organization, with a small staff of five, and only recently received a small amount of seed money from PACT (\$340,000) with which to start its lending program. Concern has been expressed over SOLIDARIOS' lack of experience as a lending institution, and the possible need to delay the project in order to allow a more measurable demonstration of SOLIDARIOS' financial viability and institutional capabilities. In discussions with earlier grant supporters of SOLIDARIOS, however, satisfaction with their

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project management was expressed, and a subsequent analysis of SOLIDARIOS' financial resources and management system by a professional financial analyst provided further evidence of SOLIDARIOS' financial viability. In balance, it was decided that these and other indications of SOLIDARIOS' capacity to carry out a lending program were strong enough to move forward with the project as planned.

H. AID Project Committee

Darean Day, AID/W, Finance Officer  
Charlotte Jones, AID/W, Education Economist  
Mary June, AID/W, IDI Finance Officer  
William Kaschak, AID/W, Social Science Analyst

Project Advisor and Consultant

William Roach, Finance Consultant

AID Reviewing and Approving Officer

Henry Bassford, AID/W, Finance Officer

COMMON ABBREVIATIONS

AID	-	Agency for International Development
DPG	-	Development Program Grant
FBD	-	Bolivian Development Foundation
FDD	-	Dominican Development Foundation
FED	-	Ecuadorian Development Foundation
FMDR	-	Mexican Foundation for Rural Development
FUCODES	-	Costa Rican Development Foundation
FUNDE	-	Nicaraguan Development Foundation
FUNDES	-	Colombian Development Foundation
FUNHDESA	-	Honduran Development Foundation
IAF	-	InterAmerican Foundation
IBRD	-	International Bank for Reconstruction and Development (World Bank)
IDB	-	International Development Bank
IICA	-	InterAmerican Institute of Agricultural Sciences
INCAE	-	Central American Institute of Business Administration
INDES	-	Institute of Social Development and Human Welfare (Argentina)
NDF	-	National Development Foundation
PACT	-	Private Agencies Collaborating Together
PADF	-	Pan American Development Foundation
SOLIDARIOS	-	Council of American Development Foundations
TTDF	-	Trinidad and Tobago Development Foundation

PART II. PROJECT BACKGROUND AND DETAILED DESCRIPTION

A. BACKGROUND

1. The Development Problem: Constraints to Which the Project is Addressed.

Opportunities for the small producer in Latin America to improve his economic and social status have traditionally been constrained by: (a) an overcentralization of public services and a corresponding lack of local and regional organizational competence and infrastructure in both urban and rural areas; and (b) the absence of institutional mechanisms to facilitate and motivate the productive economic and social involvement of lower income groups in the process of their own development, including, but not limited to, the lack of access to both credit and related services necessary to increase productivity and incomes.

Of all low income groups, the small and often landless farm families have suffered most from the prevalence of the above factors. Restrictive patterns of land tenure, the absence of organized, responsive marketing and distribution systems, and lack of access to technical assistance, credit, and other services have also contributed to declining (in relative terms) socio-economic conditions for this group. As both a cause and a consequence of these conditions, this group suffers from poor health, illiteracy, inadequate housing, high levels of underemployment, and limited awareness of socio-economic alternatives, which gives them little hope of undertaking profitable endeavors which should improve their economic condition. The small entrepreneur as well as the urban poor suffer from many of these same development constraints.

In recognition of these problems, AID has supported multifaceted development programs directed at the small farm subsector and the small entrepreneur, and has financed economic and social projects through governmental entities in the areas of agriculture, health, education, nutrition and environmental sanitation. However, AID has not yet fully tapped an important source for development funds and technical assistance; namely, the private sector within Latin America. This project is thus aimed at providing additional resources to non-governmental, private foundations in the belief that the private sector and the beneficiaries themselves can make a significant contribution to development by promoting and financing projects having significant economic benefits, and by developing social programs that can bring about self reliance and broadened awareness of community options. This project is expected to stimulate private sector involvement in the development process by providing the National Development Foundations (NDFs) within Latin America with a continuing source of financing for their development through the creation of a revolving credit fund in their consortium, SOLIDARIOS.

## 2. National Development Foundations.

Recognizing that serious development constraints prevent the rural and urban poor from benefitting from economic growth and modernization in Latin America, and that government sponsored programs are often too few or ineffective in reaching large numbers of poor, concerned members of the private sector have joined together in many of the Latin American countries to found national development foundations as a means of directing private sector assistance to the poor majority. The prototype of this movement was the Penny Foundation in Guatemala which was established in 1963 for the expressed purpose of involving the private sector in the development process. With the help of the Guatemalan business community which provided donations and support, an assistance program was initiated around the concept of providing loans and technical assistance to the poor campesino for agricultural inputs such as fertilizer, seeds and other cropping needs. Based on this model, foundations have since been established in most of the other Latin American countries to provide technical assistance and loan funds to the lowest income groups.

Activities supported by the NDF's have varied widely. Credit for agricultural inputs such as seed and fertilizer, is being provided to the small farmer by most of the National Foundations. Artisanry activities have been supported by many foundations, including Colombia, Ecuador, and the Dominican Republic. In Colombia, the foundation specializes in promoting urban activities such as small manufacture, metal work, cabinetry. Social projects such as housing have been undertaken in Guatemala following the earthquake.

During their infancy, many NDF's received assistance from the Pan American Development Foundation (PADF) which has assumed a major role in assisting in the promotion and organization of new foundations. In some countries, the PADF helped establish a new foundation; in others existing foundations were reorganized and strengthened. Assistance for specific programs has also been provided over the last years to most of the foundations by AID, Inter American Foundation (IAF) and other donors. For instance, the rural credit programs in the Dominican Republic and Guatemala have received AID loan funds. Private Agencies Collaborating Together (PACT) have supported a handicraft program and CARE has set up a fund for the promotion and establishment of cooperatives in the Dominican Republic. The IAF has allowed expansion of a day care center in Nicaragua to serve as a pilot for a country-wide program.

A key element to the continued viability of all the foundations has been support from the the private business sector in each country. They have donated both financial resources as well as time and energy as members of the boards of directors and assemblies.

The foundations assist their clientele in three major areas:

(1) credit assistance -- making credit funds available to low income groups who propose to undertake developmental and production-related projects and who do not qualify for credit from individual lending institutions; (2) promotional assistance -- providing organizational advice as well as managerial training to establish or strengthen local groups or cooperatives; and (3) technical assistance -- providing specialized, technical assistance for both project development and implementation.

(1) Credit Assistance. All of the national foundations have established revolving loan funds through which development loans are made to groups organized by and for the members. In addition, two of the foundations (Zona Sur in Ecuador and FUNDES in Colombia) loan directly to individuals, mainly for projects in urban areas, such as handicrafts or small industry projects. Two other foundations (Mexico and Trinidad and Tobago) do not generally make loans but utilize the fund as a guaranty for borrower lending at commercial institutions. Loans are made to sub-borrowers without mortgage or collateral guarantee, at interest rates equal to or slightly lower than those of commercial banks. Most loans are made on a short-time basis. Those for seeds, fertilizers and the like are usually repaid once the harvest is collected, whereas those for machinery such as water pumps, are paid over a longer period of time, depending on projected cash flows. Projects are analyzed by foundation staffs which generally include an administrator, specialists and field workers, and are approved by a board of directors representing the private sector.

(2) Promotional Assistance. The NDF's have generally found that the most successful means of dealing with the rural and urban poor is through the organization of community groups. Group lending has been successful in both reinforcing self-help efforts of the members of the group and in creating social and peer pressure to help ensure loan repayment. Thus, a significant amount of foundations' energy is devoted to the establishment of local community organizations. This has fostered local participation and the development of local initiatives. The foundations have assembled one of the larger and most effective groups of community development professionals and promoters in Latin America, and have continued to provide specialized training for them in community organization and participation skills. These field workers or promoters help communities with project identification and the preparation of project proposals, and arrange for necessary financing for these projects.

(3) Technical Assistance. The foundations' provide not only financial resources but also limited technical assistance and training to local groups and small entrepreneurs. The field staffs of the NDFs usually include agronomists and other technical specialists, and in some cases, they can call upon experts from government or private voluntary organizations to provide other necessary technical assistance for which no in-house capability exists.

3. Constraints Inhibiting Expansion of National Development Foundations

a. Credit Constraint

A considerable body of evidence now exists to the effect that in Latin America the lack of institutional credit is a major constraint to increasing production, productivity and real incomes of small producers. <sup>1/</sup> Demand far exceeds the supply from all known sources as demonstrated by the widespread utilization of informal credit sources at rates of interest varying from near commercial levels to 100% and more. Common informal interest rates average between 20% and 50% per loan, the majority of which are for periods of one to three months. Often the small producer has no access to an institutional source of production or marketing credit, or would not think of using it. The national development foundations have played an important role in addressing this problem by not only making credit available, but in bringing awareness to the small producer (through the foundations' system of promoters) of the potential for organizing to meet credit needs. By providing credit at or near commercial rates to groups who have heretofore been unable to obtain commercial credit, many groups have been able to establish a credit history and subsequently become eligible for borrowing from regular channels.

Availability of funds has been the principal limiting factor in the expansion of the NDF's credit programs. Although the size of the credit funds administered by each NDF varies widely, as does their ability to attract donations both from private in-country sources and from international donors, all have had fewer resources available than they could utilize effectively as has been amply demonstrated by a recent demand study prepared by IICA/IDB.<sup>2/</sup> The current combined loan portfolio of the NDFs totals about \$10 million, while current unmet demand from local members has been estimated at \$18 million and might be as high as \$26 million. However, the additional capacity to manage resources of this magnitude also varies widely. The Dominican Republic currently has a portfolio of nearly \$5 million and could easily increase its portfolio, while the smaller foundations in Argentina and Costa Rica have active portfolios of less than \$50,000. Thus, additional assistance to many foundations would be required to increase their capacity to manage significantly larger resources.

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<sup>1/</sup> See Colombia (1973) and Guatemala (1975) studies performed by Sector Analysis Division of Latin America Bureau of AID incorporating the results of comprehensive farm-level surveys. The 1973 Spring Review of Small Farmer Credit, Country Papers, indicate a similar conclusion as do a number of demand analyses for FY 1974 -- FY 1977 agricultural credit loans throughout Central and South America.

<sup>2/</sup> IICA. Programa de Desarrollo Rural 1977-1980. Costa Rica, 1977.

b. Administrative Weaknesses.

A critical constraint to the growth of many of the NDFs has been their limited management capacity, especially in the operational areas of credit administration, accounting, and finance, as well as in project development, review, and evaluation. Weak management skills in these foundations in turn has had a significant effect on their ability to maintain a viable credit fund. Unsound subprojects have often led to high default rates and decapitalization of credit funds, while inefficient administration has resulted in high operating costs per loan.

Recognizing these weaknesses, a principal objective of AID's current \$392,000 specific support grant (DPG) to SOLIDARIOS, is to provide assistance to all the foundations in establishing sound and effective systems for the control and reporting on the financial assets of the foundations, including unified accounting manuals. Additional assistance in the areas of program planning, development and evaluation is also underway. It should be recognized that the needs of the foundations vary. Those of Mexico, Dominican Republic, Guatemala, and Nicaragua have large, well-organized staffs while the newer foundations like Bolivia and Trinidad and Tobago have smaller staffs with less experience and training

c. Ability to Provide Technical Assistance to Their Clientele.

The national NDFs must furnish varying degrees and types of assistance to enable their subborrowers to develop and implement feasible, productive enterprises. Since their clientele are among the poorest in Latin America and the projects are often characterized by a high degree of risk, the ability to provide appropriate assistance to their constituents is crucial to such project success. The foundations generally have small technical staffs although they are occasionally able to call upon the private sector for donated expertise as well as in some cases, services from government agencies. However, the ability to provide this crucial technical assistance varies widely among the foundations, ranging from excellent in Dominican Republic and Mexico to less than adequate in Costa Rica and Ecuador. Thus, if many of the NDF's are to have a meaningful impact, and if successful projects are to be implemented, their technical capabilities must be improved.

4. Evolution and Formation of SOLIDARIOS

SOLIDARIOS was created on October 9, 1972 for the initial purpose of establishing a representative body with a Latin American character that would coordinate activities for the benefit of all the National Development Foundations and provide a forum for the exchange of ideas and experience on the specific work being carried out by each of them. More recently the NDFs have come to realize SOLIDARIOS' potential for acting as a fund raiser

for its members, having discovered donor agencies often prefer to work with a consortium type organization rather than to work with each foundation individually. Furthermore, the NDFs recognized that a consolidated fund raising effort by SOLIDARIOS could provide considerable savings for all the foundations in terms of time, energy and manpower.

The membership of SOLIDARIOS includes 12 member foundations in eleven countries: Argentina, Bolivia, Colombia, Costa Rica, Dominican Republic, Ecuador (2), Guatemala, Honduras, Mexico, Nicaragua, and Trinidad and Tobago. However, membership is open to other institutions having the same philosophy and mode of operation.

During its first three years of operations, SOLIDARIOS promoted increased contacts among its members and between the foundations and international development organizations. It also provided services in the form of seminars on relevant topics and scholarships. For example, it organized a two-week seminar in Europe on the theme of "Promotion of Self-help Organizations with the Participation of Development Institutions" financed by the German Foundation for International Development. As a result of this seminar a Joint Document was prepared by the foundations describing the conceptual framework, objectives and goals of the foundations and SOLIDARIOS. With help from the Rockefeller Brothers Fund, another seminar on "Management of Non-Profit Development Organizations" was held under the academic direction of the Instituto Centro-americano de Administracion de Empresas (INCAE). SOLIDARIOS has also published three books on development, and contributed audiovisual equipment for educational and promotion programs to six of its members.

Four scholarships have been provided for candidates nominated by the foundations, enabling them to complete their Master of Business Administration program at INCAE and then return to work for the sponsoring foundation. This program was financed by a TINKER FOUNDATION grant of US\$32,000 with counterpart funds from INCAE and the foundations. In 1977, 13 foundation staff members participated in 4 - 6 weeks management training courses carried out under the direction of INCAE, also financed by the Tinker Foundation.

In 1976 SOLIDARIOS initiated a research project on the "Rural Development Model of the NDFs". This study, financed by a \$221,000 grant from the Institutional Development Research Center of Canada, analyzed the impact of the programs of five participating foundations on the social and economic well being of rural communities and reviewed their organizational, managerial, and financial constraints. Taking into account these findings, SOLIDARIOS has assumed a new service function and has sought international donor assistance to strengthen its capacity to provide assistance to the NDFs to improve their administrative and technical capabilities and to establish a permanent source of financing for development initiatives undertaken by participating member foundations.

5. Other Donor Assistance.

a. IDB Program

In 1976 the International Development Bank (IDB) financed a feasibility study to determine the potential for expanding the rural development efforts of the NDFs. The study included an analysis of the human and financial resources of the foundations as well as their capability to enlarge and extend their present programs for the benefit of the lowest income groups, should enough resources become available to them. The study recommended an \$8 million program to provide financing for development programs sponsored by the foundations through the creation of a permanent revolving credit fund in SOLIDARIOS.

b. PACT Grant

To provide an opportunity to SOLIDARIOS to create a revolving credit fund on a small scale, Private Agencies Collaborating Together (PACT) granted SOLIDARIOS \$400,000 in April 1977, to establish a SOLIDARIOS Development Fund (SDF) from which loans can be made to SOLIDARIOS member national development foundations. The foundations will in turn use these funds to make subloans to low income persons and groups unable to obtain credit from commercial sources. Sixty thousand dollars of this grant covers administrative costs of the fund while the remaining \$340,000 will provide the initial capitalization of the loan fund. It is expected that this grant will enable SOLIDARIOS to develop appropriate institutional and financial procedures and lending experience which will justify future expansion of its revolving loan fund. In July representatives of the foundations adopted procedures for the processing of loan proposals and policies on the terms and conditions of sub-loans.

The Executive Committee of SOLIDARIOS has approved to date loan requests from five foundations for \$254,000: Bolivia (\$74,000); Costa Rica (\$30,000); Mexico (\$50,000); Dominican Republic (\$50,000); and Nicaragua (\$50,000) based upon the projected absorptive capacity of each foundation as determined by the IDB/IICA study. In Bolivia, the loan from SOLIDARIOS will be utilized: (1) to increase FBD's capability to provide technical assistance to small farmers in organization, administration, and marketing (\$29,000) and (2) to increase its revolving fund (\$45,000). In Costa Rica, Mexico, and the Dominican Republic, the NDF's will utilize the credit funds to increase the size of their revolving loan funds for the benefit of low income farmers. In Nicaragua, the loan will enable Funde to provide additional financial assistance to rural cooperative groups.

c. AID Development Program Grant

In October, 1977, AID granted SOLIDARIOS a \$392,000 support grant for a three year program to increase and improve its capability to

provide assistance to member foundations in the areas of planning, programming, project design and evaluation. The grant is currently financing technical assistance needed to develop monitoring mechanisms, and to improve managerial skills that will permit a better use of the human and financial resources of the member NDFs. Grant activities also include the dissemination of information to make the work of the foundations better known as well as the exchange of experience among member foundations in areas where techniques can be adapted for the benefit of the lowest income people. In addition, the grant is financing the development of three manuals: an accounting manual enabling a common accounting system for all the NDF's; a manual of project evaluation directed at projects at the group level; and a Development Fund operations manual. Seminars and workshops in project planning, design and evaluation are also planned.

6. Request by SOLIDARIOS to A.I.D. for Additional Assistance.

While assistance from PACT and the AID DPG have provided SOLIDARIOS with the initial capitalization of its development fund and technical assistance to set up its operations, additional funds are needed to increase the capitalization of the fund so that SOLIDARIOS will be able to meet the anticipated demand from its member foundations and earn sufficient revenues from increased lending volumes to pay its administrative costs and ensure the fund's financial viability.

SOLIDARIOS has therefore requested A.I.D. grant assistance to increase the capitalization of the Fund. This request is primarily based upon the feasibility study funded by the IDB which has demonstrated a current effective demand for approximately \$8 million in additional concessionary funds for rural development programs of the member foundations. A.I.D. has responded by proposing the \$4 million project described herein, which will provide \$3.55 million to increase the capitalization of the fund and \$450,000 for technical assistance to both SOLIDARIOS and the foundations to improve their administrative and technical capacities to expand their development programs. In view of the newness of the fund and SOLIDARIOS' lack of credit history, the financial analysis supports the use of grant concessional resources rather than loan funds. The analysis further shows that \$4 million disbursed over a three year period should be sufficient to permit SOLIDARIOS to demonstrate the continuing financial viability of the fund. It is expected that this grant will be followed by an IDB loan in two or three years, as SOLIDARIOS demonstrates its ability to manage the fund. The proposed approach has been discussed with the IDB which has agreed that it would be premature to lend SOLIDARIOS funds at this time. The IDB would be prepared to consider a concessional loan to SOLIDARIOS to increase the capitalization of the fund once its financial viability has been established. Meanwhile, the Bank plans to maintain contact with SOLIDARIOS and to follow its administration and operation of the development fund and will provide additional support to SOLIDARIOS for the eventual submission of a loan request.

B. DETAILED PROJECT DESCRIPTION

1. Statement of Goal.

The goal of this project is to improve the access of low income groups in Latin America, particularly in the rural areas, to access to capital resources from private, non-governmental development institutions. The project will support both: (1) programs that increase target group incomes by providing credit for increasing farm income or financing small business or artisanry projects; and (2) programs that support marketing and consumer activities including possible social projects like community centers, or low cost housing.

2. Purpose.

The project purpose is to increase SOLIDARIOS' institutional capacity to provide member foundations with (a) a source of credit to support development programs carried out by member development foundations and (b) needed technical assistance for the development and implementation of projects for low income groups. These purposes will be achieved through a program comprised of three elements:

(a) Creation of a permanent, financially viable, revolving credit fund administered by SOLIDARIOS, from which its members can draw financial resources in order to implement development projects for the benefit of low income groups in their respective countries.

(b) Establishment of a self-supporting training and technical assistance program for those member foundations who need to strengthen their planning, administrative, and technical capacities to develop and implement local projects.

(c) Institutional support to strengthen SOLIDARIOS' capability to analyze the financial, social, and economic feasibility of loan applications from member foundations.

3. Project Description.

a. SOLIDARIOS Development Fund

In 1977 SOLIDARIOS obtained initial seed capital to establish a credit fund for financing projects benefiting low income persons or groups through a grant for \$400,000 from Private Agencies Collaborating Together (PACT). Through this grant and an A.I.D. DPG, the basic groundwork for fund operation and eligibility criteria is now being established. An additional \$3.55 million in grant funds will be provided

under this project to increase the size of the fund to a level necessary to both support current program needs of the NDF's as well as to permit SOLIDARIOS to earn sufficient revenues to cover its general, administrative and overhead costs without decapitalizing the fund.

1) Criteria for Subproject Eligibility

In order to be eligible for subproject financing, SOLIDARIOS has established a set of criteria for subproject eligibility. First, a national development institution must be a member of SOLIDARIOS. This membership is open to any private, non-profit development group which credibly administers its own revolving loan program directed at the rural and urban poor in accordance with the common philosophy espoused by all the NDFs. Second, requests for subprojects must show that they are directed at the lowest income sectors and contribute to their social and economic betterment. The beneficiaries themselves are to be responsible for project implementation, with the foundations limiting their role to that of providing financial and technical assistance. Third, the proposals must demonstrate that the foundations will be able to cover the administrative expenses of the proposed program. Fourth, the type of subprojects financed under the fund can be either economic or social types of projects as long as it can be demonstrated that the loan is within the capacity of the sub-borrowers to repay. Furthermore, the foundations can request loans for either an individual project, for a specific group of individuals or cooperatives, for an overall type of program like handicrafts, or for projects with a specific geographical focus.

2) Interest Rate.

Interest rates charged by the NDFs to their borrowers will vary in accordance with the official interest rate levels charged in each country. The financial analysis section (Annex 10) contains a summary of these rates by each foundation. It should be noted that the foundations have learned through experience the importance of avoiding decapitalization of their revolving funds by using too concessional an interest rate. Their credit policies and operations now are normally keyed to lending at or near the commercial bank rate for personal loans. It should be remembered that the alternative sources of the funds for the clientele of these foundations are not banks, but street lenders whose interest rates may be as high as 200% in annual terms. The interest rates charged by the foundations will be sufficient to cover their administrative overhead, which is generally kept low by the nature of the organizations.

SOLIDARIOS will charge a 5% interest rate to the NDFs which is considered to be adequate to cover its administrative costs for operating the fund as well as for financing a permanent program of technical assistance and training for the foundations. With AID approval, SOLIDARIOS

may elect to lower its interest rate to the NDF's, if experience demonstrates that sufficient income can be generated through a lower rate to cover its costs. This could be feasible in two - three years if additional capital is provided to increase the size of the Fund without substantially increasing the Fund's administrative costs.

### 3) Distribution of Funds

SOLIDARIOS programming of the proposed A.I.D. grant will be based on the IDB/IICA study. However, disbursements will be limited during the first year to the four NDF's which have been shown to have the strongest capacity to manage additional funds according to the financial analysis undertaken for this project. These are Mexico, the Dominican Republic, Guatemala, and Nicaragua. Meanwhile, a management team composed of a financial analyst and a development generalist will be contracted by August, 1978 to visit each of the other eight foundations and analyze their absorptive capacity and technical assistance requirements. Based on this analysis and recommendations by the management team SOLIDARIOS will assist those foundations which have been shown to be in need of help according to the recommendations of the management team, thereby enabling disbursement of an appropriate level of funding for the weaker foundations by the second year of the project. All foundations will eventually receive loan assistance and care will be taken to ensure that the stronger foundations do not absorb a disproportional share of the funds. A projected demand for subprojects by country, based on the IDB-financed study is shown in the following Table. It should be kept in mind, however, that the recommendations of the management team could change this distribution.

TABLE I

SOLIDARIOS DEVELOPMENT FUND

ANALYSIS OF THE DEMAND FOR CREDIT FROM SOLIDARIOS

<u>NATIONAL DEVELOPMENT FOUNDATIONS</u>	US \$ <u>AMOUNT</u>
Bolivia	185,000
Colombia	365,000
Costa Rica	185,000
Ecuador (Quito)	185,000
Ecuador (Guayaquil)	185,000
Guatemala	185,000
Honduras	185,000
Mexico	540,000
Nicaragua	360,000
Dominican Republic	540,000
Others (Argentina, Trinidad & Tobago)	<u>635,000</u>
TOTAL	3,550,000

b. Technical Assistance to Member Foundations

SOLIDARIOS is currently composed of 12 member national development foundations, although its membership is open to other private foundations whose purposes and mode of operations are similar to the NDFs in emphasis and approach. These foundations differ widely in staff size, total assets, length of existence and effectiveness in organizing and promoting projects among its clientele. Because the newer and weaker foundations have not established a significant track record in their fund operations, it has not been possible to accurately assess their capacity to effectively manage additional funds.

Recognizing that information available on the eight smaller foundations is insufficient to judge their management capabilities, a survey team comprised of a finance/management specialist and a development generalist with assistance from the SOLIDARIOS executive staff will perform an in-depth study of these smaller NDFs to assess their capabilities, recommend courses of action to overcome their administrative and technical deficiencies, including specialized technical assistance requirements, and make follow-up visits to determine compliance with recommendations. \$117,000 in grant funds will be utilized to pay the costs of the management team.

An additional \$121,000 will be reserved to establish a technical assistance fund, administered by SOLIDARIOS, which will finance short-term specialized technical experts to assist member foundations resolve administrative, financial and technical deficiencies identified by the survey team. This fund will also be used to support requests for individual NDFs on an ad hoc basis for specific technical expertise to assist subborrowers design and appropriately implement their projects. Low cost technical assistance support can be obtained from the Partners of the Alliance, International Executive Service Corp., and Volunteers in Technical Assistance, and funded by SOLIDARIOS.

c. Institutional Support to SOLIDARIOS

A.I.D. grant funds of \$200,000 will be designated for assistance to SOLIDARIOS in administering the fund. SOLIDARIOS' current staff of five employees will be augmented by two additional analysts, one to be located in South America and the other in Central America. They will be attached to a local foundation and available to assist its staff when not traveling. These analysts will assist the member foundations in the design and packaging of project proposals to be presented to SOLIDARIOS for financing. They will thus help ensure that the proposals are backed by necessary supporting analysis and are in accordance with the loan credit policies of SOLIDARIOS. As members of SOLIDARIOS staff they will also assist in the review process and make recommendations for action on the proposals to the SOLIDARIOS Executive Committee. A.I.D. grant funds will

finance salaries, supporting equipment and some other costs for this staff. SOLIDARIOS and the foundations will provide office space, in-country transport, and other costs. Upon completion of the project, it is expected that increases in the size of the fund and the corresponding increase in revenues to SOLIDARIOS will be sufficient to permanently support these staff additions as well as enable SOLIDARIOS to absorb other operational costs currently being paid for under the PACT grant and AID's DPG.

SUMMARY BUDGET (\$ 000s)

<u>CREDIT FUND</u>	3,550
<u>TECHNICAL ASSISTANCE</u>	250
<u>INSTITUTIONAL SUPPORT</u>	<u>200</u>
	\$4,000

### III. Project Analysis

#### A. Institutional Analysis

##### 1. SOLIDARIOS Headquarters

SOLIDARIOS is presently headquartered and legally incorporated in the Dominican Republic as a non-profit organization. The General Assembly, which is composed of two members from each NDF, is responsible for the overall policy of SOLIDARIOS and meets annually with each foundation having one vote. A five-member Executive Committee, chosen from the General Assembly membership, is elected for a two-year period. This Committee is responsible for hiring a General Secretary. Operational responsibilities rest with the General Secretary and his staff. The fixed operating costs for SOLIDARIOS are covered by quotas paid by the members and donations from various sources. The quotas are established during each General Assembly, based on the financial capabilities of the members.

Originally, SOLIDARIOS had three full-time employees: a secretary general responsible for the day-to-day operations; a volunteer agricultural economist, who prepared specific project proposals or provided technical assistance to member NDFs, and a secretary. The AID DPG allowed SOLIDARIOS to hire an accounting/finance specialist, a project design and evaluation technician and an additional secretary, bringing the size of the salaried staff to five. Funding for these new positions under the AID DPG will continue for three years, after which they will be financed from interest charges on lending from the proposed development loan revolving fund. To strengthen the institutional capacity of SOLIDARIOS to analyze the financial, social and economic feasibility of loan applications from member NDFs, two regional loan analysts will be hired and initially funded under this grant. However, their salaries will also be eventually absorbed from the interest spread on the revolving fund, as described in the financial analysis below.

SOLIDARIOS' staff of five professionals and two secretaries is considered to be adequate to effectively administer the proposed AID financed credit fund. Financial projections for SOLIDARIOS also give reasonable assurances that recurring operating costs will be adequately covered.

## 2. National Development Foundations

The typical NDF organizational structure includes a Board of Directors, composed of representatives of the private sector, administrative personnel, and field workers who establish direct and permanent contact with the communities. Funding is obtained largely through donations from the private sector and from contributions from international institutions. As of 1977, total assets of all member foundations approached \$10 million.

The institutional capacity of each member foundation to manage expanded credit programs varies. Information available indicates that some are quite sophisticated and experienced, requiring only additional capital to carry out an expanded program. Others, however, are in need of significant management assistance to develop their institutional capacity for operating credit projects for low income target groups.

In evaluating the institutional capacity of the individual NDFs, four criteria were used:

1. Financial Resources: the adequacy of the financial resources available to the foundation to meet its program needs. This implies some degree of fund-raising capability.

2. Staff: the adequacy of the total number and type of personnel, whether part-time, full-time, paid or volunteer, to meet the full program needs of the foundation.

3. Technical and Administrative Competence: the competence of the technical and administrative staff in ensuring that the foundation can evaluate and select appropriate clients, assist in the design and implementation of projects, realize an acceptable rate of recovery on loans made, and otherwise efficiently administer daily operations so as to maintain financial viability.

4. Outreach: the ability of the foundation's promotional-extension component to reach the target group, motivate target group members to use credit for developmental projects, and effectively translate their credit needs into appropriate projects.

Based on these factors, the foundations can be divided into two categories: Category I - Dominican Republic, Guatemala, Mexico, and Nicaragua; Category II - Bolivia, Colombia, Ecuador (North and South branches), Costa Rica, Honduras, Argentina, Trinidad and Tobago. While the line drawn between these two categories is somewhat arbitrary, several characteristics emerge which typify the members of each group. The Category I foundations are older--all were founded during the 1960s and average 11 years of operational experience. The Category II foundations, on the other hand, did not begin operating until the 1970s (Ecuador excepted) and average little more than six years of experience.

Further, the Category I NDFs are larger, both in assets (each totals assets in excess of \$1 million) and in number of personnel (staff size averages 42 people). None of the Category II members, have assets over \$350,000 (all but two are under \$150,000), or more than 12 employees. While none of these factors are themselves determinative of present performance, they do provide some perspective for gauging the level of institutional development achieved by any given foundation.

An evaluation of each member's institutional capacity to expand its program, were it to receive increased funding, can be summarized as follows:

### Category I

1. FDD (Dominican Republic). This foundation has been extremely successful in attracting donated resources; it has demonstrated its financial viability; has a large and competent staff; has enjoyed sound management since it began operations; and has a very active and effective extension arm. It has been considered to be a model foundation by PADF and others, and may even be considered a "resource" foundation within SOLIDARIOS for the purpose of assisting weaker members with particular problems. FDD has conducted a highly successful rural loan program and developed a special expertise in handling small loans to campesino groups. The institutional capability of this foundation is well established.

2. Fundacion del Centavo (Guatemala). The Fundacion del Centavo is the oldest of the NDFs and has a well-established track record. Although it has been less successful than other Category I foundations in capturing grant and donated resources, it receives larger amounts of loan contributions than the others, and is the second largest foundation in terms of assets. It has a staff of 32, and has technical specialists in various areas. The fact that this foundation relies more heavily on loans than any other NDF, and yet can operate with the highest surplus of revenues, speaks highly of its administrative and technical competence as well as its sound management capability. Its outreach activities have also been successful; fully 1/3 of the professional staff are field agents who have been effective in helping small farmers. In its 15 years of operation this foundation has amply demonstrated a strong institutional capacity.

3. FMDR (Mexico). FMDR is unique among Category I foundations in that its credit operations are, for the most part, restricted to guarantying loans made by commercial banks to small farmer groups, rather than lending directly, since Mexican law normally permits only recognized banking institutions to engage in direct credit operations. However, private banks often are not interested in lending when loan requests are for small amounts (under US\$460). In these cases FMDR can provide credit directly to small farm groups. FMDR also lends on an interim basis to other small borrowers when approval of private

bank loans for agricultural production credit are delayed. Under this project AID-funded SOLIDARIOS loans to FMDR will initially be limited to the above direct lending operations (internal FMDR policies permit up to 20% of its total portfolio to be used for its direct credit operations). However, AID will also examine the legal limitations on permitting its grant to SOLIDARIOS to be sublent for interest-bearing deposits in the FMDR guarantee fund. Early approval of an acceptable legal formula which will permit AID grant funds to be used to capitalize FMDR's guaranty fund will also have implications for eventual assistance to the Trinidad and Tobago NDF, which should be eligible for credit funds from SOLIDARIOS late in the second year of project implementation.

FMDR successfully operates sixteen regional service centers using both the considerable donations it has attracted and the interest earned on the reserve guarantee funds. The competence of their operations is reflected in the 97% recovery rate on loans guaranteed and the respectable excess of revenues over expenditures. Because FMDR was established to serve campesinos throughout the whole country, project activities have been organized and implemented at the regional office level, where trained staff are more readily available and can maintain effective communication with the groups they serve. This method of operation has been very successful in reaching the campesino, helping him establish his creditworthiness and then move unassisted into commercial credit channels. The institutional capability of this foundation is well established.

4. FUNDE (Nicaragua). FUNDE has been the most successful of all the NDFs in attracting grant contributions, which support an active program focused on co-op projects. The program is an expensive one, and FUNDE operations showed a net deficit last year due to the heavy costs incurred in technical assistance and project start-ups. In the nine years of its operation, however, FUNDE has established a credible track record of assisting the poor who do not have access to other sources of institutional credit, and it continues to improve its financial operations. It has a staff of 48, including 24 co-op managers who provide the outreach expertise necessary to promote and develop cooperative groups representing different occupations. Technical and administrative competence have been demonstrated by FUNDE's ability to modify its program from one of merely providing credit for small enterprises to one which now provides technical and managerial assistance in the development of co-ops, which has enabled it to recover more than 90% of its loans. FUNDE could be considered institutionally capable of effectively managing an expanded program.

#### Category II

5. FBD (Bolivia). FBD has been relatively successful in capturing donation resources, with 50% of its total funding generated from grant monies. Although this foundation appears to enjoy good financial management, its program suffers from insufficient staffing, particularly in technical areas.

Almost all beneficiaries are located in the La Paz region, attributable in part to a lack of extension workers (there are only 2), the time involved in traveling to more remote areas, and the inability of the technicians to speak the Indian dialects of the regions they serve. Inability to provide technical assistance has also prevented support of otherwise acceptable small business projects. The FBD at this time would probably require an interim grant (AID OPG, or other source) to finance additional staff to enable it to move a larger capital lending program, and thereby generate sufficient revenues to eventually pay its administrative costs.

6. FUNDES (Colombia). FUNDES has succeeded in attracting significant grant contributions and is adequately capitalized to support its active credit program for small urban enterprises. While the financial management of this foundation seems to be competent, and recovery rates are good, there has been a problem in meeting the demands for technical assistance made by its clients. Part of this is due to the fact that, until recently, the foundation's lending criteria did not require prior experience in the activity to be financed as a condition for a loan. Loans could also be made to individuals as well as groups. Both of these factors have contributed to a heavy demand for technical assistance, not only because of the number of project activities to be assisted, but also in the length of time that guidance had to be provided. Until the ability of FUNDES to provide technical assistance is strengthened, its capacity to adequately serve greater numbers of clients must be questioned.

7. FUCODES (Costa Rica). To date, FUCODES has had sufficient capital to operate near capacity. In the two years that it has been actively seeking funds, it has received \$26,000 in grants from international donors--a large contribution in relation to its total assets of \$43,000. For the size of program being carried out (\$5,700 in loans supporting five projects in 1976-1977), a staff of 14 appears to be adequate. However, this foundation only became operational in 1975, and since that time has financed projects ranging from spice processing to bookbinding. As projects planned for 1977-80 involve even further diversification (e.g., rabbit-raising, beekeeping, rural colonization), it is probable that the technical assistance capabilities of FUCODES as well as its financial management abilities will be severely strained. Because this foundation has only been operational three years and proposes to provide credit and technical support for a broad spectrum of high risk activities, a more complete assessment of its technical and administrative capabilities will be necessary before SOLIDARIOS can determine what level of loan support FUCODES could effectively manage.

8. FED (Quito, Ecuador). The Northern Zone branch of FED has attracted grant resources equal to approximately 20% of its total assets. Although this foundation carried a sizable deficit through December 1977, this was a problem correctable through improved financial management. Since the return of the Executive Director from extended study, the deficit has been reduced by 28%. The recovery rate is currently a healthy 98%. The number of technical and administrative staff appears to have been adequate to date, but an expansion in program activities will probably require increased capability in project design. While recent, but limited, data indicates that the Zona Norte FED has now overcome its most serious financial management problems, and has developed a moderate institutional capacity, a more complete evaluation of its technical support capability is considered necessary in view of the fact that this NDF has the fewest personnel per total assets of any "rural" foundation.

9. FED (Guayaquil, Ecuador). The Southern Zone branch of the FED has been less successful than its northern counterpart in attracting donated resources, forcing it to rely more heavily on loan contributions. The foundation has also suffered from a series of administration and policy problems which have resulted in high operating costs: a large staff turnover (only one employee has been on board more than two years); inadequate outreach and project implementation due to a serious shortage of technical personnel; and a credit policy which focuses on loans to individuals rather than groups. Although Zona Sur has somehow managed an 87% recovery rate in spite of these deficiencies, this branch will need to have assistance in shoring up its technical support and program capabilities before it will have the institutional capacity to manage increased funding resources.

It is also unclear what role, if any, the FED National Directorate Council should play in setting policy and coordinating the activities of the two branches. A study of the present situation is needed to determine whether the branches would operate more effectively as two separate and distinct NDFs without the FED umbrella or would benefit by common direction from a single National Council, which would have to be strengthened to become functional.

10. FUNHDESA (Honduras). Although FUNHDESA had initial success in capturing grants from international donors, it has never succeeded in developing the necessary financial support from the local, private sector. Because of its initial funding resources, an early alliance with other Honduran developmental organizations, and access to a large outreach network, FUNHDESA embarked on an elaborate program it was never able to sustain. In addition to natural disasters which inflicted heavy losses on FUNHDESA projects, the foundation has suffered from poor management and inadequate financial administration. Plagued by defaults and recovery problems, FUNHDESA is no longer making loans. All available information supports the conclusion that this foundation is not financially viable at this time, and possesses neither the staff nor administrative competence which would enable it to carry out an

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expanded program. A considerable investment in evaluation and technical support will have to be made before FUNHDESA can achieve the level of institutional capacity necessary to effectively manage increased funding.

11. INDES (Argentina). INDES' financial resources, staff, and outreach capabilities appear to be adequate for the active community development program it is carrying out at this time. However, while INDES has demonstrated its ability to promote and develop various types of community associations, as well as to provide them with a wide scope of technical assistance, it has not yet undertaken any loan activities. Because the provision of credit to marginal families is an important part of SOLIDARIOS policy, it will probably become necessary for INDES to develop some capacity in this area if it is to function in the manner envisioned by the SOLIDARIOS membership. Through whatever means (e.g., direct assistance from SOLIDARIOS, assistance from local sources), INDES will need additional staff as well as technical support in establishing and developing a credit program to serve its clients on a scale appropriate to the foundation's resources. At the present time, however, INDES does not possess the institutional capability to effectively manage a loan program.

12. TTDF (Trinidad and Tobago). As of December 1974, TTDF has demonstrated considerable fund-raising capability, both at the local and international level. Its guarantee program has established a respectable recovery rate, and the foundation seems to enjoy good financial management, due in part at least to the large role the representatives of local banks play in administering the credit program. TTDF appears to have had some problems in the area of staffing and administration, however, which have seriously affected its ability to guide and support field operations. Recommendations addressing these concerns were made by a government unit contracted to perform an analysis in 1975. These recommendations were subsequently approved by TTDF's Board of Trustees. The degree to which these recommendations have in fact been implemented will influence the foundation's ability to successfully select and manage projects, and reflect generally on its overall institutional capability.

The management survey team programmed under this grant will confirm the above analysis and recommend specific technical assistance, which will be arranged by SOLIDARIOS. In addition, Pan American Development Foundation has indicated it is providing technical advice to smaller foundations with which it has historically worked. Also, several AID Missions are contemplating complementary grants to specific foundations (e.g., Costa Rica's FUCODES). Thus, although the SOLIDARIOS system has members whose institutional capacity requires additional strengthening, provision for this recognized need has been made in the design of this project

B. Financial Analysis of SOLIDARIOS

1. Recent Financial History

1977 financial statements for SOLIDARIOS, including balance sheet, statements of revenues and expenditures, and statements of revenues and expenditures by fund are presented in Tables II A-C. The audited financial statement is included in Annex. 9(d).

Revenues and expenditures of SOLIDARIOS have grown substantially over the last two years reflecting a significant increase in its development activities. Total revenues for 1977 were \$384,000 while total expenditures amounted to \$165,000 for the same period. SOLIDARIOS uses fund accounting to record, classify, and summarize the financial transactions for each of the activities that it implements; accordingly, the commentary on the financial performance of SOLIDARIOS is based on the status of each of these funds.

General Fund. General, administrative, and overhead costs not funded under specific programs carried out by SOLIDARIOS are charged to the general fund. Members' quotas, general purpose donations not tied to a specific program and miscellaneous revenues are used to offset these costs. Through 1976 revenues were not sufficient to cover general, administrative and overhead costs resulting in an accumulated deficit of \$26,000. This deficit was covered by interest-free loans from the president of SOLIDARIOS. In 1977, for the first time, revenues (\$57,000) exceeded expenditures (\$28,000) resulting in a fund surplus for the year of \$29,000. The two main reasons for this surplus were the forgiveness of personal loans made to SOLIDARIOS by its president to cover past deficits and the establishment of the development loan revolving fund (SDF) under which a portion of SOLIDARIOS' staff salaries could be charged.

SOLIDARIOS Development Fund. This activity represents SOLIDARIOS' first venture into the lending field and is being financed by a two year grant of \$400,000 from PACT. The seed capital grant includes a 15% allowance (\$60,000) to cover administrative costs of the loan revolving fund. Loans are to be made exclusively to member NDFs. Two loans were made by SOLIDARIOS from the Fund in 1977: \$50,000 to FUNDE (Nicaragua) and \$20,000 to FBD (Bolivia). As of June 1978, additional loan requests in the amount of \$185,000 have been approved. Interest rates to the NDFs are set at 3% and repayment terms at three years.

Other Funds. The other operational funds cover the following activities:

Revenues and expenditures under the IDRC Fund (Canada) represent a continuation of a prior year project to analyze the socio-economic impact of the programs of five member development foundations. The project is entirely funded with a \$221,000 grant by the IDRC

- The Tinker Foundation provided grant funding for thirteen employees of the various NDFs for short term courses in management training at INCAE. These scholarships for \$25,000 were funded in their entirety by Tinker.

- The AID DPG activity represents initial grant funding of \$24,000 from a three year grant of \$392,000. This donation is to provide technical assistance in planning, programming, design and evaluation, improving managerial skills and disseminating information regarding the NDFs and their work. The services of a financial/accounting technician and a project design and evaluation specialist together with a secretary have been contracted using AID funds.

- An IDB grant of \$20,000 covers final costs of a loan feasibility study completed by IICA in 1977.

- The Rockefeller Brothers grant of \$15,000 covers a portion of PACT loan fund G&A costs associated principally with executive committee travel.

SOLIDARIOS has done an effective job in its ability to attract resources from international donors and considering only present members' quotas and grant agreements already signed, SOLIDARIOS should have sufficient revenues over the short term (1978-79) to cover general, administrative and overhead costs.

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TABLE II A

SOLIDARIOS

BALANCE SHEET  
As of 12/31  
(\$000s)

	<u>1975</u>	<u>1976</u>	<u>1977</u>
<u>Assets</u>			
Cash	2	27	150
Receivables -A/C	4	2	2
Loan			70
Inventory	1	5	3
Other Assets	2	1	1
Net Fixed Assets			<u>4</u>
Total Assets	<u>9</u>	<u>35</u>	<u>230</u>
<u>Liabilities &amp; Funds Balances</u>			
Loans Payable	16	27	
Other	<u>1</u>	<u>1</u>	<u>2</u>
Total Liabilities	17	28	2
Funds Balances	<u>(8)</u>	<u>7</u>	<u>228</u>
Total Liabilities & Funds Balance	<u>9</u>	<u>35</u>	<u>230</u>

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TABLE II B

SOLIDARIOS

STATEMENT OF REVENUES AND EXPENDITURES

For Years Ended 12/31/76 and 12/31/77  
(\$000s)

	<u>1976</u>	<u>1977</u>
<u>Revenues</u>		
Membership Quotas	16	18
Donations	144	354
Other Income	<u>8</u>	<u>12</u>
TOTAL	168	384
<u>Expenditures</u>		
Salaries	28	29
Employee Benefits	2	2
Rent	4	4
Professional Services	7	
Meetings	9	43
Travel Expenses	3	7
Consultants	96	68
Other	<u>6</u>	<u>12</u>
TOTAL	<u>155</u>	<u>165</u>
Excess of Revenues Over Expenditures	<u>\$ 13</u>	<u>\$219</u>

TABLE II C

REVENUES AND EXPENDITURES BY FUNDS  
FOR YEAR ENDED 12/31/77  
(\$000s)

	<u>GENERAL</u>	<u>FDS</u>	<u>IDRC</u>	<u>TINKER</u>	<u>AID</u>	<u>PACT</u>	<u>BID</u>	<u>IAF</u>	<u>RBF</u>	<u>PUBLICATIONS</u>
Revenues										
Quotas	18									
Donations	30	185	29	25	24	20	20	14	8	
Other	9									3
TOTAL	57	185	29	25	24	20	20	14	8	3
Expenditures										
Salaries	15	13								
Benefits	2									
Rent	4									
Prof. Svcs.						1				
Meetings		4				10				
Travel	2					2	5	2	1	
Consultants			43			3	18	2		
Other	5	1		25		1	1			3
TOTAL	28	18	43	25	-0-	17	24	4	1	3
Excess	29	167	(14)	-0-	24	3	(4)	10	7	-0-

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2. Projected Financial Analysis of SOLIDARIOS

Five year pro forma financial statements for SOLIDARIOS are presented in tables at the end of this section. Assumptions used in calculations are contained in Annex 9(a).

The projected financial statements show SOLIDARIOS in a self-financing position beginning in 1981 with a small staff of five professionals and two secretaries providing supporting services to member NDFs in accordance with its by-laws. By 1981, the development loan revolving fund will generate approximately \$196,000 yearly income from interest charges of 3% on loans using \$340,000 in seed capital under the PACT grant and 5% on loans using \$3,550,000 in seed capital under the proposed AID grant. This interest income will be allocated as follows:

	<u>\$000's)</u>
Interest Income	196
Direct Costs of Revolving Fund	
Loan Analysts' Salaries	37
Travel/Per Diem	31
Other	<u>9</u>
Contribution to General Fund	<u>77</u>
	<u>119</u>

This contribution of \$119,000, in combination with SOLIDARIOS' other sources of income, such as donations and members' quotas, estimated at \$59,000, will be used to finance the general and administrative costs of SOLIDARIOS of some \$122,000 and discretionary supporting services of \$56,000, including the continuation of a technical assistance fund available to the NDFs, workshops and seminars, exchange field visits and publications.

SOLIDARIOS should be in a strong financial position by 1981-82, because of its increased equity position, estimated at \$4.2 million. It's proven track record as a "development bank" also should enable it to capture large amounts of additional resources for its lending program, either in the form of grants or concessional loans. Additional funding, depending on terms, would, no doubt lead to an expansion of SOLIDARIOS' services or a lowering of the interest rate to the NDFs, or a combination of the two.

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TABLE II D

SOLIDARIOS

BALANCE SHEET AS OF 12/31

(\$000s)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
<b>Assets</b>					
Cash	50	50	50	50	50
Temporary Inv.	27	85	299	405	411
Loans (Net)	345	1,953	3,773	3,715	3,709
Other	<u>13</u>	<u>13</u>	<u>13</u>	<u>13</u>	<u>13</u>
TOTAL	<u>435</u>	<u>2,101</u>	<u>4,135</u>	<u>4,183</u>	<u>4,183</u>
<b>Liabilities</b>	2	2	2	2	2
<b>Surplus</b>	<u>433</u>	<u>2,099</u>	<u>4,133</u>	<u>4,181</u>	<u>4,181</u>
TOTAL	<u>435</u>	<u>2,101</u>	<u>4,135</u>	<u>4,183</u>	<u>4,183</u>

TABLE II E

SOLIDARIOS

SOURCES AND APPLICATIONS OF CASH

	(\$000s)				
	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
<b>Sources</b>					
Excess Rev. over Exp.	36	41	109	48	-
Seed Capital Grant					
PACT	183				
AID		1,625	1,925		
Equipment-AID	2				
Loan Repayments	<u>15</u>	<u>176</u>	<u>729</u>	<u>1,373</u>	<u>1,600</u>
TOTAL	236	1,842	2,763	1,421	1,600
<b>Applications</b>					
Loans	290	1,784	2,549	1,315	1,594
Equipment	2				
Temporary Inv.	<u>27</u>	<u>58</u>	<u>214</u>	<u>106</u>	<u>6</u>
TOTAL	319	1,842	2,763	1,421	1,600
Cash Change	(83)	-	-	-	-
Beg. Cash	<u>133</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>
End. Cash	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>

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TABLE II F

SOLIDARIOS

STATEMENT OF REVENUES AND EXPENDITURES

	(\$000s)				
	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
<b>Revenues</b>					
Donations	212	357	230	94	11
Quotas	22	23	25	26	28
Interest	7	76	170	193	196
Other	<u>14</u>	<u>16</u>	<u>18</u>	<u>19</u>	<u>20</u>
TOTAL	255	472	443	332	255
<b>Expenditures</b>					
Salaries	79	108	114	129	129
Rent, Utilities	5	5	6	7	7
Travel/Per Diem	21	46	49	57	50
Consultants' Costs	67	149	35	34	14
Workshop Costs	9	36	36	16	16
Exchange Visit Costs		27	27	10	10
Publications	24	15	16	17	17
Other	7	12	12	10	10
Bad Debt Expense	<u>7</u>	<u>33</u>	<u>39</u>	<u>4</u>	<u>4</u>
TOTAL	219	431	334	284	255
Excess of Revenues Over Expenditures	<u>36</u>	<u>41</u>	<u>109</u>	<u>48</u>	<u>-0-</u>

### 3. SOLIDARIOS Credit Policy

SOLIDARIOS' current credit policy for making subloans is as follows:

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a. The loan requests must be presented by national institutions, legally established, that will maintain revolving loan funds in order to finance projects such as those described below;

b. The projects will be directed to the lowest income sectors and will have as a consequence improvements in the social and economic conditions of the beneficiaries;

c. The projects will be under the responsibility and direction of the ultimate beneficiaries. The role of the local institutions will be limited to providing promotional and technical services and training but they cannot participate as financial partners with the beneficiaries in the projects;

d. The institutions receiving loans from the fund will have to have the necessary financial resources to cover the administrative expenses and preferably will also be in a position to provide part of the investment for the proposed program to be carried out, in accordance with their capabilities;

e. The loan requests will be made for individual projects or for programs of the institutions. By a "project" it is understood to be a group of beneficiaries receiving one loan from the local institutions to carry out a specific project. A program can be interpreted as a series of similar projects (for instance, handicrafts) in the country or area of influence of the foundation, or, several types of projects (housing, agriculture, dairy, etc.), to be carried out in a specific region or geographic area, and including the criteria for the definition of such region;

f. The projects to be financed will have to be compatible with the overall development plans of the region involved and will have to respond to the specific needs of the community.

These criteria have been reviewed by the project committee and, while they represent an acceptable initial set of general guidelines for responding to loan requests, the committee notes the following areas in which SOLIDARIOS should develop greater specificity:

1. a basis for prioritization among NDF's when requested loans exceed available funds.

2. minimum counterpart required of NDF's as a proportion of the total activity cost. While the NDF must be able to cover its administrative expenses, it should also be able to provide some capital contribution. The current credit policy does not provide

a minimum ratio for cost-sharing of expanded programs. 15-20% is suggested as a proposed guideline for SOLIDARIOS.

3. the criteria that the NDF's themselves plan to use in relending to ultimate beneficiaries, for the projects to be funded by SOLIDARIOS loans. SOLIDARIOS' criteria stipulate that target groups are to be the lowest income sectors, but since eligibility criteria used by each NDF differ, requests to SOLIDARIOS should specify target beneficiaries to assure they meet SOLIDARIOS' established criteria.

4. Repayment and amortization periods for loans. SOLIDARIOS has subloaned PACT funds for three year periods, in order to permit reflow programming. Such short term lending is only appropriate for certain kinds of activities, such as short-term credit. Therefore, SOLIDARIOS will need to develop guidance criteria setting loan repayment periods according to type of lending activity, i.e., short term production credit, housing, capital for small enterprise, etc.

In summary, the committee recognizes that SOLIDARIOS members operate within a variety of development contexts and have different kinds of programs. To provide guidelines that take into account this diversity and yet establish clear, specific tests for project feasibility is an important activity for SOLIDARIOS to be solidifying during the period of this project. Under a condition precedent to disbursement SOLIDARIOS will provide procedures satisfactory to AID for reviewing and approving subloan proposals. These will include an initial elaboration of these four areas, as well as guidelines to assure that proposed activities are economically justified and technically sound. During the life of this project, therefore, SOLIDARIOS will be testing and refining these criteria. In addition, SOLIDARIOS will be working with the NDFs to make improvements in their own selection criteria, where this is designated a potential problem area by the management team. A special condition in the loan agreement requires that the Category II NDFs make whatever improvements called for by the management survey report before receiving loans from SOLIDARIOS.

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#### 4. Operation of the SOLIDARIOS Development Fund

With the capital funds provided by PACT, SOLIDARIOS has begun to implement many of the procedures that it will follow in the lending of capital funds provided under this project. The first loans have been made for three year periods. This permits rapid reflow programming by SOLIDARIOS, and although the short period places a repayment burden on the NDF, the sublending of the NDF has generally been for annual crop credit needs of small farmers, which is a short-term credit activity.

In its programming of PACT funds, SOLIDARIOS has demonstrated its concern to spread available capital equitably and rationally among its members. The current interest rate charged NDFs is 3%, but SOLIDARIOS plans to cover operating costs. SOLIDARIOS will establish a separate account for AID funds to be sublent according to the following sequence:

a. NDF Request: The NDF will submit to SOLIDARIOS a request for a line of credit on a format provided describing the subactivity or program for which the funds are to be used. This description will include beneficiaries (number, socioeconomic status, how organized), sector and use of subloans, expected impact on the target group and on economic activity of the region/community, terms and average amounts of the subloans, criteria or procedures for allocation of these subloans, and an analysis of the technical and financial feasibility of this type program. The request will be for a total line of credit to complete the program and will detail expected quarterly disbursement requirements.

b. SOLIDARIOS Review. The staff of SOLIDARIOS will review the foundation's request and, if necessary, suggest additional information requirements. A recommendation for approval will be made by the staff to the SOLIDARIOS Executive Committee. The Committee, at its regular quarterly meeting, will approve the request and authorize the SOLIDARIOS President or his designee to sign a line of credit agreement with the head of the NDF. Given the wide geographical dispersion of the members of SOLIDARIOS, the review, approval and signature process will be carefully systematized to avoid delays.

c. Disbursement Procedures. With the original request for an NDF will come a specific calculation of the funding requirements for the first quarter and this will serve as a basis for the preparation of a check immediately upon signature of the agreement. The agreement will subsequently commit SOLIDARIOS to a line of credit of up to the total amount approved by the Committee. SOLIDARIOS will use the FRLC mechanism described in AID Handbook 13 to draw on AID funds as needed.

To facilitate accounting, dates for interest payment and capital repayments will be standardized (every June 30 and December 31, for example). Interest payments will begin on the first standard date after receipt of the subloan, (prorated for the portion of the preceding period that the NDF had received the money) and amortization payments by the NDFs would begin to accompany interest following expiration of the grace period. Payments will be made in U.S. dollars, and the foundations will repay in dollars. SOLIDARIOS or the NDF will obtain agreements from local governments where necessary to insure that the foundations will be able to convert local currency back to U.S. dollars when loan repayments are due SOLIDARIOS.

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5. Financial Plan

The financial plan for the project is presented in the following tables:

<u>Summary Cost Estimate</u> (\$000s)			
<u>AID Grant</u>			
	<u>FX</u>	<u>LC</u>	<u>TOTAL</u>
Revolving loan fund - seed capital		3,550	3,550
Technical assistance	250		250
Institutional support	---	200	200
Total	<u>250</u>	<u>3,750</u>	<u>4,000</u>

An inflation factor of 6% p.a. and a contingency factor of approximately 10% are included in the amounts for technical assistance and institutional support.

<u>Projection of Expenditures by</u> <u>Fiscal Year (\$000s)</u>					
	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>Total</u>
Revolving loan fund - seed capital		1,625	1,925		3,550
Technical assistance	42	139	35	34	250
Institutional support	18	64	68	50	200
Total	<u>60</u>	<u>1,828</u>	<u>2,028</u>	<u>84</u>	<u>4,000</u>

C. SOCIAL ANALYSIS

1. Target Group Description

The ultimate beneficiaries of this project represent the complete spectrum of types of marginal groups found in Latin America. Currently the NDFs are working with groups of poor people who possess a variety of distinct configurations of socioeconomic characteristics. For example, in rural areas target groups consist of small farmers who produce primarily for subsistence, as well as landless agricultural day laborers. Further, there are recipient groups which are indigenous and possess cultural forms, behavior patterns, belief systems, and languages distinct from that of the dominant culture of the particular countries. Moreover, there are urban-based beneficiaries who reside in slum sections of metropolitan areas and earn a living through a variety of itinerate occupations.

Despite such diversity the various beneficiary groups share common characteristics of extreme poverty, and a marginal position in society from which access to the goods and services of development has been difficult. The extent of the poverty is most readily discernible from low income levels. For example, per capita income of rural dwellers in the highlands of Guatemala, a prime area for NDF programming, is estimated at U.S. \$89 compared to a national per capita income of Q 739. Similarly, small scale farmers in the southern valleys of Bolivia show net yearly incomes of less than US \$830 per family, while about half of the rural population in the Dominican Republic has a monthly income of less than US \$60. Underemployment and unemployment are commonplace as are, for those engaged in agriculture, small holdings of poor quality and traditional technology.

In accordance with their disadvantaged economic position the target populations are characterized by low levels of formal education as well as deficient health and nutrition status. Substandard housing, sanitation facilities, and water supply systems contribute to the unhealthy living conditions. Guatemala has one of the highest infant mortality rates (79 deaths per 1,000 live births) in Latin America, which is due mainly to infant mortality among the indigenous population. Serious problems of protein-calorie malnutrition are present not only among target populations in Guatemala, but also among NDF beneficiary groups in Ecuador, the Dominican Republic, and Bolivia.

Although some recent progress has been made in formal education, among recipients this important sector remains deficient. Referring again to Guatemala, approximately 60 percent of the adult population is functionally illiterate. In the Dominican Republic about 50 percent of the adult

population cannot read or write, and in Ecuador estimates claim adult illiteracy to be as high as 90 percent in some areas with heavy concentrations of Indians. Further, school drop out and extended absenteeism rates are extremely high. Recent data indicate that in rural Guatemala only 16 percent of the children in the first grade finish the six years of primary schooling, and as many as 90 percent of the children between the ages of 7 and 14 years are not attending school regularly. In the Dominican Republic only 7 percent of rural primary school students complete the six year elementary program, while in Ecuadorean highlands as much as 30 percent of the primary school-age students are either not enrolled or are not attending classes regularly.

## 2. Potential Constraints and Strategies

The sociocultural feasibility of the project is dependent upon two major issues: (1) promotion - linkage between the Foundations and the beneficiaries; and (2) organizational mechanisms to achieve target group participation. There are several constraints associated with both questions.

### a. Promotion

As pointed out in the Project Description the beneficiaries are normally individuals or groups who are unable to secure credit through normal formal channels, and/or have been excluded from other development efforts. In most cases these people are from the lower segments from within the poor majority, have extremely limited levels of sophistication, and are the least assimilated into the national mainstreams of their respective countries. Commonly, contact with the Foundations is (or will be) their first experience with an organized form of technical assistance.

Given such circumstances a promotion or extension element is needed if the Foundations are to sustain contact of the recipient groups and achieve a reasonable level of success. In the first instance promotion is required simply to make the potential beneficiaries aware that an organized assistance program is available to them. Moreover, aid is required in identifying problem areas which can be addressed by the Foundations taking into account their limited funding and expertise reserves. Further, the beneficiaries need guidance on Foundation working procedures, particularly as they apply to such matters as eligibility criteria for making a loan, financial management, and repayment schedules. Finally, assistance is needed in the specific technical area (farm improvement, non-farm employment, small business, marketing and the like) for which the money is being borrowed. A review of the efforts of the Foundations to date shows that member organizations with strong extension arms, for example Mexico and Nicaragua, have been more successful than those with weak promotional components (Ecuador - northern sector, Bolivia, Trinidad-Tobago)

Further the type of promotion used must be tailored to the particular characteristics of the target group in order to be effective. A critical element related to beneficiary acceptance of offered assistance is the "social company" that a project keeps. That is, how do the beneficiaries perceive the promoters? To the extent that they are perceived in a positive light, participation is enhanced. Conversely, if they are viewed in a negative vein beneficiary involvement will be hindered.

All of the types of recipient groups (urban poor, mestizo small farmers, and Indian peasants) are reluctant to deal with people from higher socioeconomic categories, a situation which is fostered by their marginal position in society. However, of the three, the Indians are the most cautious. A history of cultural, political, and economic discrimination has caused them to be extremely suspicious of non-Indians, including representatives of assistance programs. The situation is exacerbated by cultural and language differences (for example, in Guatemala there are 22 distinct languages other than Spanish and in Ecuador 20-25 percent of the highland population are native Quechua speakers) between Indians and change agents--factors which do not affect the mestizo small farmers and urban poor.

### Strategy

A major objective of the project is to improve the outreach capacity of the Foundations to organize and assist low income groups. As currently designed, this project will assist in achieving this objective in a number of ways. First, SOLIDARIOS will encourage and guide those member foundations that are especially weak in promotion to hire the appropriate personnel, both in terms of numbers and capabilities, to adequately meet program needs (and assist in seeking funds to support these additional promoters). Loans to Foundations' revolving funds will be contingent upon adequate staffing in the promotion area. Second, SOLIDARIOS will develop a training and technical assistance program to help member foundations strengthen their planning and technical capacities to develop and implement projects. Included in this program will be activities associated with upgrading extension capabilities. In this exercise SOLIDARIOS will draw upon the experience and progress of member Foundations which have employed successful approaches such as the para professional. On-site training has been conducted by the Dominican Development Foundation, for instance, for other, newer NDF's personnel.

#### b. Non-capability of Organizational Mechanisms

In order to gain favorable economies of scale among small producers and derive maximum impact from limited technical and economic resources, Foundations employ different organizational formats (e.g., cooperatives, credit unions, associations) to channel technical assistance. Such mechanisms, unless tailored to the cultural peculiarities of the beneficiaries may not encourage local participation. For example, the formation of cooperatives encounters resistance among people who have a history of operating independently. Given the range of variation among the recipient groups in this project the member Foundations have demonstrated significant flexibility in the choice and design of organizational formats, attempting always to "fit in" with local circumstances.

In the context of social service type projects (school construction, installation of potable water systems, establishment of health posts) Indian peasant populations have the cultural forms which are most amenable to group activity. The presence of extensive kinship networks which entail significant levels of mutual assistance, communal work groups, religious fraternities, and a leadership system based on giving service to the community form a solid basis for the design and implementation of self-help projects.

Mestizo small farmers have few of the cohesive elements of the Indian communities. Predominant cultural forms (nuclear rather than extended family) tend to parallel those of the national mainstream; consequently there is an emphasis on the welfare of the individual home as opposed to that of the community. The social pressure to participate in self-help projects is considerably less in comparison to Indian populations. Moreover, being more closely aligned to national standards results in a general attitude that the provision and maintenance of social services is the responsibility of government offices -- at all levels.

A strategy for dealing with these types of circumstances must be two-fold. First, given the attitudinal constraints against generating self-help projects at the community level, efforts must be directed at organizing and planning around special interest groups. For example, in projects concerning education, efforts should focus on parents associations or their equivalent, and in the field of public health, neighborhoods within the community should be the unit of concentration. Second, given the preference for functioning independently, emphasis might be placed on competition (between parents' associations, neighborhoods, sports clubs) rather than cooperation. A review of 4-H club work in several Latin countries indicates that results are usually better when members work plots in competition rather than working land together in such a way that work cannot be compared. In these instances the profit motive coincides with individualistic and competitive tendencies.

Of the three types of target groups the least cohesive are the urban poor. As exemplified by the urban lower class in coastal Ecuador, other than language and national identity there is little which the diverse elements of this sector of the population have in common. More so than the other types of recipients social forms emphasize individuality (nuclear family, private ownership) and competition.

Clearly the strategy employed in this setting must be similar to that suggested for rural mestizo populations -- concentration on special interest groups using a competitive motivation. A type of organization found in many urban areas which could serve as the basis for social service projects are social clubs. Such clubs are often locale specific. That is, the membership is made up of people who have migrated to the city from a certain region, or a certain town in the countryside. Included among the many functions which these clubs perform is organization and implementation of self-help projects.

Among all three types of target groups, with limited exceptions, projects dealing with economic matters (credit and income generation) will be constrained by organizational formats which over-emphasize joint activity. Field research among indigenous populations (as well as among mestizo small farmers) suggests that the collaborative aspect of kin groups and the like, while applicable in a social setting, does not function in the economic sphere. Indian peasants in Guatemala and Ecuador participate in cooperatives only to the extent that the coop provides them a direct individual benefit -- securing credit and technical inputs (fertilizer) at favorable rates. They balk at participation when the cooperative arrangement includes joint production and marketing elements, matters which they perceive as purely economic and prefer to do independently. Similarly, difficulties encountered with cooperative formation among mestizo small farmers are in part attributable to a preference for independent action in economic matters.

The dynamics of living in small communities places a premium on avoiding conflict situations. The universe of acquaintances is small and neighbors are seen and interacted with daily. A means of minimizing conflict is to "mind one's own affairs" and avoid situations in which disputes may arise -- especially in economic matters. Coops which entail joint production and marketing create the very type of situation which small farmers attempt to avoid, hence the difficulties in gaining participation. In these circumstances organizational mechanisms which approximate the limited obligation model of the savings and loan coop will have higher probabilities of success.

In urban areas a format which appears to be best suited to the social environment is the credit union. It affords the possibility of a collaborative effort while respecting the penchant for independence insofar as minimal interaction is required of union members.

FUNDE in Nicaragua has had considerable success with the credit union approach among urban-based women marketeers. The concept was initiated in Managua and extended to semi-rural towns where small scale commercialists and artisans have joined the program. Further, in semi-rural settings the credit union idea served as a catalyst generating activities in areas other than credit such as the establishment of libraries and the construction of health service centers.

3. Benefit Incidence

Collectively the Foundations are focusing their assistance on poor families. Not only are they poor, but the wide majority is not being reached by other (national and international) development efforts. The form which the assistance has taken is income generation via credit programs in both farming and non-farming sectors and social infrastructure (principally community centers) construction. It is believed this project

will make a significant contribution toward continuing, enhancing, and expanding on the efforts which have taken place to date. Upgrading and stabilizing the management component of the Foundations will provide for more consistent, efficient programming. Similarly the additions of analysts to SOLIDARIOS staff, skilled in project design and who are available to assist member Foundations, will improve the quality of projects, thereby enhancing the probabilities of increasing the level of funding secured from international donors. Further, with such project design skills available to the Foundations, assistance efforts will be more closely attuned to the priority needs of target populations. Improvements, via training and/or staff additions of Foundations promotion (extension) components, will continue the movement toward programming which is more sensitive to the beneficiary groups. Taken in conjunction these improvements will enhance the spread effort of Foundations efforts in two ways. First, it will improve the quality of assistance delivered to poor families currently associated with the NDFs. Secondly, it will enable the member institutions to expand their operations thereby increasing their number of beneficiaries.

4. Impact on Women

In both the social service and production areas this project will have a positive impact on the status of women. In the social service sector it is envisioned that all projects carried out (school construction, health and sanitation improvement) will be available equally to males and females.

In production sector projects, women will also benefit on an equal basis with men. In rural areas of Latin America, small farming is a family enterprise -- all members of the household who are physically able are required to make a contribution if the family is to survive. The role played by women includes not only a full complement of domestic tasks, but also a significant share of the income generating activities associated with both on-farm and non-farm (cottage industry) endeavors. Therefore, projects which provide technical assistance and credit to make farming more efficient and more economically viable will be of direct benefit to women.

Finally, as indicated by FUNDE's efforts in assisting women marketeers in Managua, the Foundations will sponsor projects, both in the social service and income generation areas, which focus primarily on women.

#### D. ECONOMIC ANALYSIS

As a regional project, support to the SOLIDARIOS Development Fund is designed to help build a national foundation infrastructure for expanded lending, and to provide an opportunity for the central institution, SOLIDARIOS, to demonstrate capability to manage a significant loan portfolio. AID's \$3.55 million contribution to SOLIDARIOS credit fund is considered large enough to achieve two purposes, but it is not enough to make any noticeable impact on gross national product of the region. Furthermore, any calculation of a benefits stream is nearly impossible, since the different NDFs engage in different types of development lending (agricultural, credit union, marketing, potable water) with different rates of return, and there is no predetermined allocation of these funds to specific sectors. Indeed, the project is designed to give SOLIDARIOS enough flexibility that it can respond rapidly to members' viable requests in any sector. Neither a macro-economic nor a benefit cost analysis is thus considered appropriate.

Therefore, this analysis will include three elements: (1) evidence that the additional credit will have an impact at the "micro" level; (2) evidence that "effective" demand for credit by the target group exceeds the amount programmed; and (3) evidence that the suggested approach is a cost-efficient one.

##### 1. Impact on the Income of the Small Borrower

As mentioned, the diversity of development activities to be financed with the SOLIDARIOS fund makes prediction of overall income impact, or total "benefit" of this project, extremely difficult. If we look just at agriculture, we find that it is difficult to rely on a literature review to demonstrate that access to credit invariably improves a small farmer's income. First, findings are very inconclusive about the impact of credit on income. Secondly, any special advantage of an NDF approach is overwhelmed by the concentration of research on government supervised agricultural credit schemes. The 1973 AID Spring Review of small farmer credit, Tinnermeier and Finn's study of the impact of small farmer credit in Peru 1/, Riordan's analysis of small farmers in Bolivia 2/, and Daines' study of similar groups in Guatemala 3/ all contain mixed results for farm income differences between credit users and non-users. Specific impact measurement for NDFs is contained

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1/ Tinnermeier, Ronald and Michael G. Finn. "The Impact of Small Farmer Credit in Peru". Paper presented at Purdue University, November 1972.

2/ Riordan, James T. "An Assessment of the Target Region for USAID/Bolivia's Agriculture Sector Loan II." A.I.D., July 1977.

3/ Daines, Samuel, et al. "Analysis del Impacto del Credito de Fincas Pegenas sobre ingreso, empleo, y produccion agropecuario."

in the IICA study commissioned by SOLIDARIOS with IDB financing and completed in 1977. 4/ This study includes the following impact data: The Dominican Development Foundation, lending a total of US \$2.3 million to 4,804 borrowers in the 1975-1976 season, (average \$498 per family), helped to increase production of rice, onions and cacahuates by 15%, 18%, and 25% respectively (IICA, p. 249).

The Ecuadorian Development Foundation based in Quito, financed small farmer credit that resulted in reported increases of potato, wheat, malt, and corn production of 41%, 16%, 31%, and 39% respectively, through use of the credit to purchase fertilizer (all borrowers) and insecticides (60% of borrowers). (IICA, p. 220).

Cali-based FUNDES generated employment for 1064 additional persons at a cost of 9,000 pesos colombianos per job, through their credit to small enterprises (IICA, p. 99).

The Mexican Foundation provided \$1.1 million in credit guaranties for 4,367 small farm families who without securities had no other access to credit at reasonable prices. The result was an average 15% increase in corn production reported by 70% of credit users, due to fertilizer application made possible by their borrowing from the FMDR. (IICA p. 341).

A comparative study of Guatemalan Rural Cooperatives 5/ includes programs of the Penny Foundation as well as of FENACOAC, FECOAR and independent cooperatives. This study describes the credit program of the Penny Foundation as efficiently administered, reaching more marginal farmers than the other coop groups, and having a commendable collection record. One interesting, related finding is that of Daines et al. which shows that only farms of under one hectare have significantly higher productivity for credit users than for non-users (op. cit., p. 56 Vol. I). Most of the NDFs do work with smaller farmers, and thus, may be interpreted to assist in increasing productivity through provision of credit.

For those foundations working with small entrepreneurs, other than small farmers, as in Nicaragua and Colombia, increased access to credit permits an expansion of the enterprise and consequent rise in income with less dependency on external factors. Extra working capital permits, for instance, a rural market woman in Nicaragua to purchase larger quantities of goods for resale, with some per unit savings in price as well as transport cost. A village leather worker can expand his operations with credit-financed additional tools and hides. The alternative credit source for these village entrepreneurs is usually very limited (friends) or expensive (users).

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4/ IICA. "Programa de Desarrollo Rural 1977/80."

5/ Rusch, Wm. et al. "Rural Cooperatives in Guatemala: A Study of their Development and Evaluation of AID programs in their Support." ATAC, November 1975 (Vol II), and March 1976 (Vol. I).

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In conclusion, for the agriculture sector, additional credit available through this project should provide the opportunity for small farmers to improve their income, through production increases as documented in the IICA study. The additional promotion, technical assistance and organization that NDFs provide, improves the likelihood that small farmers using credit will indeed increase production. However, it should be noted that the provision of credit alone is not a guarantee of increased income. The small entrepreneur on the other hand is more likely to be assured of improving his/her income with access to credit, since additional working capital allows them to successfully expand their businesses with little additional technical assistance. The economic impact of NDFs projects should continue to be monitored to provide data for evaluating this credit program.

2. Effective Demand

A recent study prepared by IICA, with IDB financing, surveyed national development foundations active in rural development, and calculated the additional external financing needed to permit them to expand their agricultural credit programs to meet current effective demand for their members. The total external capital needs of the NDFs are US \$7.2 Million, broken down as follows:

IICA's Estimated Additional Capital to be placed by NDFs

1978-80

<u>Country of NDF</u>	<u>Amount (US \$000)</u>
Bolivia	345
Colombia	651
Costa Rica	213
Ecuador (north)	341
(south)	378
Guatemala	1000
Mexico	2758
Dominican Republic	<u>1575</u>
TOTAL	7261

This amount does not include the Nicaraguan NDF, which as discussed elsewhere in this paper, is capable of placing at least another \$500,000 over the next few years, nor are the smaller NDFs of Argentina, Trinidad and Tobago, and Honduras included in the IICA total, although they are anticipated to be borrowers from the SOLIDARIOS fund during the latter half of the project period. Thus, based on the conservative IICA estimate, there is more than sufficient demand for the \$3.55 Million in credit which will be made available through this project. This total, again, is for external capital needs, having taken into account what might already be available from NDF's domestic sources.

Additional evidence that demand for credit exists is the continued use of the informal credit systems in the member countries. "Prestamistas" "usureros" and other informal lenders continue to do a significant business at extremely high interest rates (25% to 100% annually) and generally only make money available for short periods of time--a week or a month. In addition, use is also often made of family and friends as sources of credit on a small scale. NDFs which make credit available at market interest rates are thus providing an alternative to the exorbitant interest charges of the streetlenders. As long as any informal system charging higher rates than the NDFs continues to meet credit needs, we can say that effective demand for less expensive, accessible loans still exists.

### 3. Cost-efficiency of the Proposed SOLIDARIOS/NDF Lending Mechanism

By packaging the independent requests of the various NDFs into one larger request through SOLIDARIOS obvious cost savings can occur in terms of human resources. Savings in administrative costs are also realized by both the NDFs and the donor agencies. It simply takes less time to prepare and administer one development project than eight or ten.

Another less obvious impact of this project is that it mobilizes private sector resources that might not otherwise be available to the total credit pool for small borrowers. This "leverage" occurs through the NDFs' connection with the modern private sector, admittedly with varying degrees of effectiveness, but still producing a capital contribution per dollar of overhead that is more than would be made available if only public sector credit sources are promoted.

However, the most important aspect of this project is that it will improve the operational efficiency of what are now some relatively inefficient NDFs. The overhead, or per unit administrative costs, of each loan made by some NDFs approaches the value of the loan itself. (According to both the IICA study and ad hoc country studies such as ATAC's "Rural Cooperatives in Guatemala".) Some of this inefficiency is attributable to a lack of expertise in some NDFs, but most is because their lending portfolios are simply too small relative to their fixed administrative costs. Every NDF has a minimum executive staff (director, accountant) and an incrementable number of project promotion staff (field workers). When programs are very small due to lack of access to capital for relending, the NDFs are unable to reduce their fixed administrative costs even though an effective demand exists for credit. If both the institutional capability to move more credit and the capital itself were made available, as this project proposes to do, the efficiency of NDFs will improve. A doubling of the loan portfolio, which is projected for some smaller NDFs under this project (Bolivia, Honduras) could reduce overhead per loan by one-third, and thereby help reduce decapitalization of the revolving funds of individual NDFs.

#### IV. Implementation Plan

##### A. AID's Administrative Arrangements

SOLIDARIOS is a regional, private, non-profit organization which has been certified by the AA/LAC in accordance with AID guidance (see Annex 9 (e) and registered by the Advisory Committee on Voluntary Foreign AID on June 9, 1978. AID Handbook 13 - Grants, has been used to guide internal arrangements for this activity. Standard Provisions for this grant are those for Non-U.S. Grantees (see Annex 4) including arrangements for procurement of goods and services. During implementation of this project, AID/W will assume a review role, evaluating SOLIDARIOS' progress in achieving agreed upon objectives, rather than monitoring implementation. The AID/W project team shall consist of a finance officer, a rural development officer and the PVO coordinator, all from the Bureau for Latin America and the Caribbean. The finance officer shall serve as project officer and head of the team. The team shall be responsible for reviewing quarterly progress reports, annual evaluations, and for determining special action to be taken to facilitate or correct any implementation problems encountered by SOLIDARIOS.

The AID contract office will be requested to prepare a specific-support grant to SOLIDARIOS to permit an expanded sublending program to member foundations, (a PIO/T to request this grant is contained in Annex 5), and to name a Grant Officer. Since SOLIDARIOS has had previous interaction with AID, and has already presented the following documentation, a pre-grant audit is not considered necessary:

1. A Development Program Grant was made to SOLIDARIOS in 1977, and PDC/PVC has supervised progress under that grant. LAC Bureau has discussed findings with the project officer and has found progress to be satisfactory.
2. Audited financial statements are available for 1976 and 1977. Regular monthly financial statements are being sent to the LAC PVO Coordinator.
3. A professional financial analyst was contracted by AID/W to assist in the preparation of this project paper: he reviewed SOLIDARIOS' financial resources and management system as well as that of certain NDF's and found a satisfactory performance record.
4. Other grantors (PACT) have expressed to AID their satisfaction with SOLIDARIOS' management of grants received.
5. SOLIDARIOS has submitted to AID, in support of their request, a concept paper (Hemisphere Development Fund), a projection for quarterly financial needs at current project levels, a credit demand study undertaken by IICA for SOLIDARIOS (IDB-financed) and an institutional study of five foundations undertaken by IDRC.

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6. Members of the AID PP project team attended two Executive Board meetings (July 1977 and March 1978) and discussed necessary conditions and covenants at length with the Board (May, 1978).

B. Disbursements

Disbursements to SOLIDARIOS will be made in U.S. dollars. SOLIDARIOS in turn will relend in U.S. dollars to the National development foundations, who will repay SOLIDARIOS in U.S. dollars. SOLIDARIOS will seek guaranties for convertibility of local currency into U.S. dollars from the local governments.

C. Implementation Plan

The anticipated sequence of major events in the implementation of this project is as follows:

Project approved	June 78
Grant agreement signed	July 78
Initial CP's met / 1st obligation	August 78
Loan analysts hired	Sept/Oct. 78
Management team begins analysis	Sept. 78
First disbursement of Group I Foundations	October 78
Second A.I.D. obligation	January 79
Disbursement to 3 Group II Foundations	by February 79
Completion of work of management team	June 79
Evaluation I	July 79
Follow-up visit by management team completed	Nov. 79
Disbursement to all of Foundations	by Dec. 79
Evaluation II	July 80
Third obligation	October 80
Final Disbursements to Foundations	by June 81
Final Evaluation	July 81

Table III represents a more detailed schedule of the three proposed project activities during the three-year life of the project. It is anticipated that subloans to the four NDF's designated as Group I will occur early in the project, beginning in October 78. Additional subloans may be made to these foundations during the life of the project but will be concentrated during the first two years of the project's life. Meanwhile, the management team will begin its visits to the eight Group II foundations in September/October. It is expected the team will find that some of the foundations are able to manage additional funds immediately and an additional three or four subloans would be made by February 1979. Once the team completes its findings on a NDF and makes recommendations for changes, SOLIDARIOS will work with the NDF to contract suggested assistance, using its own resources as well as those of international or U.S. organizations. It is anticipated that technical assistance as recommended by the team would begin soon thereafter in order that changes can be made by the time the team returns to the foundation for follow-up visits.



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The Management team recommendations will form the basis for the first project evaluation to be performed by SOLIDARIOS using the written reports of the team. A second evaluation will be held during the second year of the project and a third evaluation made at the end of the project. Meanwhile, quarterly reports submitted to AID from SOLIDARIOS along with reports on planned subloans will form the basis for AID/W project monitoring activities.

Two other aspects of the project - the institutional support to SOLIDARIOS to hire two program analysts and the technical assistance fund for the NDF's - will continue throughout the project life. Upon completion of the project, SOLIDARIOS will absorb the funding costs of the two analysts as part of its annual operating expenses.

#### D. Evaluation Plan

The first major evaluation of the project will take place in July 1979, following the completion of the management team's study of the eight smaller foundations. The team's report will analyze (1) the financial capacity of each foundation including its loan portfolio collection procedures, operating expenses, interest rates; (2) administrative organization and capacity; and (3) its development policies and capabilities of reaching the target group and providing technical assistance.

A second evaluation will occur at the end of the second year of the project. The management team's report of follow-on visits to the NDF's will be an important part of this evaluation. The second evaluation will also assess current progress in achieving the project goal and purpose to determine whether any project modifications will be necessary to achieve the project purpose. The third evaluation at the end of project implementation will measure the degree to which the project's outputs, goal and purpose in light of the end of project status indicators have been achieved.

During the life of the project, SOLIDARIOS will be submitting quarterly reports to the AID project manager showing how the funds are being used and presenting a proposed program for the next quarter. SOLIDARIOS' annual financial statements will also be provided to AID.

#### E. Conditions and Covenants

##### 1. Conditions precedent to Initial Disbursement

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement, SOLIDARIOS shall furnish in form and substance satisfactory to AID,

A. A certified copy of the corporate charter and by-laws of SOLIDARIOS, duly authorized by the SOLIDARIOS Executive Board.

B. A certified copy of the operating policies, procedures, and standards of SOLIDARIOS, which shall include:

1. SOLIDARIOS' Credit policy including
  - a) the procedures to be followed for the objective and comprehensive review and authorization of all sub-loans proposed to be made by SOLIDARIOS to assure that such proposed activities are economically justified, technically sound, and will have the desired impact on the agreed upon target group of beneficiaries
  - b) plan for periodic audit of sub-loans made by SOLIDARIOS
  - c) the standards and procedures to be followed in providing Technical Assistance to member NDFs;
  - d) a provision stating that unless otherwise agreed by AID, all loans made by SOLIDARIOS with AID funds shall be subloaned by the NDFs directly to the target groups.
2. The first quarterly implementation plan for the SOLIDARIOS' Development Fund;
3. SOLIDARIOS' plan for recruiting and assigning two new analysts including job descriptions.
4. Unless otherwise agreed by A.I.D., all loans made by SOLIDARIOS with A.I.D. funds shall be subloaned by NDFs directly to the target groups.

C. Other Conditions

Prior to any disbursement of A.I.D. grant funds by SOLIDARIOS to member development foundations for the purpose of financing individual credit programs, excluding the Fundacion del Centavo of Guatemala, Funde of Nicaragua, FDD of the Dominican Republic, and FMDR of Mexico:

1. The SOLIDARIOS management survey team shall have completed an evaluation together with recommendations for improving performance of the member foundation requesting loan support from SOLIDARIOS and have submitted a report of their findings to the member foundation and to SOLIDARIOS;
2. The member foundation shall have taken positive action on the recommendations set forth in the SOLIDARIOS survey team's report;
3. The member foundation and SOLIDARIOS shall furnish evidence satisfactory to A.I.D. of each member foundation's institutional capacity to absorb the additional level of funding requested and to effectively manage an expanded program.

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D. Special Covenants for Project Grant Agreement

Except as A.I.D. shall agree in writing, SOLIDARIOS will covenant that:

1. SOLIDARIOS will charge a 5% interest rate to the foundations for subloans made under this A.I.D. grant.

2. No more than \$550,000 of SOLIDARIOS Development Fund financed under this A.I.D. grant will be distributed to any one member foundation.

3. SOLIDARIOS will submit a quarterly progress report, beginning the second quarter of the project period, detailing progress in implementing the preceding quarter's plan of operations and providing the following information for each of the subloans approved: NDF recipient, copy of request with details of target group, expected impact and loan terms, and copy of SOLIDARIOS staff findings and recommendations to Executive Committee.

4. In its review of these quarterly progress reports, AID/W shall determine that they are in general conformance with agreed upon criteria and procedures. Should such conformance be questioned, further disbursements shall be withheld until mutually agreeable clarification has been made. If no such agreement is reached, and subloans are determined by A.I.D. to have been disbursed in violation of the agreed upon criteria and procedures, SOLIDARIOS shall arrange to reimburse A.I.D. for the amount so disbursed.

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**AGENCY FOR INTERNATIONAL DEVELOPMENT**  
**PROJECT IDENTIFICATION DOCUMENT FACESHEET**  
 TO BE COMPLETED BY ORIGINATING OFFICE

1. TRANSACTION CODE  
 A = ADD  
 C = CHANGE  
 D = DELETE

PID  
 2. DOCUMENT CODE 1

3. COUNTRY/ENTITY  
 I. A. Regional

4. DOCUMENT REVISION NUMBER

5. PROJECT NUMBER (7 DIGITS) [ ] [ ] [ ] [ ] [ ] [ ] [ ]

6. BUREAU/OFFICE  
 A. SYMBOL [ ] [ ] [ ] [ ] B. CODE [ ] [ ] [ ] [ ]

7. PROJECT TITLE (MAXIMUM 40 CHARACTERS)  
 [ SOLIDARIOS Development Fund ]

8. PROPOSED NEXT DOCUMENT  
 A. [ 2 ] 2 = FRP 3 = FP B. DATE [ 10 ] [ 77 ]

9. ESTIMATED FY OF AUTHORIZATION/OBLIGATION  
 a. INITIAL FY [ 7 ] [ a ] b. FINAL FY [ 7 ] [ a ]

10. ESTIMATED COSTS  
 (\$000 OR EQUIVALENT, \$1 = 22,000)

FUNDING SOURCE		AMOUNT
A. AID APPROPRIATED		22,000
B. OTHER	1. U.S. 2.	
C. HOST COUNTRY (private)		16,000
D. OTHER DONOR(S)		
TOTAL		

11. PROPOSED BUDGET AID APPROPRIATED FUNDS (\$000)

A. APPRO- PRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. FIRST FY 70		LIFE OF PROJECT	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	H. GRANT	I. LOAN
(1)					22,000		22,000
(2)							
(3)							
(4)							
TOTAL					22,000		22,000

12. SECONDARY TECHNICAL CODES (maximum six codes of three positions each)

13. SPECIAL CONCERNS CODES (MAXIMUM SIX CODES OF FOUR POSITIONS EACH)

14. SECONDARY PURPOSE CODE

15. PROJECT GOAL (MAXIMUM 240 CHARACTERS)  
 To aid low-income groups to participate in their own economic development by providing them access to capital resources through non-government development institutions.

16. PROJECT PURPOSE (MAXIMUM 400 CHARACTERS)  
 To provide SOLIDARIOS, the national development foundation Councils with seed capital for channeling to grass-roots organizations of low-income groups for a broad range of development projects.

17. PLANNING RESOURCE REQUIREMENTS (multiple)  
 FRP - \$25,000 for travel of DR and possibly contract technician in development of proposal.

18. ORIGINATOR'S SIGNATURE  
 Acting Director, LA/DR

19. DATE BUDGET RECEIVED  
 AID/AMOUNT/TYPE OF DOCUMENTS, DATE OF DISTRIBUTION  
 05 21 77

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5C(2) - PROJECT CHECKLIST

Listed below are, first, statutory criteria applicable generally to projects with FAA funds, and then project criteria applicable to individual fund sources: Development Assistance (with a sub-category for criteria applicable only to loans), and Security Supporting Assistance funds.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? IDENTIFY. HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT.1. App. Unnumbered; FAA Sec. 653(b)

(a) Describe how Committees on Appropriations of Senate and House have been or will be notified concerning the project;  
(b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that figure plus 10%)?

The project was included in the FY 79 Congressional Presentation. Congress will be notified of the proposal to move forward the obligation of funds to FY 78 before the grant is authorized.

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

Plans and cost estimates have been made and provide a firm estimate of cost to U.S.

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

Not applicable.

4. FAA Sec. 611(b); App. Sec. 101. If for water or water-related land resource construction, has project met the standards and criteria as per Memorandum of the President dated Sept. 5, 1973 (replaces Memorandum of May 15, 1962; see Fed. Register, Vol 38, No. 174, Part III, Sept. 10, 1973)?

Not applicable.

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified the country's capability effectively to maintain and utilize the project?

Not applicable.

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6. FAA Sec. 209, 619. Is project susceptible of execution as part of regional or multi-lateral project? If so why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. If assistance is for newly independent country, is it furnished through multi-lateral organizations or plans to the maximum extent appropriate?

This project is regional in nature and will be executed on a regional basis.

7. FAA Sec. 601(a); (and Sec. 201(f) for development loans). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

This project, by helping to establish a source of credit available to various Latin American development foundations, will promote the establishment and use of cooperatives and other community associations, and indirectly contribute to fostering private initiative and competition.

8. FAA Sec. 601(b). Information and conclusion on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

Private U.S. firms will be invited to bid on the technical services contracts to be financed under the loan.

9. FAA Sec. 612(b); Sec. 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized to meet the cost of contractual and other services.

Because this is a regional project, no direct contributions are required on the part of the grantee.

10. FAA Sec. 612(d). Does the U.S. own excess foreign currency and, if so, what arrangements have been made for its release?

No.

## B. FUNDING CRITERIA FOR PROJECT

### 1. Development Assistance Project Criteria

a. FAA Sec. 102(c); Sec. 111; Sec. 281a. Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production, spreading investment out from cities to small towns and rural areas; and (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions?

The project will directly stimulate labor-intensive production and investment in rural and urban areas through a credit program for community groups and small businesses for whom credit is otherwise unavailable, and will assist low-income beneficiaries to increase their incomes and employment by providing technical assistance for project activities.

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b. FAA Sec. 103, 103A, 104, 105, 106, 107. Is assistance being made available: [include only applicable paragraph -- e.g., a, b, etc. -- which corresponds to source of funds used. If more than one fund source is used for project, include relevant paragraph for each fund source.]

- (1) [103] for agriculture, rural development or nutrition; if so, extent to which activity is specifically designed to increase productivity and income of rural poor; [103A] if for agricultural research, is full account taken of needs of small farmers;
- (2) [104] for population planning or health; if so, extent to which activity extends low-cost, integrated delivery systems to provide health and family planning services, especially to rural areas and poor;
- (3) [105] for education, public administration, or human resources development; if so, extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, or strengthens management capability of institutions enabling the poor to participate in development;
- (4) [106] for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is:
  - (a) technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;
  - (b) to help alleviate energy problem;
  - (c) research into, and evaluation of, economic development processes and techniques;
  - (d) reconstruction after natural or manmade disaster;
  - (e) for special development problem, and to enable proper utilization of earlier U.S. infrastructure, etc., assistance;
  - (f) for programs of urban development, especially small labor-intensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development.

Project is designed to increase employment and incomes of rural poor by promoting and supporting cooperative agribusiness and rural enterprises which are labor-intensive and use small farmers' products as inputs.

Project is designed to provide technical assistance for the establishment and support of small, self-help enterprises which will benefit the urban poor through labor-intensive projects.

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(5) [107] by grants for coordinated private effort to develop and disseminate intermediate technologies appropriate for developing countries.

c. FAA Sec. 110(a); Sec. 208(e). Is the recipient country willing to contribute funds to the project, and in what manner has or will it provide assurances that it will provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or has the latter cost-sharing requirement been waived for a "relatively least-developed" country)?

As a regional project, Section 110(a) does not apply.

d. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing?

No.

e. FAA Sec. 207; Sec. 113. Extent to which assistance reflects appropriate emphasis on; (1) encouraging development of democratic, economic, political, and social institutions; (2) self-help in meeting the country's food needs; (3) improving availability of trained worker-power in the country; (4) programs designed to meet the country's health needs; (5) other important areas of economic, political, and social development, including industry; free labor unions, cooperatives, and Voluntary Agencies; transportation and communication; planning and public administration; urban development, and modernization of existing laws; or (6) integrating women into the recipient country's national economy.

The program supports extensive, locally initiated efforts to develop community self-help and human resource development through group management and participation in rural and small enterprise projects.

f. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

Rural and urban enterprise development is a response to the desires and needs of the poor and permits the utilization of the region's intellectual resources in the form of technicians who will assist development foundations and sub-borrowers in project development and monitoring.

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g. FAA Sec. 201(b)(2)-(4) and -(8); Sec. 201(e); Sec. 211(a)(1)-(3) and -(8). Does the activity give reasonable promise of contributing to the development: of economic resources, or to the increase of productive capacities and self-sustaining economic growth; or of educational or other institutions directed toward social progress? Is it related to and consistent with other development activities, and will it contribute to realizable long-range objectives? And does project paper provide information and conclusion on an activity's economic and technical soundness?

Yes.

h. FAA Sec. 201(b)(6); Sec. 211(a)(5), (6). Information and conclusion on possible effects of the assistance on U.S. economy, with special reference to areas of substantial labor surplus, and extent to which U.S. commodities and assistance are furnished in a manner consistent with improving or safeguarding the U.S. balance-of-payments position.

The proposed grant will have a negligible effect on the U. S. economy.

Development Assistance Project Criteria (Loans only)

Not applicable.

a. FAA Sec. 201(b)(1). Information and conclusion on availability of financing from other free-world sources, including private sources within U.S.

b. FAA Sec. 201(b)(2); 201(d). Information and conclusion on (1) capacity of the country to repay the loan, including reasonableness of repayment prospects, and (2) reasonableness and legality (under laws of country and U.S.) of lending and relending terms of the loan.

c. FAA Sec. 201(e). If loan is not made pursuant to a multilateral plan, and the amount of the loan exceeds \$100,000, has country submitted to AID an application for such funds together with assurances to indicate that funds will be used in an economically and technically sound manner?

d. FAA Sec. 201(f). Does project paper describe how project will promote the country's economic development taking into account the country's human and material resources requirements and relationship between ultimate objectives of the project and overall economic development?

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PROJECT AUTHORIZATION AND REQUEST FOR ALLOTMENT OF FUNDS

Name of Entity: SOLIDARIOS  
Name of Project: SOLIDARIOS Development Fund  
Number of Project: 598-0587

Pursuant to Part I, Chapter 1, Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize a Grant to SOLIDARIOS, a private, non-profit consortium, incorporated in the Dominican Republic ("SOLIDARIOS"), of not to exceed One Million Five Hundred Thousand United States Dollars (\$1,500,000), to help in financing certain foreign exchange and local currency costs of goods and services required for the project as described in the following paragraph. The project consists of the establishment of a credit fund to support national development foundations ("NDFs") which are members of SOLIDARIOS and to provide technical support to these NDFs for the development and implementation of projects for low income groups (the "Project").

I approve the total level of A.I.D.-appropriated funding planned for this Project of not to exceed Four Million United States Dollars (\$4,000,000), all of which will be Grant funded, including the funding authorized above, during the period FY 1978 through FY 1980. I approve further increments during that period of Grant funding up to \$2,500,000, subject to the availability of funds in accordance with A.I.D. allotment procedures.

I hereby authorize the initiation of negotiation and execution of the Project Agreement by the officer to whom such authority has been delegated in accordance with A.I.D. regulations and Delegations of Authority, subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate:

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A. Source and Origin of Goods and Services

Except for ocean shipping, goods and services financed by A.I.D. under the Project shall have their source and origin as permitted by Chapter 16B1c(4)(a) of Supplement B to A.I.D. Handbook 1, except as A.I.D. may otherwise agree in writing. Ocean shipping financed under the Grant shall be procured in the United States.

B. Conditions Precedent to Initial Disbursement

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement, SOLIDARIOS shall furnish in form and substance satisfactory to A.I.D.:

1. a certified copy of the corporate charter and by-laws of SOLIDARIOS, duly authorized by the SOLIDARIOS Executive Board.

2. a certified copy of the operating policies, procedures, and standards of SOLIDARIOS, which shall include:

a. SOLIDARIOS' Credit policy, including:

(i) the procedures to be followed for the objective and comprehensive review and authorization of all activities to be financed by SOLIDARIOS from the proceeds of the Grant, to assure that such proposed activities are economically justified, technically sound, and will have the desired impact on the agreed upon target group of beneficiaries

(ii) a plan for periodic audit of sub-loans made by SOLIDARIOS

(iii) the standards and procedures to be followed in providing technical assistance to member NDFs.

b. The first quarterly implementation plan for the Development Fund of SOLIDARIOS.

c. The plan of SOLIDARIOS for recruiting and assigning two new analysts, including job descriptions.

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- d. A statement that, unless otherwise agreed by A.I.D., all loans made by SOLIDARIOS with A.I.D. funds shall be subloaned by NDFs directly to the target groups.

### C. Other Conditions

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement, to finance individual credit programs, other than the Fundacion del Centavo of Guatemala, Funde of Nicaragua, FDD of the Dominican Republic, and FMDR of Mexico:

1. The SOLIDARIOS management survey team shall have completed an evaluation, together with recommendations for improving performance of the NDF requesting loan support from SOLIDARIOS, and shall have submitted a report of their findings to such NDF and to SOLIDARIOS;

2. The NDF shall have taken positive action on the recommendations set forth in the SOLIDARIOS survey team's report;

3. The NDF and SOLIDARIOS shall furnish evidence satisfactory to A.I.D. of the institutional capacity of such NDF to absorb the additional level of funding requested and to manage effectively an expanded program.

### D. Covenants

Except as A.I.D. shall otherwise agree in writing, SOLIDARIOS shall covenant that:

1. It will charge a 5% interest rate to the NDFs for loans made from the proceeds of the Grant.

2. No more than \$550,000 of the Grant will be distributed to any one NDF.

3. It will submit a quarterly progress report, beginning the second quarter of the Project period, detailing progress in implementing the preceding quarter's plan of operations and providing the following information for each of the subloans approved: NDF recipient, copy of request with details of target group, expected impact and loan terms, and copy of SOLIDARIOS staff findings and recommendations to Executive Committee.

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Non-U.S. Grantees and Non-U.S. Subgrantees  
OTHER THAN EDUCATIONAL INSTITUTIONS  
INDEX OF  
STANDARD PROVISIONS

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| 1. Allowable Costs and Payment (Other Than Educational Institutions) | 13. Conversion of United States Dollars to Local Currency           |
| 2. Accounting, Records, and Audit                                    | 14. Termination   |
| 3. Refunds   | 15. Voluntary Participation   |
| 4. Equal Opportunity in Employment                                   | 16. Prohibition on Abortion-Related Activities                      |
| 5. Negotiated Overhead Rates - Other Than Educational Institutions   | 17. Voluntary Participation Requirements for Sterilization Programs |
| 6. Limitation of Funds   | 18. Publications  |
| *7A. Payment - Federal Reserve Letter of Credit (FRLC) Advance       | 19. Patents   |
| *7B. Payment - Periodic Advance                                      | 20. Regulations Governing Employees Outside the United States       |
| *7C. Payment - Reimbursement   | 21. Subordinate Agreements  |
| 8. Travel and Transportation   | 22. U.S. Officials Not to Benefit                                   |
| 9. Ocean Shipment of Goods   | 23. Covenant Against Contingent Fees                                |
| 10. Procurement of Goods and Services Under \$250,000                | 24. Nonliability  |
| 11. Government Furnished Excess Personal Property                    | 25. Amendment   |
| **12A. Title to and Use of Property (Grantee Title)                  | 26. The Grant   |
| **12B. Title to and Care of Property (U.S. Government Title)         | 27. Notices   |
| **12C. Title to and Care of Property (Cooperating Country Title)     |   |

\*Select only 1 payment provision from Group 7.

\*\*Select only 1 property provision from Group 12, if title to all property is to vest in one entity; however, if title is to be split by categories among two or more entities, select the appropriate provisions from Group 12 and identify the categories and entities in Attachment 1 of the Grant.

1. ALLOWABLE COSTS AND PAYMENT (OTHER THAN EDUCATIONAL INSTITUTIONS)

(This provision is applicable to other than educational institutions.)

The Grantee shall be reimbursed for costs incurred in carrying out the purposes of this Grant which are determined by the Grant Officer to be allowable in accordance with the terms of this Grant and Subpart 15.2 (Contracts with Commercial Organizations) of the Federal Procurement Regulations (41 CFR 1-15.2) in effect on the date of this Grant. Payment of allowable costs shall be in accordance with the payment provision of this Grant.

2. ACCOUNTING, RECORDS, AND AUDIT

The Grantee shall maintain books, records, documents, and other evidence in accordance with the Grantee's usual accounting procedures to sufficiently substantiate charges to the Grant. The Grantee shall preserve and make available such records for examination and audit by AID and the Comptroller General of the United States, or their authorized representatives (a) until the expiration of three years from the date of termination of the program and (b) for such longer period, if any, as is required to complete an audit and to resolve all questions concerning expenditures unless written approval has been obtained from the AID Grant Officer to dispose of the records. AID follows generally accepted auditing practices in determining that there is proper accounting and use of Grant funds. The Grantee agrees to include the requirements of this clause in any subordinate agreement hereunder.

3. REFUNDS

(a) If use of the Grant funds results in accrual of interest to the Grantee or to any other person to whom Grantee makes such funds available in carrying out the purposes of this Grant, the Grantee shall refund to AID an amount equivalent to the amount of interest accrued.

(b) Funds obligated hereunder but not disbursed to the Grantee at the time the Grant expires or is terminated, shall revert to AID, except for funds encumbered by the Grantee by a legally binding transaction applicable to this Grant. Any funds disbursed to but not expended by the Grantee at the time of expiration or termination of the Grant shall be refunded to AID.

(c) If, at any time during the life of the Grant, it is determined by AID that funds provided under the Grant have been expended for purposes not in accordance with the terms of the Grant, the Grantee shall refund such amounts to AID.

4. EQUAL OPPORTUNITY IN EMPLOYMENT

(This provision is applicable only to non-U.S. grantees and non-U.S. subgrantees that either perform work in the United States or that recruit personnel in the United States to do work abroad.)

(a) With regard to the employment of persons in the U.S. under this Grant, the Grantee agrees to take all reasonable steps to ensure equality of opportunity in its employment practices without regard to race, color or

national origin of such persons and, in accordance with Title VI of the Civil Rights Act of 1964, when work funded by this Grant is performed in the U.S., no person shall, on the grounds of race, color or national origin, be excluded from participation, be denied benefits, or be subjected to discrimination. In addition, the Grantee agrees to comply, in accordance with its written assurance of compliance, with the provisions of Part 209 of Chapter II, Title 22 of the Code of Federal Regulations, entitled "Non-Discrimination in Federally Assisted Programs of the Agency for International Development - Effectuation of Title VI of the Civil Rights Act of 1964."

(b) In addition, the Grantee agrees to take all reasonable steps to ensure equality of opportunity in its employment practices without regard to sex, religion, age and handicap, in accordance with P.L. 92-261, P.L. 93-259, P.L. 93-112 and P.L. 93-508. When work funded by AID under this Grant is performed in either the U.S. or overseas no person shall, on the grounds of sex, religion, age or handicap, be excluded from participation, be denied benefits, or be subjected to discrimination.

5. NEGOTIATED OVERHEAD RATES - OTHER THAN EDUCATIONAL INSTITUTIONS

(This provision is applicable to other than educational institutions.)

(a) Pursuant to this provision, an overhead rate shall be established for each of the Grantee's accounting periods during the term of this Grant. Pending establishment of a final rate, the parties have agreed that provisional payments on account of allowable indirect costs shall be at the rate(s), on the base(s), and for the period shown in Attachment 1 to this Grant.

(b) The Grantee, as soon as possible but not later than 90 days after the close of each of its accounting periods during the term of this Grant, shall submit to the Grant Officer with copies to the Overhead and Special Cost Branch, Special Operations Division, Office of Contract Management, AID, Washington, D.C. and to the Office of the Auditor General, AID, Washington, D.C., proposed final rate(s) for the period, together with supporting cost data. Negotiation of final overhead rates by the Grantee and the Grant Officer shall be undertaken as promptly as practicable after receipt of the Grantee's proposal.

(c) Allowability of costs and acceptability of cost allocation methods shall be determined in accordance with Subpart 1-15.2 (Contracts with Commercial Organizations) of the Federal Procurement Regulations as in effect on the date of this Grant.

(d) The results of each negotiation shall be set forth in a written overhead rate agreement executed by both parties. Such agreement shall specify (1) the agreed final rate(s), (2) the base(s) to which the rate(s) applies, and (3) the period(s) for which the rate(s) applies. The overhead rate agreement shall not change any monetary ceiling, Grant obligation, or specific cost allowance or disallowance provided for in this Grant.

(e) Pending establishment of the final overhead rate(s) for any

period, the Grantee shall be reimbursed either at the negotiated provisional rate(s) as provided above or at a billing rate(s) acceptable to the Grant Officer, subject to appropriate adjustment when the final rate(s) for that period is established. To prevent substantial over or under payment, the provisional or billing rate(s) may, at the request of either party, be revised by mutual agreement, either retroactively or prospectively. Any such revision of the negotiated provisional rate(s) provided in this provision shall be set forth in a modification to this Grant.

**6. LIMITATION OF FUNDS**

(This provision is applicable to all incrementally or partially funded grants; it becomes inapplicable when the grant is fully funded.)

(a) It is estimated that the cost to the Government for the performance of this Grant will not exceed the estimated cost set forth in Attachment 1 (hereinafter referred to as "the Schedule") to this Grant, and the Grantee agrees to perform the work specified in the Schedule and all obligations under this Grant within such estimated cost.

(b) The amount presently available for payment and obligated under the Grant, the items covered thereby, and the period of performance which it is estimated the obligated amount will cover, are specified in the Schedule. It is contemplated that from time to time additional funds will be obligated under this Grant up to the full estimated cost set forth in the Schedule. The Grantee agrees to perform or have performed work on this Grant up to the point at which the total amount paid and payable by the Government pursuant to the terms of this Grant approximates but does not exceed the total amount actually obligated under the Grant.

(c) If at any time the Grantee has reason to believe that the costs which it expects to incur in the performance of this Grant in the next succeeding 30 days, when added to all costs previously incurred, will exceed 75 percent of the total amount then obligated under the Grant, the Grantee shall notify the Grant Officer in writing to that effect. The notice shall state the estimated amount of additional funds required to continue performance for the period set forth in the Schedule. Thirty days prior to the end of the period specified in the Schedule, the Grantee will advise the Grant Officer in writing as to the estimated amount of additional funds, if any, that will be required for the timely performance of the work under the Grant or for such further period as may be specified in the Schedule or otherwise agreed to by the parties. If, after such notification, additional funds are not obligated by the end of the period set forth in the Schedule or an agreed date substituted therefor, the Grant Officer will, upon written request by the Grantee, terminate this Grant pursuant to the "Termination" provision of this Grant on such a date. If the Grantee, in the exercise of its reasonable judgment, estimates that the funds available will allow it to continue to discharge its obligations hereunder for a period extending beyond such date, it shall specify the later date in its request and the Grant Officer, in his discretion, may terminate this Grant on that later date.

(d) Except as required by other provisions of this Grant specifically citing and stated to be an exception from this provision, the Government shall not be obligated to reimburse the Grantee for costs incurred in excess of the total amount obligated under the Grant, and the Grantee shall not be obligated to continue performance under the Grant (including actions under the "Termination" provision) or otherwise to incur costs in excess of the amount obligated under the Grant, unless and until the Grant Officer has notified the Grantee in writing that such obligated amount has been increased and has specified in such notice an increased amount constituting the total amount then obligated under the Grant. To the extent the amount obligated exceeds the estimated cost set forth in the Schedule, such estimated cost shall be correspondingly increased. No notice, communication or representation in any other form or from any person other than the Grant Officer shall affect the amount obligated under this Grant. In the absence of the specified notice, the Government shall not be obligated to reimburse the Grantee for any costs in excess of the

total amount then obligated under the Grant, whether those excess costs were incurred during the course of the Grant or as a result of termination. When and to the extent that the amount obligated under the Grant has been increased, any costs incurred by the Grantee in excess of the amount previously obligated shall be allowable to the same extent as if such costs had been incurred after such increase in the amount obligated; unless the Grant Officer issues a termination or other notice and directs that the increase is solely for the purpose of covering termination or other specified expenses.

(e) Nothing in this provision shall affect the right of the Government to terminate this Grant. In the event this Grant is terminated, the Government and the Grantee shall negotiate an equitable distribution of all property produced or purchased under the Grant based upon the share of cost incurred by each.

**7A. PAYMENT - FEDERAL RESERVE LETTER OF CREDIT (FRLC) ADVANCE**

(This provision is applicable when the Grantee's total AID grants and cost-reimbursement contracts exceed \$250,000 per annum, AID has, or expects to have, a continuing relationship with the Grantee for at least one year, and the Grantee's commercial bank has ready access to a Federal Reserve Bank.)

(a) AID shall open a Federal Reserve Letter of Credit (hereinafter referred to as an "FRLC") in the amount of this Grant, against which the Grantee may present payment vouchers (i.e., TUS 5401). The payment vouchers shall not ordinarily be submitted more frequently than daily and shall not be less than \$10,000 or more than \$1,000,000. Since the FRLC method enables the recipient organization to obtain funds from the U.S. Treasury concurrently with and as frequently as disbursements are made by the recipient, there need be no time lag between disbursements by the recipient organization and drawdowns from the U.S. Treasury by FRLC. Therefore, there is no necessity for the recipient to maintain balances of Federal cash other than small balances.

(b) In no event shall the accumulated total of all such payment vouchers exceed the amount of the FRLC.

(c) If at any time, SER/PM determines that the Grantee has presented payment vouchers in excess of the amount or amounts allowable in (a) and (b) above, SER/PM shall advise the Grant Officer who may: (1) cause the FRLC to be suspended or revoked; or (2) direct the Grantee to withhold submission of payment vouchers until such time as, in the judgment of SER/PM, an appropriate level of actual, necessary and allowable expenditures has occurred or will occur under this Grant, and/or (3) request the Grantee to repay to AID the amount of such excess. Upon receipt of the Grant Officer's request for repayment of excess advance payments, the Grantee shall promptly contact SER/PM to make suitable arrangements for the repayment of such excess funds. Advances made by primary recipient organizations (those which receive payments directly from the Government) to secondary recipients shall conform to the same standards outlined above applicable to advances made by the Government to primary recipient organizations.

(d) Procedure for Grantee

(1) After arranging with a commercial bank of its choice for operation under the FRLC and obtaining the name and address of the Federal Reserve Bank or branch serving the commercial bank, the Grantee shall deliver to the AID Controller 3 originals of Standard Form 1194, "Authorized Signature Card for Payment Vouchers on Letters of Credit" signed by those official(s) authorized to sign payment vouchers against the FRLC and by an official of the Grantee who has authorized them to sign.

(2) The Grantee shall subsequently receive one certified copy of the FRLC.

(3) The Grantee shall confirm with his commercial bank that the FRLC has been opened and is available when funds are needed.

(4) To receive payment, the Grantee shall:

(A) Periodically, although normally not during the last five days of the month, prepare payment vouchers (Form TUS 5401) in an original and three copies.

ATTACHMENT 2  
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- (B) Have the original and two copies of the voucher signed by the authorized official(s) whose signature(s) appear on the Standard Form 1194.
- (C) Present the original, duplicate and triplicate copy of the Form TUS 5401 to his commercial bank.
- (D) Retain the quadruplicate copy of the voucher.
- (5) After the first payment voucher (Form TUS 5401) has been processed, succeeding payment vouchers shall not be presented until the existing balance of previous payments has been expended or is insufficient to meet current needs.
- (6) In preparing the payment voucher, the Grantee assigns a voucher number in numerical sequence beginning with 1 and continuing in sequence on all subsequent payment vouchers submitted under the FRLC.
- (7) A report of expenditures (i.e., SF 269, "Financial Status Report") shall be prepared and submitted not less than quarterly within 30 days of the end of the period to the Office of Financial Management, AID, Washington, D. C. 20523. This SF 269 Report, submitted with Standard Form 1034, "Public Voucher for Purchases and Services Other Than Personal", shall be in an original and 2 copies.
- (8) The SF 269 report is reviewed against the Grant provisions, and any improper disbursement is disallowed. The Grantee is notified of the reason for the disallowance and is directed to adjust the next periodic report of expenditures to reflect the disallowance and to reduce its next payment voucher against the FRLC by the amount of the disallowance.
- (9) In addition to the submission of the SF 269 and the SF 1034, the Grantee shall submit an original and 2 copies of SF 272, "Federal Cash Transaction Report" as follows:
- (A) For advances totaling less than \$1 million per year, the Grantee shall submit the SF 272 within 15 working days after the end of the reporting quarter.
- (B) For advances totaling more than \$1 million per year, the Grantee shall submit the SF 272 within 15 working days after the end of each month, and
- (C) The Grantee's cash needs for the ensuing period (i.e., quarter or month) shall be explained under the "Remarks" section of the SF 272.
- (e) Refund of Excess Funds
- (1) If all costs have been settled under the Grant and the Grantee fails to comply with the Grant Officer's request for repayment of excess FRLC funds, the Government shall have the right, on other contracts or grants held with the Grantee, to withhold reimbursements due to the Grantee in the amount of the excess being held by the Grantee.
- (2) If the Grantee is still holding excess FRLC funds on a grant, contract, or similar instrument under which work has been completed or terminated but all costs have not been settled, the Grantee agrees to:
- (A) Provide within 30 days after requested to do so by the Grant Officer, a breakdown of the dollar amounts which have not been settled between the Government and the Grantee. (The Grant Officer will assume no costs are in dispute if the Grantee fails to reply within 30 days.)
- (B) Upon written request of the Grant Officer, return to the Government the sum of dollars, if any, which represents the difference between (i) the Grantee's maximum position on claimed costs which have not been reimbursed and (ii) the total amount of unexpended funds which have been advanced under the Grant; and
- (C) If the Grantee fails to comply with the Grant Officer's request for repayment of excess FRLC funds, the Government shall have the right, on other contracts, grants or similar instruments held with the Grantee, to withhold payment of FRLC or other advances and/or withhold reimbursements due the Grantee in the amount of the excess being held by the Grantee.
- 7B. PAYMENT--PERIODIC ADVANCE**  
(This provision is applicable when the Grantee's total AID grants and cost-reimbursement contracts do not exceed \$250,000 per annum, or if the advance to the Grantee aggregates more than \$250,000 per annum but there is not a continuing relationship of at least one year, or when a Grantee's commercial bank does not have ready access to a Federal Reserve Bank.)

- (a) Each month (or quarter, if the Grantee is on a quarterly basis) after the initial advance, the Grantee shall submit to the AID Controller an original and 2 copies of SF 272, "Federal Cash Transactions Report" as follows:
- (1) The Grantee shall submit the SF 272 within 15 working days after the end of the reporting period, and
- (2) The Grantee's cash needs for the ensuing period (i.e., quarter or month) shall be explained under the "Remarks" section of the SF 272.
- (b) Along with each SF 272 submission, the Grantee shall submit an original and 3 copies of SF 1034, "Public Voucher for Purchases and Services Other Than Personal"; each voucher shall be identified by the Grant number and shall state the total actual expenditures for the reporting period.
- (c) Each quarterly voucher (i.e., SF 1034) or third monthly voucher, if the Grantee is on a monthly basis, shall also be supported by an original and 2 copies of a SF 269, "Financial Status Report". The SF 269 shall be submitted within 30 days after the end of the reporting quarter and may be submitted separately from the SF 1034 and the SF 272; however, the SF 269 shall cover the same quarterly period as the SF 1034(a) and the SF 272(a).
- (d) Refund of Excess Funds
- (1) If all costs have been settled under the Grant and the Grantee fails to comply with the Grant Officer's request for repayment of excess advance funds, the Government shall have the right, on other contracts or grants held with the Grantee, to withhold reimbursements due to the Grantee in the amount of the excess being held by the Grantee.
- (2) If the Grantee is still holding excess advance funds on a grant, contract, or similar instrument under which the work has been completed or terminated but all costs have not been settled, the Grantee agrees to:
- (A) Provide within 30 days after requested to do so by the Grant Officer, a breakdown of the dollar amounts which have not been settled between the Government and the Grantee. (The Grant Officer will assume no costs are in dispute if the Grantee fails to reply within 30 days.)
- (B) Upon written request of the Grant Officer, return to the Government the sum of dollars, if any, which represents the difference between (i) the Grantee's maximum position on claimed costs which have not been reimbursed and (ii) the total amount of unexpended funds which have been advanced under the Grant; and
- (C) If the Grantee fails to comply with the Grant Officer's request for repayment of excess advance funds, the Government shall have the right, on other contracts, grants or similar instruments held with the Grantee, to withhold payment of other advances and/or withhold reimbursements due the Grantee in the amount of the excess being held by the Grantee.

**7C. PAYMENT--REIMBURSEMENT**

(This provision is applicable to grants for construction, or to grants which do not provide for either a periodic advance or an FRLC in accordance with AID Handbook 13, paragraph 10.5.)

- (a) Each month the Grantee shall submit to the AID Controller an original and 3 copies of SF 1034, "Public Voucher for Purchases and Services Other Than Personal"; each voucher shall be identified by the Grant number and shall state the total amount of costs incurred for which reimbursement is being requested.
- (b) In addition to the SF 1034, each non-construction grant voucher shall be supported by an original and 2 copies of SF 110, "Request for Advance or Reimbursement", and each construction grant voucher shall be supported by an original and 2 copies of SF 271, "Outlay Report and Request for Reimbursement for Construction Programs".
- (c) Each quarterly voucher (or each third monthly voucher) shall also be supported by an original and 2 copies of a SF 269, "Financial Status Report". The SF 269 shall be submitted within 30 days after the end of the reporting quarter and may be submitted separately from the SF 1034; however, the SF 269 shall cover the same quarterly period as the SF 1034(a).

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**8. TRAVEL AND TRANSPORTATION**

(This provision is applicable when domestic or international air travel or shipment costs are reimbursable under the Grant.)

(a) The Grant Officer hereby approves international air travel hereunder provided that the Grantee shall obtain written concurrence from the cognizant Project Officer in AID prior to sending any individual outside the United States to perform work under the Grant, the Grantee shall advise the Project Officer at least 30 days in advance or any travel to be undertaken outside the United States. After concurrence is received the Grantee shall provide the cognizant Mission or U.S. Embassy advance notification (with a copy to the Project Officer) of the arrival date and flight identification of Grant financed travellers.

(b) Travel to certain countries shall, at AID's option, be funded from U.S.-owned local currency. When AID intends to exercise this option, it will so notify the Grantee after receipt of advice of intent to travel required above. AID will issue a Government Transportation Request (GTR) which the Grantee may exchange for tickets, or AID will issue the tickets directly. Use of such U.S.-owned currencies will constitute a dollar charge to this Grant.

(c) All international air travel and all international air shipments under this Grant shall be made on United States flag carriers. Exceptions to this rule will be allowed in the following situations, provided that the Grantee certifies to the facts in the voucher and other documents retained as part of his Grant records to support his claim for reimbursement and for post audit:

- (1) Where the traveler, while enroute, has to wait 6 hours or more to transfer to a U.S. flag air carrier to proceed to the intended destination, or
- (2) Where a flight by a U.S. flag air carrier is interrupted by a stop anticipated to be 6 hours or more for refueling, reloading, repairs, etc. and no other flight by a U.S. flag air carrier is available during the 6 hour period, or
- (3) Where by itself or in combination with other U.S. flag air carriers (if U.S. flag air carriers are "unavailable") it takes 12 hours or longer from the original airport to the destination airport to accomplish the Grantee's program than would service by a non-U.S. flag air carrier or carriers, or
- (4) When the elapsed traveltime on a scheduled flight from origin to destination airports by non-U.S. flag air carrier(s) is 3 hours or less, and services by U.S. flag air carrier(s) would involve twice such traveltime.

NOTE: Where U.S. Government funds are used to reimburse Grantee's use of other than U.S. flag air carriers for international transportation, the Grantee will include a certification on vouchers involving such transportation which is essentially as follows:

**CERTIFICATION OF UNAVAILABILITY OF U.S. FLAG AIR CARRIERS**  
I hereby certify that the transportation service for personnel (and their personal effects) or property by U.S. flag air carrier was unavailable for the following reason(s): (State appropriate reason(s) as set forth above; see 41 CFR 1-1.323-3 for further guidance).

(d) Travel allowances shall be reimbursed in accordance with the Federal Travel Regulations (FTR); however, if the Grantee's domestic and international travel allowance policies and procedures have been reviewed and approved by AID or another Federal department or agency pursuant to the applicable Federal cost principles, the Grantee may use its travel allowance system in lieu of the FTRs after it has furnished the Grant Officer with a copy of such approval.

**9. OCEAN SHIPMENT OF GOODS**

(This provision is applicable when ocean shipment costs are reimbursable under the Grant.)

(a) 50% of all international ocean shipments made by the Grantee, to be financed hereunder, shall be made on U.S. flag vessels. Where U.S. flag vessels are not available, or their use would result in a significant delay, the Grantee may request a release from this requirement from the Transportation Support Division, Office of Commodity Management, AID, Washington, D.C. 20523, giving the basis for the request.

(b) When the AID Transportation Support Division makes

and issues a determination to the Grantee that U.S. flag vessels are not available, the ocean shipment costs on foreign flag vessels, as named in the determination, will be eligible for reimbursement under the Grant. In all instances Grantee vouchers submitted for reimbursement under the Grant which include ocean shipment costs will include a certification essentially as follows: "I hereby certify that a copy of each ocean bill of lading concerned has been submitted to the Maritime Administration, Cargo Preference Control Center, Commerce Building, Washington, D.C. 20235, and that such bill(s) of lading state all of the carrier's charges including the basis for calculation such as weight or cubic measurement, and indicate the applicable AID Grant Number."

(c) Shipments by voluntary non-profit relief agencies (i.e., FVO's) shall be governed by paragraphs (a) and (b) above and by AID Regulation 2, "Overseas Shipments of Supplies by Voluntary Non-Profit Relief Agencies" (22 CFR 202).

**10. PROCUREMENT OF GOODS AND SERVICES UNDER \$250,000**

(This provision is applicable when the total procurement element (i.e., the sum of all purchase orders and contracts for goods and services) of this Grant does not exceed \$250,000.)

**(a) Geographic Source and Order of Preference**

Except as may be specifically approved or directed in advance by the Grant Officer, all goods (e.g., equipment, vehicles, materials, and supplies) and services, the costs of which are to be reimbursable under this Grant and which will be financed with United States dollars, shall be purchased in and shipped from only "Special Free World" countries (i.e., AID Geographic Code 935) in accordance with the following order of preference:

- (1) the United States (AID Geographic Code 000),
- (2) "Selected Free World" countries (AID Geographic Code 941),
- (3) the cooperating country,
- (4) "Special Free World" countries (AID Geographic Code 935).

**(b) Application of Order of Preference**

When the Grantee procures goods and services from other than U.S. sources, under the order of preference in (a) above, it shall document its files to justify each such instance. The documentation shall set forth the circumstances surrounding the procurement and shall be based on one or more of the following reasons, which will be set forth in the Grantee's documentation:

- (1) the procurement was of an emergency nature, which would not allow for the delay attendant to soliciting U.S. sources,
- (2) the price differential for procurement from U.S. sources exceeded by 50% or more the delivered price from the non-U.S. source,
- (3) compelling local political considerations precluded consideration of U.S. sources,
- (4) the goods or services were not available from U.S. sources, or
- (5) procurement of locally available goods or services, as opposed to procurement of U.S. goods and services, would best promote the objectives of the Foreign Assistance Program under the Grant.

**(c) Ineligible Goods and Services**

Under no circumstances shall the Grantee procure any of the following under this Grant:

- (1) military equipment,
- (2) surveillance equipment,
- (3) commodities and services for support of police or other law enforcement activities,
- (4) abortion equipment and services,
- (5) luxury goods and gambling equipment, or
- (6) weather modification equipment.

(For a more detailed discussion of the subject, see AID Handbook 1, Supplement 3, paragraph 4D.)

If AID determines that the Grantee has procured any of the ineligible goods and services specified above under this Grant, and has received reimbursement for such purpose, the Grantee agrees to refund to AID the entire amount of the purchase.

**(d) Restricted Goods**

The Grantee shall not procure any of the following

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goods or services from a non-U.S. source (i.e., other than AID Geographic Code 000) without the prior written authorization of the Grant Officer:

- (1) agricultural commodities,
- (2) motor vehicles,
- (3) pharmaceuticals,
- (4) pesticides,
- (5) plasticizers,
- (6) used equipment, or
- (7) U.S. Government-owned excess property.

(For a detailed discussion of the subject, see AID Handbook 1, Supplement B, paragraph 4C.)

If AID determines that the Grantee has procured any of the restricted goods specified above under this Grant, without the prior written authorization of the Grant Officer, and has received reimbursement for such purpose, the Grantee agrees to refund to AID the entire amount of the purchase.

(e) The Grantee's Procurement System

- (1) The Grantee may use its own procurement policies and procedures provided they conform to the geographic source and order of preference requirements of this provision and paragraph 1U.3. of Chapter 1, AID Handbook 13.
- (2) If the Grantee's procurement policies and procedures have been reviewed against the procurement requirements of paragraph 1U.3. and have been approved by AID or another Federal department or agency, the Grantee shall furnish the Grant Officer a copy of such approval; otherwise the Grantee's procurement policies and procedures shall conform to those specified in paragraph 1U.3. of Chapter 1, AID Handbook 13.

(f) Small Business

To permit AID, in accordance with the small business provisions of the Foreign Assistance Act of 1961, as amended, to give United States small business firms an opportunity to participate in supplying commodities and services procured under this Grant, the Grantee, shall, to the maximum extent possible, provide the following information to the Small Business Office, AID, Washington, D.C. 20523 at least 45 days prior (except where a shorter time is requested of, and granted by the Small Business Office) to placing any order or contract in excess of \$25,000:

- (1) Brief general description and quantity of goods or services;
- (2) Closing date for receiving quotations, proposals, or bids; and
- (3) Address where invitations or specifications can be obtained.

(g) Ineligible Suppliers

Funds provided under this Grant shall not be used to procure any commodity or commodity-related services furnished by any supplier whose name appears on the List of Ineligible Suppliers under AID Regulation 8, "Suppliers of Commodities and Commodity-Related Services Ineligible for AID Financing" (22 CFR 108). The Grantee agrees to review said list prior to undertaking any procurement the cost of which is to be reimbursable under this Grant. AID will provide the Grantee with this list.

11. GOVERNMENT FURNISHED EXCESS PERSONAL PROPERTY

(This provision applies when personal property is furnished under the Grant.)

The policies and procedures of AID Handbook 16, "Excess Property", and the appropriate provisions of 41 CFR 101-43 apply to the government furnished excess personal property under this Grant.

12A. TITLE TO AND USE OF PROPERTY (GRANTEE TITLE)

(This provision is applicable when the Government vests title in the Grantee only.)

Title to all property financed under this Grant shall vest in the Grantee, subject to the following conditions:

- (a) The Grantee shall not charge for any depreciation, amortization, or use of any property, title to which remains in the Grantee under this provision under this Grant or any other U.S. Government grant, subgrant, contract or subcontract.
- (b) The Grantee agrees to use and maintain the property for the purpose of the Grant in accordance with the requirements of paragraph 1T of Chapter 1, AID Handbook 13.
- (c) With respect to nonexpendable property having an

acquisition cost of \$1,000 or more, title to which vests in the Grantee, the Grantee agrees:

- (1) To report such items to the Grant Officer from time to time as they are acquired and to maintain a control system which will permit their ready identification and location.
- (2) To transfer title to any such items to the Government in accordance with any written request therefor issued by the Grant Officer at any time prior to final payment under this Grant.

12B. TITLE TO AND CARE OF PROPERTY (U.S. GOVERNMENT)

(This provision is applicable when title to property is vested in the U.S. Government.)

(a) Property, title to which vests in the Government under this Grant, whether furnished by the Government or acquired by the Grantee, is subject to this provision and is hereinafter collectively referred to as "Government property." Title to Government property shall not be affected by the incorporation or attachment thereof to any property not owned by the Government, nor shall such Government property, or any part thereof, be or become a fixture or lose its identity as personalty by reason of affixation to any realty.

(b) Use of Government Property

Government property shall, unless otherwise provided herein or approved by the Grant Officer, be used only for the performance of this Grant.

(c) Control, Maintenance and Repair of Government Property

The Grantee shall maintain and administer in accordance with sound business practice a program for the maintenance, repair, protection, and preservation of Government property so as to assure its full availability and usefulness for the performance of this Grant. The Grantee shall take all reasonable steps to comply with all appropriate directions or instructions which the Grant Officer may prescribe as reasonably necessary for the protection of the Government property.

The Grantee shall submit, for review and written approval of the Grant Officer, a records system for property control and a program for orderly maintenance of Government property; however, if the Grantee's property control and maintenance system has been reviewed and approved by another Federal department or agency pursuant to Attachment N of OMB Circular No. A-110 (see paragraph 1T of Chapter 1, AID Handbook 13), the Grantee shall furnish the Grant Officer proof of such approval in lieu of another approval submission.

(1) Property Control

The property control system shall include but not be limited to the following:

- (A) Identification of each item of Government property acquired or furnished under the Grant by a serially controlled identification number and by description of item. Each item must be clearly marked "Property of U.S. Government."
- (B) The price of each item of property acquired or furnished under the Grant.
- (C) The location of each item of property acquired or furnished under the Grant.
- (D) A record of any usable components which are permanently removed from items of Government property as a result of modification or otherwise.
- (E) A record of disposition of each item acquired or furnished under the Grant.
- (F) Date of order and receipt of any item acquired or furnished under the Grant.

The official property control records shall be kept in such condition that at any stage of completion of the work under this Grant, the status of property acquired or furnished under this Grant may be readily ascertained. A report of current status of all items of property acquired or furnished under the Grant shall be submitted yearly concurrently with the annual report.

(2) Maintenance Program

The Grantee's maintenance program shall be such as to provide for, consistent with sound business practice and the terms of the Grant: (i) disclosure of need for and the performance of preventive maintenance, (ii) disclosure and reporting of need for capital type rehabilitation, and (iii) recording of work accomplished under the program.

(A) Preventive maintenance - Preventive maintenance is maintenance generally performed on a regularly scheduled basis to prevent the occurrence of defects and to detect and correct minor defects before they result in serious consequences.

(B) Records of maintenance - The Grantee's maintenance program shall provide for records sufficient to disclose the maintenance actions performed and deficiencies discovered as a result of inspections.

A report of status of maintenance of Government property shall be submitted annually concurrently with the annual report.

(d) Risk of Loss

(1) The Grantee shall not be liable for any loss of or damage to the Government property, or for expenses incidental to such loss or damage except that the Grantee shall be responsible for any such loss or damage (including expenses incidental thereto):

(i) Which results from willful misconduct or lack of good faith on the part of any of the Grantee's directors or officers, or on the part of any of its managers, superintendents, or other equivalent representatives, who have supervision or direction of all or substantially all of the Grantee's business, or all or substantially all of the Grantee's operations at any one plant, laboratory, or separate location in which this Grant is being performed;

(ii) Which results from a failure on the part of the Grantee, due to the willful misconduct or lack of good faith on the part of any of its directors, officers, or other representatives mentioned in (i) above, (A) to maintain and administer, in accordance with sound business practice, the program for maintenance, repair, protection, and preservation of Government property as required by (1) above, or (B) to take all reasonable steps to comply with any appropriate written directions of the Grant Officer under (c) above;

(iii) For which the Grantee is otherwise responsible under the express terms of the article or articles designated in Attachment 1 to this Grant.

(iv) Which results from a risk expressly required to be insured under some other provision of this Grant, but only to the extent of the insurance so required to be procured and maintained, or to the extent of insurance actually procured and maintained, whichever is greater; or

(v) Which results from a risk which is in fact covered by insurance or for which the Grantee is otherwise reimbursed, but only to the extent of such insurance or reimbursement;

Provided, that, if more than one of the above exceptions shall be applicable in any case, the Grantee's liability under any one exception shall not be limited by any other exception.

(2) The Grantee shall not be reimbursed for, and shall not include as an item of overhead, the cost of insurance, or any provision for a reserve, covering the risk of loss of or damage to the Government property, except to the extent that the Government may have required the Grantee to carry such insurance under any other provision of this Grant.

(3) Upon the happening of loss or destruction of or damage to the Government property, the Grantee shall notify the Grant Officer thereof, shall take all reasonable steps to protect the Government property from further damage, separate the damaged and undamaged Government property, put all the Government property in the best possible order, and furnish to the Grant Officer a statement of:

(i) The lost, destroyed, and damaged Government property;

(ii) The time and origin of the loss, destruction, or damage;

(iii) All known interests in commingled property of which the Government property is a part; and

(iv) The insurance, if any, covering any part of or interest in such commingled property.

The Grantee shall make repairs and renovations of the damaged Government property or take such other action as the Grant Officer directs.

(4) In the event the Grantee is indemnified, reimbursed, or otherwise compensated for any loss or destruction of or damage to the Government property, it shall use the proceeds to repair, renovate or replace the Government property involved, or shall credit such proceeds against

the cost of the work covered by the Grant, or shall otherwise reimburse the Government, as directed by the Grant Officer. The Grantee shall do nothing to prejudice the Government's right to recover against third parties for any such loss, destruction, or damage, and upon the request of the Grant Officer, shall, at the Government's expense, furnish to the Government all reasonable assistance and cooperation (including assistance in the prosecution of suit and the execution of instruments of assignments in favor of the Government) in obtaining recovery.

(e) Access

The Government, and any persons designated by it, shall at all reasonable times have access to the premises wherein any Government property is located, for the purpose of inspecting the Government property.

(f) Final Accounting and Disposition of Government Property

Up on completion of this Grant, or at such earlier date as may be fixed by the Grant Officer, the Grantee shall submit, in a form acceptable to the Grant Officer, inventory schedules covering all items of Government property not consumed in the performance of this Grant or not theretofore delivered to the Government, and shall prepare deliver, or make such other disposal of the Government property as may be directed or authorized by the Grant Officer.

(g) Communications

All communications issued pursuant to this provision shall be in writing.

12C. TITLE TO AND CARE OF PROPERTY (COOPERATING COUNTRY TITLE)

(This provision is applicable to property titled in the name of the cooperating country or such public or private agency as the Cooperating Government may designate.)

(a) Except as modified by Attachment 1 of this Grant, title to all equipment, materials and supplies, the cost of which is reimbursable to the Grantee by AID or by the Cooperating Government, shall at all times be in the name of the Cooperating Government or such public or private agency as the Cooperating Government may designate, unless title to specified types or classes of equipment is reserved to AID under provisions set forth in Attachment 1 of this Grant; but all such property shall be under the custody and control of the Grantee until the owner of title directs otherwise or completion of work under this Grant or its termination, at which time custody and control shall be turned over to the owner of title or disposed of in accordance with its instructions. All performance guarantees and warranties obtained from suppliers shall be taken in the name of the title owner.

(b) The Grantee shall prepare and establish a program, to be approved by the Mission, for the receipt, use, maintenance, protection, custody and care of equipment, materials and supplies for which it has custodial responsibility, including the establishment of reasonable controls to enforce such program. The Grantee shall be guided by the requirements of paragraph 17 of Chapter 1, AID Handbook 13.

(c) Within 90 days after completion of this Grant, or at such other date as may be fixed by the Grant Officer, the Grantee shall submit an inventory schedule covering all items of equipment, materials and supplies under his custody, title to which is in the Cooperating Government or public or private agency designated by the Cooperating Government, which have not been consumed in the performance of this Grant. The Grantee shall also indicate what disposition has been made of such property.

13. CONVERSION OF UNITED STATES DOLLARS TO LOCAL CURRENCY

Upon arrival in the Cooperating Country, and from time to time as appropriate, the Grantee's Chief of Party shall consult with the Mission Director who shall provide, in writing, the procedure the Grantee and its employees shall follow in the conversion of United States dollars to local currency. This may include, but is not limited to, the conversion of said currency through the cognizant United States Disbursing Officer or Mission Controller, as appropriate.

14. TERMINATION

(a) For Cause. This Grant may be terminated for cause at any time, in whole or in part, by the Grant Officer

upon written notice to the Grantee, whenever for any reason he/she shall determine that such termination is in the best interest of the Government.

(b) For Convenience. This Grant may be terminated for convenience at any time by either party, in whole or in part, if both parties agree that the continuation of the Grant would not produce beneficial results commensurate with the further expenditure of funds. Both parties shall agree upon termination conditions, including the effective date and, in the case of partial terminations, the portion to be terminated. The agreement to terminate shall be set forth in a letter from the Grant Officer to the Grantee.

(c) Termination Procedures. Upon receipt of and in accordance with a termination notice as specified in either paragraph (a) or (b) above, the Grantee shall forthwith take immediate action to minimize all expenditures and obligations financed by this Grant, and shall cancel such unliquidated obligations whenever possible. Except as provided below, no further reimbursement shall be made after the effective date of termination, and the Grantee shall within 30 calendar days after the effective date of such termination repay to the Government all unexpended portions of funds theretofore paid by the Government to the Grantee which are not otherwise obligated by a legally binding transaction applicable to this Grant. Should the funds paid by the Government to the Grantee prior to the effective date of the termination of this Grant, be insufficient to cover the Grantee's obligations pursuant to the aforementioned legally binding transaction, the Grantee may submit to the Government within 90 calendar days after the effective date of such termination a written claim covering such obligations, and subject to the limitations contained in this Grant, the Grant Officer shall determine the amount or amounts to be paid by the Government to the Grantee under such claim in accordance with the applicable Federal cost principles.

#### 15. VOLUNTARY PARTICIPATION

(This provision is applicable to all grants involving any aspect of family or population assistance activities, and all Title X grants in particular.)

(a) The Grantee agrees to take any steps necessary to ensure that funds made available under this Grant will not be used to coerce any individual to practice methods of family planning inconsistent with such individual's moral, philosophical, or religious beliefs. Further, the Grantee agrees to conduct its activities in a manner which safeguards the rights, health and welfare of all individuals who take part in the program.

(b) The Grantee shall insert paragraphs (a) and (b) of this provision in all subgrants, subcontracts, purchase orders, and any other subordinate agreements hereunder.

#### 16. PROHIBITION ON ABORTION-RELATED ACTIVITIES

(This provision is applicable to all grants involving any aspect of family or population assistance activities, and all Title X grants in particular.)

(a) No funds made available under this Grant will be used to finance, support, or be attributed to the following activities: (1) procurement or distribution of equipment intended to be used for the purpose of inducing abortions as a method of family planning; (2) special fees or incentives to women to coerce or motivate them to have abortions; (3) payments to persons to perform abortions or to solicit persons to undergo abortions; (4) information, education, training, or communication programs that seek to promote abortion as a method of family planning.

(b) The Grantee shall insert paragraphs (a) and (b) of this provision in all subgrants, subcontracts, purchase orders, and any other subordinate agreements hereunder.

#### 17. VOLUNTARY PARTICIPATION REQUIREMENTS FOR STERILIZATION PROGRAMS

(This provision is applicable when any surgical sterilization will be supported in whole or in part from funds under this Grant.)

(a) None of the funds made available under this Grant shall be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to practice sterilization.

(b) The Grantee shall insure that any surgical sterilization procedures supported in whole or in part by funds from this Grant are performed only after the individual has voluntarily presented himself or herself at the treatment facility and has given his or her informed consent to the sterilization procedure. Informed consent means the voluntary, knowing assent from the individual after he or she has been advised of the surgical procedure to be followed, the attendant discomforts and risks, the benefits to be expected, the availability of alternative methods of family planning, the purpose of the operation and its irreversibility, and his or her option to withdraw consent anytime prior to the operation. An individual's consent is considered voluntary if it is based upon the exercise of free choice and is not obtained by any special inducement or any element of force, fraud, deceit, duress or other forms of coercion or misrepresentation.

(c) Further, the Grantee shall document the patient's informed consent by (1) a written consent document in a language the patient understands and speaks, which explains the basic elements of informed consent, as set out above, and which is signed by the individual and by the attending physician or by the authorized assistant of the attending physician; or (2) when a patient is unable to read adequately, a written certification by the attending physician or by the authorized assistant of the attending physician that the basic elements of informed consent above were orally presented to the patient, and that the patient thereafter consented to the performance of the operation. The receipt of the oral explanation shall be acknowledged by the patient's mark on the certification and by the signature or mark of a witness who shall be of the same sex and speak the same language as the patient.

(d) Copies of informed consent forms and certification documents for each voluntary sterilization (VS) procedure must be retained by the Grantee for a period of three years after performance of the sterilization procedure.

(e) The Grantee shall insert paragraphs (a), (b), (c), (d) and (e) of this provision in all subgrants, subcontracts, purchase orders, and any other subordinate agreements hereunder involving the performance of any sterilization which will be supported in whole or in part from funds under this Grant.

(f) The Grantee shall insert paragraphs (a), (b), (c), (d) and (e) of this provision in all subgrants, subcontracts, purchase orders, and any other subordinate agreements hereunder involving the performance of any sterilization which will be supported in whole or in part from funds under this Grant.

#### 18. PUBLICATIONS

(This provision is applicable to any grant which produces any book, publication, or other copyrightable materials.)

(a) If it is the Grantee's intention to identify AID's contribution to any publication resulting from this Grant, the Grantee shall consult with AID on the nature of the acknowledgement prior to publication.

(b) The Grantee shall provide the Project Manager with one copy of all published works developed under the Grant. The Grantee shall provide the Project Manager with lists of other written work produced under the Grant.

(c) In the event Grant funds are used to underwrite the cost of publishing, in lieu of the publisher assuming this cost as is the normal practice, any profits or royalties up to the amount of such cost shall be credited to the Grant.

(d) The Grantee is permitted to secure copyright to any publication produced or composed under the Grant in accordance with paragraph 178.b. of Chapter 1, AID Handbook 13. Provided, the Grantee agrees to and does hereby grant to the Government a royalty-free, non-exclusive and irrevocable license throughout the world to use, duplicate, disclose, or dispose of such publications in any manner and for any purpose to permit others to do so.

#### 19. PATENTS

(This provision is applicable to any grant which produces patentable items, patent rights, processes, or inventions.)

(a) Grantee agrees to notify the Grant Officer, in writing, of any invention or discovery conceived or first actually reduced to practice in the course of or under this Grant. The Grant Officer will determine the patent rights to be afforded the Grantee in accordance with the Presidential Memorandum and Statement of

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Government Patent Policy (36 FR 16889) and paragraph 178.a. of Chapter 1, AID Handbook 13.

(b) Nothing contained in this provision shall imply a license to the Government under any patent or be construed as affecting the scope of any license or other right otherwise granted to the Government under any patent.

20. REGULATIONS GOVERNING EMPLOYEES OUTSIDE THE UNITED STATES  
(This provision is applicable only to the Grantee's U.S. and third country national employees; it is not applicable to the Grantee's cooperating country national employees.)

(a) The Grantee's employees, when employed in work overseas, shall maintain private status and may not rely on local U.S. Government offices of facilities for support while so engaged.

(b) The sale of personal property or automobiles by Grantee employees and their dependents in the foreign country to which they are assigned shall be subject to the same limitations and prohibitions which apply to direct-hire AID personnel employed by the Mission, except as this may conflict with host government regulations.

(c) Other than work to be performed under this Grant for which an employee or consultant is assigned by the Grantee, no regular or short term employee or consultant of the Grantee shall engage directly or indirectly, either in his own name or in the name or through an agency of another person, in any business, profession, or occupation in the foreign countries to which he is assigned, nor shall he make loans or investments to or in any business, profession or occupation in the foreign countries to which he is assigned.

(d) The Grantee's employees, while in a foreign country, are expected to show respect for its conventions, customs, and institutions, to abide by its applicable laws and regulations, and not to interfere in its internal political affairs.

(e) In the event the conduct of any Grantee employee is not in accordance with the preceding paragraphs, the Grantee's chief of party shall consult with the Mission Director and the employee involved and shall recommend to the Grantee a course of action with regard to such employee.

(f) The parties recognize the right of the U.S. Ambassador to direct the removal from a country of any U.S. citizen or the discharge from this Grant of any third country national when, in the discretion of the Ambassador, the interests of the United States so require.

(g) If it is determined, under either (e) or (f) above, that the services of such employee shall be terminated, the Grantee shall use its best efforts to cause the return of such employee to the United States, or point of origin, as appropriate.

21. SUBORDINATE AGREEMENTS

The placement of subordinate agreements (e.g., leases, options, etc.), grants, or contracts with other organizations, firms or institutions and the provisions of such subordinate agreements are subject to prior written consent of the Grant Officer if they will be funded hereunder, unless the Grantee's procurement system has been reviewed and approved pursuant to the appropriate section(s) of paragraph 10, Chapter 1 of AID Handbook 13. In no event shall any such subordinate agreement, grant, or contract be on a cost-plus-a-percentage-of-cost basis. Subordinate contractors (including suppliers) shall be selected on a competitive basis to the maximum practicable extent consistent with the obligations and requirements of this Grant.

22. U.S. OFFICIALS NOT TO BENEFIT

No member of or delegate to the U.S. Congress or resident U.S. commissioner shall be admitted to any share or part of this Grant or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this Grant if made with a corporation for its general benefit.

23. COVENANT AGAINST CONTINGENT FEES

The Grantee warrants that no person or selling agency has been employed or retained to solicit or secure this Grant upon an agreement or understanding for a commission,

percentage, brokerage, or contingent fee except bona fide employees or bona fide established commercial or selling agencies maintained by the Grantee for the purpose of securing business. For breach or violation of this warranty, AID shall have the right to cancel this Grant without liability or, in its discretion, to deduct from the Grant amount, or otherwise recover, the full amount of each commission, percentage, brokerage, or contingent fee.

24. NONLIABILITY

AID does not assume liability with respect to any third party claims for damages arising out of work supported by this Grant.

25. AMENDMENT

The Grant may be amended by formal modifications to the basic grant document or by means of an exchange of letters between the Grant Officer and an appropriate official of the Grantee.

26. THE GRANT

The letter to the Grantee signed by the Grant Officer, the Program Description and the Standard Provisions which have been reviewed and agreed to by the Grantee, constitute the Grant.

27. NOTICES

Any notice given by any of the parties hereunder, shall be sufficient only if in writing and delivered in person or sent by telegraph, cable, registered or regular mail as follows:

To the AID Grant Officer at the address specified in the Grant

To Grantee - At Grantee's address shown in the Grant, or to such other address as either of such parties shall designate by notice given as herein required. Notices hereunder, shall be effective when delivered in accordance with this provision or on the effective date of the notice, whichever is later.

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AID 1350-1X  
(1-78)

DEPARTMENT OF STATE  
AGENCY FOR  
INTERNATIONAL DEVELOPMENT

1. Cooperating Country  
LAC Regional

Page 1 of 6 Pages

PIO/T

PROJECT IMPLEMENTATION  
ORDER/TECHNICAL  
SERVICES

2. PIO/T No.

3.  Original or  
Amendment No. \_\_\_\_\_

4. Project/Activity No. and Title  
598-0577  
SOLIDARIOS Development Fund

DISTRIBUTION

5. Appropriation Symbol

6. Allotment Symbol and Charge

7. Obligation Status

Administrative Reservation

Implementing Document

8. Project Assistance Completion Date

(Mo., Day, Yr.) 12/31/79

9. Authorized Agent

AID/W

10. This PIO/T is in full conformance with PRO/AG

Date \_\_\_\_\_

11a. Type of Action and Governing AID Handbook

AID Contract  
(HB 14)

PASA/RSSA  
(HB 12)

AID Grant  
(HB 13)

Other

11b. Contract/Grant/PASA/RSSA  
Reference Number (If this is an  
Amendment)

12. Estimated Financing (A detailed budget in support of column (2) is attached as attachment no. \_\_\_\_\_)

Maximum AID Financing	A. Dollars	(1) Previous Total	(2) Increase	(3) Decrease	(4) Total to Date
					1,500,000
	B. U.S.-Owned Local Currency				

13. Mission  
References

14a. Instructions to Authorized Agent

SER/CM is authorized to prepare a specific-support grant to SOLIDARIOS to establish a revolving fund, and provide technical and management assistance, as described in Attachment One, to its members. This document provides for the first \$1,500,000 of a project total of \$4,000,000. Future amendments will provide the remainder, pending availability of funds, in FY 1979 and FY 1980.

14b. Address of Voucher Paying Office

15. Clearances—Include typed name, office symbol, telephone number and date for all clearances.

A. The project officer certifies that the specifications in the statement of work are technically adequate

LAC/DR, HBassford

Phone No.

Date

B. The statement of work lies within the purview of the initiating and approved agency programs

LAC/DP, JHanks

Date

C.

LAC/DR, JSanbrailo

Date

D. Funds for the services requested are available

E.

LAC/DP/PVO, CJones

Date

16. For the cooperating country: The terms and conditions set forth herein are hereby agreed to

Signature \_\_\_\_\_

Date \_\_\_\_\_

Title \_\_\_\_\_

17. For the Agency for International Development

Signature Marshall Brown

Date \_\_\_\_\_

Title Assoc. Asst. Administrator, LAC  
Development Resources

AID 1350-1 X (1-78)	1. Cooperating Country	2. PIO/T No.	Page 2 of 6 Pages
	LAC Regional		
PIO/T	4. Project/Activity No. and Title		
	SOLIDARIOS Development Fund 598-0587		

## SCOPE OF WORK

18. THE SCOPE OF TECHNICAL SERVICES REQUIRED FOR THIS PROJECT ARE DESCRIBED IN ATTACHMENT NUMBER One HERETO ENTITLED "STATEMENT OF WORK".

## 19. SPECIAL PROVISIONS

- A.  LANGUAGE REQUIREMENTS (SPECIFY) \_\_\_\_\_  
(IF MARKED, TESTING MUST BE ACCOMPLISHED BY AID TO ASSURE DESIRED LEVEL OF PROFICIENCY)
- B.  ACCESS TO CLASSIFIED INFORMATION  WILL  WILL NOT BE REQUIRED BY TECHNICIAN(S).
- C.  DUTY POST(S) AND DURATION OF TECHNICIANS' SERVICES AT POST(S) (MONTHS)
- D.  DEPENDENTS  WILL  WILL NOT BE PERMITTED TO ACCOMPANY TECHNICIAN.
- E.  WAIVER(S) HAVE BEEN APPROVED TO ALLOW THE PURCHASE OF THE FOLLOWING ITEM(S) (COPY OF APPROVED WAIVER IS ATTACHED)
- F.  COOPERATING COUNTRY ACCEPTANCE OF THIS PROJECT (APPLICABLE TO AID/W PROJECTS ONLY)  
 HAS BEEN OBTAINED  HAS NOT BEEN OBTAINED  
 IS NOT APPLICABLE TO SERVICES REQUIRED BY PIO/T (regional PVO)
- G.  OTHER (SPECIFY)  
 special covenants for agreement included in Statement of Work

## 20. BACKGROUND INFORMATION (ADDITIONAL INFORMATION USEFUL TO AUTHORIZED AGENT)

Project Paper and PAF

## 21. SUMMARY OF ATTACHMENTS ACCOMPANY THE PIO/T (INDICATE ATTACHMENT NUMBER IN BLANK)

- \_\_\_\_\_ DETAILED BUDGET IN SUPPORT OF INCREASED FUNDING (BLOCK 12)
- \_\_\_\_\_ EVALUATION CRITERIA FOR COMPETITIVE PROCUREMENT (BLOCK 14)
- Two JUSTIFICATION FOR NON-COMPETITIVE PROCUREMENT (BLOCK 14)
- One STATEMENT OF WORK (BLOCK 18)
- WAIVER(S) (BLOCK 19) (SPECIFY NUMBER)

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## Worksheet

AID 1350-1X (1-78)	1. Cooperating Country	2. PIO/T No.	Page 3 of 6 Pages
	LAC Regional		
PIO/T	4. Project/Activity No. and Title		
	SOLIDARIOS Development Fund 598-0587		

## 22. Relationship of Contractor or Participating Agency to Cooperating Country and to AID

## A. Relationships and Responsibilities

The Grantee will be responsible for implementation of activities described in Attachment One, and for forwarding the stipulated reports. AID/W will be responsible for evaluating progress of Grantee and assuring conformance to agreed upon procedures and criteria.

## B. Cooperating Country Liaison Official

N/A

## C. AID Liaison Officials

LAC/DR Project Officer, LAC/DR/RD and LAC/DP/PVO team members.  
SER/CM Grant Officer

## LOGISTIC SUPPORT

## 23. Provisions for Logistic Support

A. Specific Items (Insert "X" in applicable column at right. If entry needs qualification, insert asterisk and explain below in C. "Comments")	IN KIND SUPPLIED BY		FROM LOCAL CURRENCY SUPPLIED BY		TO BE PROVIDED OR ARRANGED BY
	AID	COOPERATING COUNTRY	AID	COOPERATING COUNTRY	
(1) Office Space					X
(2) Office Equipment					X
(3) Housing and Utilities					
(4) Furniture					
(5) Household Equipment (Stoves, Refrig., etc.)					
(6) Transportation in Cooperating Country					X
(7) Transportation To and From Country					X
(8) Interpreter Services/Secretarial					
(9) Medical Facilities					
(10) Vehicles (official)					
(11) Travel Arrangements/Tickets					X
(OTHER SPECIFY)					
(12)					
(13)					
(14)					
(15)					

## B. Additional Facilities Available From Other Sources

 APO/FPO PX COMMISSARY OTHER (Specify, e.g., duty free entry, tax exemption)



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AID-1800-X (7-68)

CONTINUATION SHEET

FORM SYMBOL

DEPARTMENT OF STATE  
AGENCY FOR  
INTERNATIONAL DEVELOPMENT

TITLE OF FORM

<input checked="" type="checkbox"/> Worksheet	<input type="checkbox"/> Issuance	PAGE 5 OF 6 PAGES
1. Cooperating County LAC Regional		2.a. Code No.
2.b. Effective Date		2.c. <input type="checkbox"/> Original OR Amendment No. _____
3. Project/Activity No. and Title 598-0587 SOLIDARIOS Development Fund		

Indicate block numbers.

Use this form to complete the information required in any block of a PIO or PA/PR form.

Block 18 (con)

Special Covenants

Except as A.I.D. shall agree in writing, SOLIDARIOS shall covenant that:

- (1) It will charge a 5% interest rate to the foundations for subloans made under this Grant;
- (2) No more than \$550,000 of SOLIDARIOS Development Fund financed from this Grant shall be distributed to any one member foundation;
- (3) It will assist NDF members to seek convertibility agreements from Governments to permit exchange of U.S. dollars disbursed under this grant.
- (4) It will facilitate exchange of information concerning effective techniques of credit delivery among members.

AID Project Team Responsibility and Conditions of Disbursement

The Project Team will review quarterly reports and annual evaluations to determine general conformance with agreed upon criteria and procedures. Should such conformance be questioned, further disbursements shall cease until mutually satisfactory clarification has been made. If no such clarification can be made, and subloans are determined to have been made in violation of this agreement, or any other disbursements have been misspent, SOLIDARIOS shall arrange to reimburse AID for the amount in question.

BUDGET (Illustrative)

<u>Item</u>	<u>AID Total</u>	<u>FY 78</u>
Capital	3,550	1,257
Institutional Support --		
Regional Analysts	200	82
Technical Assistance --		
Mgt. Consultant Team	117	100
Technical Assistance Fund	121	61
Contingency	12	
<b>TOTALS</b>	<b>\$4,000</b>	<b>\$1,500</b>



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INITIAL ENVIRONMENTAL EXAMINATION

Project Location : Latin America Regional  
Project Title : SOLIDARIOS Development Fund  
Funding (FY and Amount) : \$4,000,000 Grant, FY 1978  
Life of Project : Three Years (FY 1978 - FY 1980)  
IEE Prepared by : Mary D. June, Loan Officer "117"  
Date : June 7, 1978

Environmental Action Recommended : It is recommended that this project receive a negative determination that no additional environmental examinations be carried out in respect to it.

Concurrence

  
Marshall Brown, Chief  
LAC/DR

Date

6/9/78

## B. DESCRIPTION OF THE PROJECT

The project will provide grant assistance to SOLIDARIOS, a federation of twelve Latin American National Development Foundations (NDFs), whose purpose is to promote socio-economic development in their respective countries by providing credit to low income groups for whom credit is otherwise unavailable. The NDFs are among the strongest and most experienced non-government development institutions in Latin America, and have been very effective in reaching the lowest income groups in both urban and rural areas.

To assist member foundations in carrying out their individual development initiatives, SOLIDARIOS has established a development fund to be capitalized through grants and loans from international agencies as well as through contributions from the private sector. The immediate project will provide SOLIDARIOS with development fund seed money, which will then be sublent to member NDFs for approved developmental activities. The project will also provide SOLIDARIOS with technical assistance in developing its institutional capabilities and establishing its position as a financially viable institution.

The various project activities undertaken by all the NDFs are too numerous to describe individually, but can be categorized as follows:

1. Farming/Agricultural: Projects which deal with growing crops, harvesting, vegetable gardens, etc. In a single instance, a small amount of land clearing was undertaken as part of a government re-settlement program, but the large majority of these projects have to do with crop management and marketing.
2. Livestock: Projects which deal with raising cattle, sheep, goats, poultry, rabbits, etc. One NDF supports a commercial fishing project.
3. Small Business: Projects in this category usually take place in an urban setting and cover a wide scope of activities, e.g. manufacture of clothes, cabinetry, bookbinding, bakeries.
4. Artisanry: These projects generally support small handicraft business such as the manufacture of wood and leather products, weaving, etc.
5. Cooperativism: Many NDFs actively promote the formation of co-op groups and assist them further with courses in marketing, business management, etc.

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6. Social Projects: A few NDFs have provided assistance in potable water, construction of health clinics and school rooms, or providing instruction in subjects such as literacy and health education. These constitute a very small percentage of total NDF activities, however.

C. IDENTIFICATION AND EVALUATION OF ENVIRONMENTAL IMPACTS

While the types of projects supported by the national development foundations in the past can be described, it is not known at this time the specific projects individual NDFs will undertake in the future, nor is it clear which of the projects submitted for SOLIDARIOS financing will actually receive A.I.D. funds.

Because of substantial uncertainty with regard to future project activities and project locations, further analysis of the project's environmental impacts will not yield useful factors for consideration in project design or evaluation. Therefore, it is recommended that this project receive a negative threshold determination, thereby obviating the need for further environmental analysis. This recommendation is supported by 22 CFR, Part 216.2 (f) which states that contributions to organizations which are not for the purpose of carrying out a specifically identifiable project or projects do not normally require the preparation of an environmental assessment.

PROJECT DESIGN SUMMARY  
LOCAL FRAMEWORK

Life of Project:  
From FY 78 to FY 81  
Total U.S. Funding \$4 million  
Date Prepared: 6/30/78

SOLIDARIOS DEVELOPMENT FUND

(THIS REPORT IS NOT AN OFFICIAL  
FORM WHICH CAN BE USED AS AN AID  
TO ORGANIZING DATA FOR THE PAR  
REPORT. IT NEED NOT BE RETAINED  
OR SUBMITTED.)

PAGE 1

1. To improve the access of low income groups in Latin America, particularly in the rural areas, to access to capital resources from private, non-government development institutions.

OPERATIVELY MEASURABLE INDICATORS

Measures of Goal Achievement: (A-2)

1. Increased income accruing to participating groups and institutions.
2. Increase in number and type of funding requests received from rural and urban poor members and approved for financing.

MEANS OF VERIFICATION

(A-3)

1. Loan requests and data from SOLIDARIOS records and record of participating NDP and members.

IMPORTANT ASSUMPTIONS

Assumptions for achieving goal targets: (A-4)

1. That SOLIDARIOS participating members will respond to basic economic and social needs of their members in promoting and financing development subprojects.
2. That there will exist relatively stable political, social and economic conditions in member countries.

PROJECT DESIGN SUMMARY  
 LOGICAL FRAMEWORK

Life of Project: \_\_\_\_\_  
 From FY 78 to FY 81  
 Total U.S. Funding \$4 million  
 Date Prepared: 7/19/78

Project Title & Number: SOLIDARIOS DEVELOPMENT FUND

PAGE 2

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Project Purpose: (B-1)</p> <p>To increase SOLIDARIOS' institutional capacity to provide member foundations with (a) a source of credit to support development programs carried out by member development foundations and (b) needed technical assistance for the development and implementation of projects for low income groups.</p>	<p>Conditions that will indicate purpose has been achieved: End-of-Project status. (B-2)</p> <ol style="list-style-type: none"> <li>1. Operation by SOLIDARIOS of a financially viable credit fund which serves the needs of its member NDFs.</li> <li>2. SOLIDARIOS financing its recurring operational costs and support services of its credit fund operations, including the cost of the increased staff of 2 analysts.</li> <li>3. SOLIDARIOS identifying and meeting TA requests by member institutions.</li> <li>4. Increased membership of SOLIDARIOS from current 12 membership.</li> <li>5. SOLIDARIOS will continue to attract contributions from other local and international sources.</li> </ol>	<p>(B-3)</p> <ol style="list-style-type: none"> <li>1. Annual and quarterly reports to AID.</li> <li>2. Subloan status reports from member foundations and members annual reports.</li> <li>3. Annual audited financial statement of SOLIDARIOS.</li> </ol>	<p>Assumptions for achieving purpose: (B-4)</p> <ol style="list-style-type: none"> <li>1. SOLIDARIOS and member NDFs will continue to use market rate interest in their lending and sublending operations.</li> </ol>

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PROJECT DESIGN SURVEY  
 GENERAL FRAMEWORK

Life of Project:  
 From FY 78 to FY 81  
 Total U.S. Funding \$4 million  
 Date of Issue 6/30/78

Project Title & Number: **SOLIDARIOS Development Fund**

POTENTIAL OBJECTIVES	CONCEPTUAL/IMPLEMENTATION STRATEGIES	MEANS OF VERIFICATION	INDICATORS/ASSUMPTIONS
<p>(C-1)</p> <p>1. SOLIDARIOS Development Fund fully operational, with lending criteria and loan processing systems established, and approved subloans received by member NDF's.</p> <p>2. Increased capability of SOLIDARIOS to provide institutional and technical support to member NDF's.</p>	<p>(C-2)</p> <p>1. NDF's receiving loans: (cumulative)</p> <p style="padding-left: 40px;">FY 78 - 4            FY 79 - 7            FY 80 - 12</p> <p>2. NDF's have established credit policies, accounting systems, and loan design and implementation skills which meet SOLIDARIOS' lending criteria.</p> <p>3. Increase in SOLIDARIOS staff by addition of 2 loan analysts (1 field representative each in South America and Central America).</p> <p>4. SOLIDARIOS Management Survey Team submits completed reports on its visit to 8 NDF's, which evaluates and makes recommendations on NDF performance, and these recommendations are acted upon by the NDF's.</p> <p>5. SOLIDARIOS provides special assistance to NDF's on request through visits of appropriate specialists in the problem areas.</p>	<p>(C-3)</p> <p>1. SOLIDARIOS quarterly progress reports to AID.</p> <p>2. Annual reports of SOLIDARIOS and member foundations.</p> <p>3. AID/SOLIDARIOS annual evaluation report.</p>	<p>(C-4)</p> <p>Assumptions for achieving outputs: (C-4)</p> <p>1. Member NDF's develop projects meeting SOLIDARIOS and AID criteria.</p> <p>2. Member NDF's are willing to accept SOLIDARIOS' assistance in management and project support.</p>

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

Life of Project: \_\_\_\_\_  
From FY 78 to FY 81  
Total U.S. Funding \$4 million  
Date Prepared: 6/30/78

Project Title & Number: SOLIDARIOS DEVELOPMENT FUND

PAGE 4

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS				MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Project Inputs: (D-1)	Implementation Target (Type and Quantity) (D-2)				(D-3)	Assumptions for providing inputs: (D-4)
Source:	AID (\$000)				1. SOLIDARIOS financial records.	SOLIDARIOS will provide appropriate assistance to member foundations for project design and project management and member foundations have the capacity to promote and assist community groups in development and management of subprojects.
	<u>FY 78</u>	<u>FY 79</u>	<u>FY 80</u>	All Years		
Seed Capital	1,257	1,357	936	3,550		
Technical Assistance	161	65	24	250		
Institutional Support	<u>82</u>	<u>78</u>	<u>40</u>	<u>200</u>		
	1,500	1,500	1,000	4,000		

**SOLIDARIOS****CONSEJO DE FUNDACIONES AMERICANAS DE DESARROLLO**

RAT DER AMERIKANISCHEN ENTWICKLUNGSSTIFTUNGEN - CONSEIL DE FONDA-  
TIONS AMERICAINES DE DEVELOPPEMENT - RAAD DER AMERIKAANSE ONTWIK-  
KELINGSSTICHTINGEN - COUNCIL OF AMERICAN DEVELOPMENT FOUN-  
DATIONS - CONSELHO DE FUNDACÕES AMERICANAS DE DESENVOLVIMENTO

Leonel Argüello R.  
Nicaragua  
*Presidente*

Alejandro Rocha  
México  
*Vicepresidente*

Adolfo Linares A.  
Bolivia

Juan Fernando Guerrero  
Colombia

Eduardo Fernández  
República Dominicana  
*Vocales*

Adolfo Ríos Sharp  
Guatemala  
*Asesor*

Enrique A. Fernández P.  
*Secretario General*

*Miembros Activos:*

Instituto de Desarrollo Social  
y Promoción Humana (Argentina)

Fundación Boliviana de Desarrollo

Fundación Nacional para el Desa-  
rrollo Social (Colombia)

Fundación Costarricense de Desa-  
rrollo

Fundación Ecuatoriana de Desarrollo  
(Guayaquil)

Fundación Ecuatoriana de Desarrollo  
(Quito)

Fundación del Centavo (Guatemala)

Fundación Hondureña de Desarrollo

Fundación Mexicana para el Desa-  
rrollo

Fundación Nicaragüense de  
Desarrollo

Fundación Dominicana de Desarrollo

Trinidad & Tobago Development  
Foundation

June 14, 1978

Department of State  
Agency for International Development  
320 21 Street NW  
Washington D. C. 20523

Att. Ms. Daraan Day

Dear Ms. Day:

In relation with our telephone conversation I would like to confirm the interest of our organization to obtain financial assistance from AID in the amount of US\$4.0 million for the undertaking of a Latin America Regional Program titled Solidarios Development Fund.

As we have been able to discuss during our various meetings these past months the purpose of this grant is to provide SOLIDARIOS a consortium of national development foundations in Latin America, with seed capital for channeling funds to grass-roots low income groups for a range of development projects.

I will gladly provide you with any information you may need in addition to that already available to you.

Yours truly,

Lic. Enrique A. Fernández P  
Secretary General

EAFP/ma.

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SOLIDARIOSASSUMPTIONS - FINANCIAL STATEMENTS

## A. Revenues and Expenditures

## 1. Donations

Estimated donations projected over the next five years include only those amounts represented by signed grant agreements (PACT-loan revolving fund, AID-DPG, Rockefeller and IAF grants); amounts received as donations from member NDFs based on past experience, and the amounts proposed to be financed by AID under this project. Any donations for specific programs are assumed to only cover additional costs and consequently have no effect on the financial position of SOLIDARIOS. A detailed listing of projected donations is shown below:

		(\$000s)				
<u>Donor</u>	<u>Purpose</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
AID	DPG	96	145	117		
PACT	Loan Fund G&A Costs	30				
ROCKEFELLER	Loan Fund G&A Costs	7				
IAF	Publications	11				
Other	SOLIDARIOS G&A Costs	<u>8</u>	<u>9</u>	<u>10</u>	<u>10</u>	<u>11</u>
	Existing	152	154	127	10	11
AID	Loan Analysts	18	64	68	50	
AID	Survey Team & TA	<u>42</u>	<u>139</u>	<u>35</u>	<u>34</u>	<u>11</u>
	TOTAL	<u>212</u>	<u>357</u>	<u>230</u>	<u>94</u>	<u>11</u>

## 2. Quotas.

Members' quotas are based on 1978 assessments and adjusted for inflation at an estimated 6% p.a.

### 3. Interest.

Interest is computed at 3% p.a. on PACT funds, 5% p.a. on AID funds, and 5% p.a. on loan repayments temporarily invested in short term deposits.

### 4. Other.

Other income represents income from publications and miscellaneous sources.

### 5. Salaries

Salaries are based on actual salaries and benefits now paid to present staff plus the addition of two regional loan analysts to be hired to assist in the analysis of loan applications. Analysts are assumed to be on board by the fourth quarter of 1978. An inflation factor of 6% p.a. has been included in projections. Present and proposed salaries are shown below:

<u>Position</u>	<u>Yearly Amount</u> (\$000s)
Secretary-general (1)	\$23
Finance/Accounting (1)	18
Project Design/Evaluation (1)	17
Secretaries (2)	8
Loan Analysts (2)	30

### 6. Rent, Utilities

Rent and utilities are based on 1977 amounts and adjusted for inflation at 6% p.a.

### 7. Travel/Per Diem

Travel and per diem costs include appropriate allowances for travel of secretary-general and the executive committee, travel budgeted under the DPG and travel for regional loan analysts. Costs are broken down as follows:

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	<u>(\$000s)</u>				
	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Secretary-general, ex. com (1)	6	6	6	8	8
Staff Travel (1)	9	16	16	13	12
Loan Analysts (2)	<u>6</u>	<u>24</u>	<u>27</u>	<u>36</u>	<u>31</u>
	<u>21</u>	<u>46</u>	<u>49</u>	<u>57</u>	<u>51</u>

(1) See estimated budget AID DPG. (Table 1)

(2) See estimated budget for institutional support (Table 2)

#### 8. Consultants, Workshop and Exchange Visit Costs.

Consultants' costs include consulting services envisioned under the AID DPG and estimated costs of survey team and technical assistance fund for the member NDFs under the proposed project. Workshop and exchange visit costs are based on program to be established under AID-DPG. Costs are summarized below:

	<u>(\$000s)</u>				
	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Consultants					
DPG (1)	25	10			
Survey Team (2)	33	96			
TA Fund (2)	<u>9</u>	<u>43</u>	<u>35</u>	<u>34</u>	<u>15</u>
SUBTOTAL	67	149	35	34	15
Workshops (1)	9	36	36	16	16
Exchange Visits (1)	<u>      </u>	<u>27</u>	<u>27</u>	<u>10</u>	<u>11</u>
TOTAL	<u>76</u>	<u>212</u>	<u>98</u>	<u>60</u>	<u>42</u>

(1) See estimated budget AID DPG. (Table 1)

(2) See estimated budget for technical assistance. (Table 3)

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## 9. Publications.

Publications expense in 1978 represents continuance of IAF information dissemination program and for future years an on-going publication program completely funded by SOLIDARIOS.

## 10. Bad Debts.

Initial allowance for 2% of loan portfolio is estimated. Experience will show if an adjustment is necessary.

## B. Sources and Applications of Funds

## 1. Sources of funding include the following:

- Excess of revenues over expenditures which is self-explana
- Seed capital grant representing remainder of PACT grant to be disbursed (\$215,000) less administrative cost allowance (\$32,000) and AID seed capital grant of \$3,550,000 estimated to be drawn down as follows:

<u>Quarter</u>	<u>1979</u>	<u>1980</u>
1	825	975
2	400	500
3	400	450
4	_____	_____
	<u>1,625</u>	<u>1,925</u>

- Loan repayments are based on PACT loan term of three years (one year grace and two year repayment) and AID loan term of four years (one year grace and three year repayment).

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2. Applications include the following:

- Loans made are based on drawdown of PACT and AID seed capital grants plus timing of loan repayments. The excess of revenues over expenditures are assumed to be invested in loans receivable in the following year.
- Temporary investments represent fourth quarter loan repayments plus excess of revenues over expenditures assumed to be deposited in a short-term savings account earning 5% p.a.

Ending cash of \$50,000 represents working capital and is based on two months average operating costs of SOLIDARIOS.

TABLE 1

## ESTIMATED BUDGET - AID' DPG

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>TOTAL</u>
*Salaries				
2 Staff	30,600	43,200	45,600	119,400
Secretary	3,600	3,900	4,200	11,700
*Benefits	3,420	4,710	4,980	13,110
Consulting Services	20,000	10,000	-	30,000
Travel				
Secretary General	6,000	6,000	6,000	18,000
Staff	9,000	16,000	16,000	41,000
Consultant	4,500	-	-	4,500
Workshops	9,000	36,000	36,000	81,000
Exchange Field Visits	-	27,000	27,000	54,000
Direct Costs (Rent, Elec- tricity, Supplies, Postate, Maintenance, etc.)	5,000	5,000	5,000	15,000
Furniture & Equipment	<u>4,000</u>	<u>          </u>	<u>          </u>	<u>4,000</u>
TOTAL	<u>95,120</u>	<u>151,810</u>	<u>144,780</u>	<u>391,710</u>

\* For purposes of project paper, salaries and benefits were changed to agree with actual amounts now being paid, i.e., \$42,000 in year 1; \$45,000 in year 2; \$47,000 in year 3. No other line items have been changed.

TABLE 2

## SOLIDARIOS

## INSTITUTIONAL SUPPORT BUDGET

(\$000s)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>TOTAL</u>
Regional Loan Analysts					
Salary	7	31	33	25	96
Travel/Per Diem	6	24	27	20	77
Office Equipment	2				2
Office Supplies	1	1	1		3
Contingency	<u>2</u>	<u>8</u>	<u>7</u>	<u>5</u>	<u>22</u>
TOTAL	<u>18</u>	<u>64</u>	<u>68</u>	<u>50</u>	<u>200</u>

## Budget Assumptions:

1) Two regional loan analysts hired at \$15,000 p.a. and residing in Guatemala and Colombia.

2) Travel is based on two yearly trips/analyst to each country serviced plus two annual trips to headquarters.

3) Per diem is based on 60% of time in travel status at \$40/day.

4) Office equipment includes desk, chair, filing, cabinet, typewriter and calculator for each analyst.

5) Contingency is approximately 10% of costs. Costs include a 6% p.a. inflation factor.

6) Office space and secretarial services are assumed to be provided to loan analysts by NDF in country where loan analyst is assigned.

TABLE 3

## SOLIDARIOS

## TECHNICAL ASSISTANCE BUDGET

(\$000s)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>TOTAL</u>
Survey Team Salaries					
Management Specialist	7	23			30
Development Specialist	7	23			30
Travel/Per Diem	13	39			52
Other	3	2			5
Contingencies	3	9			12
Consulting Services	<u>9</u>	<u>43</u>	<u>35</u>	<u>34</u>	<u>121</u>
TOTAL	<u>42</u>	<u>139</u>	<u>35</u>	<u>34</u>	<u>250</u>

## Budget Assumptions:

1) Survey team studies each of the eight weaker NDFs and develops detailed recommendations over an eight month period. Follow up visit of 1/2 month to determine status of NDFs in implementing recommendations. Salaries are estimated at \$30,000/technical year.

2) Travel is based on two trips/specialist to eight NDFs, travel to and from the Dominican Republic, and one trip by secretary-general to each NDF.

3) Per diem is based on 100% travel by survey team and 25% travel by secretary-general. The assumed rate is \$40/day.

4) Contingencies are estimated at 10%.

5) Consulting services represent T.A. requirements identified by the survey team or specific requests for assistance from any of the NDFs. Attempts will be made to use low cost services of the "paunch corps" type for this T.A.

## FONDO DE DESARROLLO SOLIDARIOS

### Reglamento Operativo

#### 1. Propósito

La finalidad del Fondo de Desarrollo SOLIDARIOS es la de proporcionar mediante préstamos recursos financieros a instituciones de desarrollo sin fines de lucro en América Latina y el Caribe para la ejecución de proyectos y programas de desarrollo en beneficio de grupos de escasos recursos en sus respectivos países.

#### 2. Beneficiarios

Podrán tener acceso a los recursos del fondo todas aquellas instituciones que trabajan por la elevación del nivel social y económico de los marginados en América Latina y el Caribe, con criterios de desarrollo, no simplemente asistenciales, mediante la promoción humana, la capacitación técnica y la canalización de créditos que sean reconocidas como instituciones no gubernamentales, no lucrativas, apolíticas y no confesionales, basadas en la participación de personas e instituciones nacionales en el desarrollo de sus propios países.

Una de las características del Fondo es que los recursos que formen parte del mismo sean administrados por las propias instituciones que desarrollan actividades en beneficio de los grupos de escasos recursos. Se procurará por tanto que si alguna institución califica para recibir financiamiento, se incorpore como miembro activo de SOLIDARIOS, a fin de que participe en la administración general del fondo.

#### 3. Administración

Como programa de SOLIDARIOS, Consejo de Fundaciones Americanas de Desarrollo, el Fondo de Desarrollo SOLIDARIOS se regirá de acuerdo a los estatutos de SOLIDARIOS los cuales especifican que la máxima autoridad es la Asamblea General de Miembros y que el organismo ejecutor de la política y las resoluciones de la Asamblea General es el Comité Ejecutivo quien lleva a cabo sus funciones por medio de una Secretaría General compuesta por un Secretario General nombrado por el Comité Ejecutivo y el personal administrativo que el contrate.

#### 4. Aprobación de las solicitudes de préstamo

(Alternativa 1)

Las solicitudes de financiamiento que sean presentadas por las instituciones miembros al Fondo de Desarrollo SOLIDARIOS serán analizadas por el Comité Ejecutivo quien tomará la decisión de conceder o no el préstamo y de autorizar al Presidente de SOLIDARIOS a suscribir el Contrato correspondiente.

(Alternativa 2)

Elegir tras de entre los miembros del Comité Ejecutivo.

- 2 -

(Alternativa 3)

Las solicitudes de financiamiento que sean presentadas por las instituciones miembros al Fondo de Desarrollo SOLIDARIOS serán analizadas por un Comité de Préstamos quien tomará la decisión de conceder o no el préstamo y de autorizar al Presidente de SOLIDARIOS a suscribir el Contrato correspondiente. Este comité estará formado por        miembros los cuales permanecerán en sus funciones        años. El Comité de préstamos se reportará a la Asamblea General.

El Presidente de SOLIDARIOS será miembro ex-officio del Comité, presidirá sobre el mismo y tendrá voto dirimente.

### 5. Criterios para la concesión de préstamos

- A. Las solicitudes deberán ser presentadas por instituciones nacionales, legalmente establecidas, que mantengan fondos relativos de préstamos para financiar proyectos tales como los que se describen más adelante.
- B. Los proyectos deben ser dirigidos a los sectores de más bajos ingresos y deben traer como consecuencia mejorías en las ~~condiciones~~ socio-económicas de los beneficiarios.
- C. Los proyectos llevados a cabo por los beneficiarios últimos deben estar bajo su responsabilidad y dirección. El papel de la institución local estará limitado a proveer servicios promocionales y técnicos y capacitación pero no podrán participar como socios financieros de los beneficiarios de los proyectos.
- D. Las instituciones que reciban préstamos del Fondo deberán ~~generar~~ los fondos necesarios para cubrir los gastos administrativos y preferiblemente deberán estar en capacidad de proveer una parte de los fondos ~~de inversión~~ para el programa a desarrollarse, de acuerdo a sus posibilidades.
- E. Las solicitudes de créditos podrán hacerse para proyectos individuales o para programas de las instituciones. Por un programa se entiende un grupo de beneficiarios recibiendo un préstamo de parte de la institución local para llevar a cabo un ~~proyecto~~ específico. Un programa puede interpretarse como una serie de proyectos similares (por ejemplo artesanías) en todo un país o área de acción de la Fundación, o, varios tipos de proyectos (vivienda, agricultura, crianza de ganado, etc.) a llevarse a cabo en una región geográfica específica, e indicando el criterio para definir la región como tal.
- F. Los proyectos a financiarse deberán ser compatibles con los planes de desarrollo globales de la región a que se refieren y deberán responder a necesidades específicas de las comunidades.

## 6. Condiciones de los préstamos

A. Los préstamos que hará el Fondo serán con un plazo de dos a veinte años. Los préstamos a un plazo más largo estarán limitados a aquellos tipos de programas, tales como de vivienda, donde la inversión hecha por la institución local se recupera en un período de tiempo largo.

B. El interés a cargarse no será menor al 3% por año. Si el interés cobrado por la institución local es más alto que el de los bancos comerciales para préstamos personales, el interés que se le cobrará será el 33% del interés utilizado por la institución local.

Si el interés que cobra la institución local es menor que el que cobran los bancos comerciales para préstamos personales, el interés que se le cobrará será el 33% del promedio (el interés de la institución local más el interés de los bancos para préstamos personales dividido por dos).

Cuando se calcula el interés que cobran las instituciones locales se incluirán todos los cargos que éstas hagan a los beneficiarios últimos aunque los mismos se llamen costos de cierre, pagos por asistencia técnica, u otros.

El Comité de Créditos podrá aprobar otras tasas de interés.

C. Los contratos se harán utilizando el dólar de los Estados Unidos como moneda, aún cuando los desembolsos se hagan en moneda local. Los pagos se harán por el equivalente de los fondos en US\$ contratados a la tasa de cambio prevalente a la fecha de repago.

D. Los préstamos serán otorgados en base a la garantía moral de la institución que recibe el préstamo.

E. Se dará prioridad en la concesión de los préstamos a aquellas Fundaciones que más lo necesitan, debido a su falta de recursos financieros necesarios para financiar programas para los cuales tienen la capacidad administrativa.

## 7. Procedimiento para la aprobación de préstamos

A. La institución que hace la solicitud presentará a SOLIDARTEC una propuesta escrita indicando:

i) El proyecto o programa a ser financiado con los fondos solicitados. Área de trabajo, tipo de proyectos a financiarse, beneficiarios, otras inversiones o contribuciones a hacerse en el área.

ii) Los criterios de selección de proyectos de la institución que hace la propuesta y el procedimiento que sigue para procesar las solicitudes que recibe.

- iii) Los objetivos del proyecto o programa, el impacto que se espera que tendrá y los medios que se han diseñado para medir este impacto
- B) La solicitud deberá estar acompañada con los datos institucionales y financieros pertinentes sobre la institución que hace la solicitud.
- C) La solicitud será estudiada por el personal administrativo de SOLIDARIOS quien obtendrá la información necesaria para presentárselo al Comité Ejecutivo de Préstamos para su consideración. El Comité se reunirá por lo menos tres veces al año o más a menudo si las circunstancias así lo requieren y los fondos para los gastos de reunión no implican una sobrecarga al presupuesto del Fondo.
- L. Una vez que se apruebe la solicitud se firmará un contrato entre SOLIDARIOS, representado por su Presidente y la institución que reciba el préstamo, representada por su representante legal. El modelo del Contrato se presenta como Anéndice I a este reclamo.
- E. La institución que reciba el préstamo reportará a SOLIDARIOS cada tres meses sobre los proyectos y actividades llevados a cabo con los fondos recibidos durante la etapa inicial de los desembolsos hechos del fondo rotativo. Una vez que los proyectos financiados cubren el monto total recibido como préstamo, el prestatario reportará anualmente sobre las actividades generales de la institución y en particular la cantidad de fondos prestados y los tipos de proyectos financiados. Con este reporte el prestatario deberá enviar sus estados financieros anuales
- F. SOLIDARIOS enviará a las instituciones con préstamos pendientes un estado de cuenta cada seis meses.
- G. SOLIDARIOS contabilizará las actividades del fondo de Desarrollo SOLIDARIOS utilizando un fondo separado en su contabilidad por fondos.

### Apéndice I

#### Contrato de Préstamo

Entre SOLIDARIOS, Consejo de Fundaciones Americanas de Desarrollo, en lo adelante denominado 'SOLIDARIOS', legalmente representado por su Presidente, (nombre) y (nombre del prestatario), en lo adelante denominado 'el prestatario', legalmente representado por su (título), (nombre) han acordado lo siguiente:

Artículo 1: Monto

SOLIDARIOS prestará al prestatario hasta la suma de US\$ (cantidad) a ser desembolsados de la siguiente manera: (monto) después de firmado este contrato; (monto) en (fecha) después de haberse recibido el reporte de uso de fondos que deberá presentar el prestatario a SOLIDARIOS, etc. (de acuerdo al plan de desembolso negociado).

Los desembolsos subsiguientes al primer desembolso podrán reducirse a solicitud del prestatario o en caso de que los fondos desembolsados previamente no hayan sido utilizados.

Artículo 2: Propósito

El propósito del préstamo contratado es contribuir a la ejecución de un programa (o proyecto) dirigido a (breve descripción de las actividades a desarrollarse). Los detalles y condiciones de los programas (o proyecto) se describen en el Anexo A de este contrato.

Artículo 3: Garantía

Este préstamo se basa en la garantía moral del prestatario. SOLIDARIOS reportará a instituciones de financiamiento y otras instituciones con quienes mantiene contacto sobre la ejecutoria del prestatario en el cumplimiento de las condiciones de este contrato.

Artículo 4: Intereses

El prestatario pagará a SOLIDARIOS un interés de (tasa) anual, computado sobre el saldo insoluto del préstamo. Los pagos de intereses se harán cada seis meses en (fecha 1, sin año) y (fecha 2, sin año). El primer pago de intereses se hará en (fecha + año) y el último en (fecha + año). Si el prestatario está atrasado por más de seis meses en el pago de intereses y/o principal, el interés sobre el principal será aumentado en un 50% de la tasa de interés original, hasta que se reciban los pagos de los montos atrasados.

Artículo 5: Pagos del Principal

La suma total recibida por el prestatario será pagada cada seis meses en (fecha 1, sin año) y (fecha 2, sin año) en (número) pagos iguales, comenzando en (fecha + año) y terminando en (fecha + año).

Artículo 6: Moneda del Préstamo

El prestatario deberá a SOLIDARIOS el equivalente en US\$ dólares de los fondos recibidos en US\$ dólares u otras monedas. La contabilidad del préstamo se mantendrá en US\$ dólares. Previo

acuerdo escrito recibido de SOLIDARIOS, el prestatario podrá hacer pagos en otras monedas, a la tasa de cambio en US\$ dólares de la fecha del pago.

#### Artículo 7: Lugar del pago

Todo pago deberá ser hecho en la dirección de SOLIDARIOS, a menos que se haya acordado otra cosa por escrito.

#### Artículo 8: Reportes

Durante el período de tiempo en el cual los fondos recibidos por el prestatario de SOLIDARIOS están siendo prestados para proyectos específicos por primera vez, el prestatario presentará trimestralmente a SOLIDARIOS un reporte indicando los proyectos llevados a cabo, siguiendo el modelo indicado en el Anexo B. Una vez que el monto total recibido en préstamo haya sido reportado en la forma descrita antes, el prestatario limitará sus reportes a un informe anual indicando las actividades llevadas a cabo. Con este reporte se anexará el estado financiero anual del prestatario.

#### Artículo 9: Inspección

El prestatario expresa su aprobación a que SOLIDARIOS o su representante revisen los datos financieros y del proyecto del prestatario y que visiten en el campo los proyectos financiados.

#### Artículo 10: Suspensión de los desembolsos

SOLIDARIOS suspenderá los desembolsos al prestatario si este no cumple sus obligaciones financieras tal como se especifican en este contrato, o en caso de que el prestatario no cumpla con las demás obligaciones especificadas.

#### Artículo 11: Interpretación

Cualquier interpretación de los términos y condiciones de este contrato recaerán exclusivamente en el Comité Ejecutivo/de Crédito:

EN FE DE LO CUAL, SOLIDARIOS y el Prestatario, debidamente representados firman este contrato en dos originales, uno para cada una de las partes, en (ciudad-es), fecha.

#### Anexo

Descripción de las actividades a ser llevadas a cabo bajo este contrato.

Anexo BReporte Trimestral

Periodo de (fecha) a (fecha)

Resumen

Número total de préstamos otorgados:

Suma total prestada:

Número total de jefes de familia participando en los proyectos:

Número total de personas beneficiadas:

Monto total que debió haberse prestado de acuerdo al presupuesto:

Información sobre proyectos (una por cada proyecto financiado durante el periodo)

Número del proyecto:

Nombre del grupo (o individuo) que recibió el préstamo:

Dirección:

Número de participantes en el proyecto:

Propósito del Préstamo:

Tasa de interés cobrada a los beneficiarios:

Plan de recuperación:

Información resumida de los proyectos correspondientes a periodos anteriores. (sin incluir los proyectos reportados durante este periodo)

Suma total prestada:

Préstamos por cobrar:

Monto atrasado:

Intereses por cobrar:

Intereses cobrados:

Número total de préstamos otorgados:

LOAN CONTRACT

Between SOLIDARIOS, Consejo de Fundaciones Americanas de Desarrollo, hereinafter called 'SOLIDARIOS' legally represented by its President, (name), and (name of borrower), herewith called 'the borrower', legally represented by its (title), (name) have agreed on the following:

Article 1. Amount

SOLIDARIOS will lend the borrower up to the sum of US\$ (amount) to be disbursed in the following manner: (amount) upon the signature of this contract; (amount) on (date) after the report on usage of the funds received has been presented by the borrower to SOLIDARIOS, etc. (according to the disbursement plan negotiated)

The disbursements made after the first may be adjusted downward upon request of the borrower or in case previous funds made available have not yet been expended.

Article 2. Purpose

The purpose of the loan being contracted is to contribute in the execution of a program (or project) directed to (brief description of activities to be undertaken). The details and conditions of the program (or project) are described in Annex A to this contract.

Article 3. Guarantee

This loan is made based on the moral guarantee of the borrower

Interest

The borrower will pay SOLIDARIOS interest at a rate of (rate) per cent per year, computed on the outstanding loan balance. Interest payments will be made every six months on (date 1-year not indicated) and (date 2) the first interest payment will be made on (date 1 + year) and the last on (date

#### Article 5. Repayment of principal

The total sum received by the borrower will be repaid every six months on (date 1 - year not indicated) and (date 2 - year not indicated) in (number) equal payments, starting on (date 1 + year) and ending on (date).

#### Article 6. Currency obligations

The borrower will owe SOLIDARIOS the equivalent in US\$ dollars of the funds received in US\$ dollars or other currencies.

Accounting for the loan will be maintained in US\$ dollars and repayments must be made using US\$ dollars. Previous written agreement received from SOLIDARIOS, the borrower could make the payments in other currency, at the US\$ dollar rate of exchange on the date of payment.

#### Article 7. Place of payment

Every payment must be made at the address of SOLIDARIOS, in <sup>Guatemala, Guatemala</sup> Guatemala, unless other arrangements are agreed upon in writing.

#### Article 8. Reporting

During the period of time in which the funds received by the borrower from SOLIDARIOS are being lent for specific projects for the first time, a report indicating the projects

123 undertaken will be presented to SOLIDARIOS every three months, following the format indicated in Annex B. Once the total amount received as a loan has been accounted for in the form described before, the borrower will limit its reporting to presenting an annual report informing on the activities undertaken. With this report the annual financial statement of the borrower will be sent to SOLIDARIOS.

Article 9. Inspection

The borrower agrees to permit SOLIDARIOS or its appointed representative to review the project and financial data of the borrower as well as to make field visits to the projects financed.

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C. ERNANDEZ, PELLERAN  
& ASOCIADOS

Contadores Públicos Autorizados  
Consultores Administrativos y Financieros

ASOCIADO INTERNACIONAL

COOPERS & LYBRAND

SOLIDARIOS  
CONSEJO DE FUNDACIONES AMERICANAS DE DESARROLLO

ESTADOS FINANCIEROS Y OPINION DE  
CONTADORES PUBLICOS AUTORIZADOS

31 DE DICIEMBRE DE 1977

**FERNANDEZ, PELLERANO  
& ASOCIADOS**

Contadores Públicos Autorizados  
Consultores Administrativos y Financieros

ASOCIADO INTERNACIONAL  
COOPERS & LYBRAND

A Solidarios  
Consejo de Fundaciones Americanas de Desarrollo

Hemos examinado el estado de activos, pasivos y balance del fondo de Solidarios - Consejo de Fundaciones Americanas de Desarrollo al 31 de diciembre de 1977 y los estados relativos de ingresos y gastos y de cambios en el balance del fondo por el año terminado en esa fecha. Nuestro examen fue realizado de acuerdo con normas de auditoría de aceptación general, y por consiguiente incluyó las pruebas de los registros de contabilidad y demás procedimientos de auditoría que consideramos necesarios en las circunstancias.

Tal como se describe en Nota 1, Solidarios contabiliza sus operaciones bajo el método de lo percibido modificado, registrando las cuotas de socios y las donaciones al ser recibidas, y capitalizando los activos fijos adquiridos, los cuales son depreciados en línea recta de acuerdo a su vida útil estimada.

En nuestra opinión, los estados financieros que se acompañan presentan razonablemente los activos, pasivos y balance del fondo de Solidarios - Consejo de Fundaciones Americanas de Desarrollo al 31 de diciembre de 1977 y los ingresos y gastos y cambios en el balance del fondo por el año terminado en esa fecha, de acuerdo a la base contable descrita en la Nota 1, la cual ha sido aplicada de una manera uniforme en relación con el año anterior.



Santo Domingo, R. D.  
6 de marzo de 1978

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SOLIDARIOS  
CONSEJO DE FUNDACIONES AMERICANAS DE DESARROLLO  
ESTADO DE ACTIVOS, PASIVOS Y BALANCE DEL FONDC  
31 DE DICIEMBRE DE 1977  
(EXPRESADO EN RD\$)

ACTIVOS

Efectivo en caja y bancos (Nota 2)	\$ 149,021
Cuentas por cobrar	61
Préstamos a asociados (Nota 3)	70,000
Inventarios (Nota 1)	4,075
Mobiliario y equipo, menos depreciación acumulada de RD\$126 (Nota 1)	90
Otros activos	61
	<u>\$ 227,622</u>

PASIVOS Y BALANCE DEL FONDO

Balance del fondo (Nota 5)	<u>227,622</u>
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Las notas a los estados financieros  
son parte integral de los mismos.

SOLIDARIOSCONSEJO DE FUNDACIONES AMERICANAS DE DESARROLLOESTADO DE INGRESOS Y GASTOSAÑO TERMINADO EL 31 DE DICIEMBRE DE 1977(EXPRESADO EN RD\$)

## Ingresos

cuotas de asociados, incluyendo \$1,500 correspondientes al año 1976 (Nota 1)	\$ 19,772
Donaciones (Notas 1 y 4)	354,319
Otros ingresos	<u>11,686</u>
	<u>385,777</u>

## Gastos

Salarios e impuestos sobre sala- rios	28,832
Beneficios a empleados	1,982
Servicios de consultores	64,405
Viajes y reuniones	17,481
Seminarios y cursos	35,306
Renta	4,310
Traslado de Sede	2,228
Costos de impresión, public	2,098
Otros	<u>8,543</u>
	<u>165,185</u>

Exceso de ingresos sobre gasto rante el año	\$ <u>220,592</u>
--	-------------------

Las notas a los estados financieros  
son parte integral de los mismos.

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SOLIDARIOSCONSEJO DE FUNDACIONES AMERICANAS DE DESARROLLOESTADO DE CAMBIOS EN EL BALANCE DEL FONDOAÑO TERMINADO EL 31 DE DICIEMBRE DE 1977(EXPRESADO EN RD\$)

Balance del fondo al lro. de enero de 1977	\$ 7,030
Exceso de ingresos sobre gastos durante el año	<u>220,592</u>
Balance del fondo al 31 de diciembre de 1977	\$ <u>227,622</u>

Las notas a los estados financieros  
son parte integral de los mismos.

SOLIDARIOS

CONSEJO DE FUNDACIONES AMERICANAS DE DESARROLLO

NOTAS A LOS ESTADOS FINANCIEROS

NOTA 1 - POLITICAS CONTABLES MAS IMPORTANTES

a) Entidad

Solidarios, Consejo de Fundaciones Americanas de Desarrollo, es una asociación fundada en 1972, "compuesta por instituciones de desarrollo, sin fines lucrativos, de los distintos países americanos, que canalizan recursos, promoción y asistencia técnica a los sectores marginados de los países latinoamericanos. El domicilio de Solidarios estará establecido en el lugar donde resida su Secretaría General el cual será determinado por la Asamblea General". Al 31 de diciembre de 1977 la Secretaría General de Solidarios está domiciliada en Santo Domingo, República Dominicana. Solidarios fue organizada de acuerdo con las leyes de la República Dominicana en Enero de 1974, como una Asociación que no tiene por objeto un beneficio pecuniario.

b) Base para la preparación de estados financieros

Solidarios contabiliza sus operaciones bajo el método de lo percibido modificado (véase c, d, e y f más abajo) y aunque no ha formalizado el sistema contable de fondos para registrar esas operaciones, mantiene registros que ofrecen la información requerida para dar cuenta del ingreso y utilización de los fondos recibidos de acuerdo a su fuente. Las partidas a cobrar y a pagar no registradas al 31 de diciembre de 1977 no son de importancia relativa significativa. Las cifras que aparecen en los estados financieros que se acompañan están expresadas en pesos dominicanos (RD\$). El tipo oficial de cambio del peso dominicano al 31 de diciembre de 1977 estaba a la par con el dólar (US\$) de los Estados Unidos de América.

c) Inventarios

Los inventarios, formados por libros editados por la institución, son llevados a su costo de impresión, sin exceder el valor de mercado.

d) Mobiliario y equipos

Los activos fijos de la institución son llevados a su costo de

adquisición. La depreciación es determinada en base a la vida útil estimada de los activos fijos.

e) Donaciones

Las donaciones constituyen una de las fuentes de ingresos de Solidarios siendo recibidas de instituciones internacionales o privadas, generalmente mediante convenios firmados entre Solidarios y la entidad donante, especificando los fines a que serán dedicados y las condiciones en que se otorgarán. Las donaciones son registradas como ingresos en base a los montos recibidos, independientemente del monto aprobado por el donante.

f) Cuotas de asociados

Las cuotas de los asociados de Solidarios, otra de sus fuentes de recursos financieros, son registradas como ingresos al ser recibidas. Las cuotas no recibidas son controladas mediante cuentas de Memorandum. Al 31 de diciembre de 1977 las cuotas por cobrar no registradas ascendían a \$1 690.

NOTA 2 - EFECTIVO EN CAJA Y BANCOS

Al 31 de diciembre de 1977 el balance de esta partida está formado como sigue:

En bancos del país (en RD\$)	\$ 4,642
En bancos del exterior (en US\$)	143,193
En bancos del exterior (en Quetzales)	1,086
Caja Chica	<u>100</u>
	\$ <u>149,021</u>

NOTA 3 - PRESTAMOS A ASOCIADOS

Durante el año 1977 la institución efectuó los préstamos siguientes a fundaciones asociadas:

Préstamos por un monto total de US\$74,700 con un 3% de interés anual, pagadero en cuotas semestrales iguales comenzando el 30 de junio de 1978 y terminando el 31 de diciembre de 1980, basado en la garantía moral de la prestataria y a ser desembolsado en dos partes de acuerdo con las disponibilidades de fondos de Solidarios. Total de desembolsado al 31 de diciembre de 1977. \$ 20,000

Préstamo de fecha 30 de noviembre de 1977 a la Fundación Nicaraguense de Desarrollo por un monto de US\$50,000, con un 3% de interés anual, pagadero en cuotas semestrales iguales comenzando el 30 de junio de 1978 y terminando el 31 de diciembre de 1980, basado en la garantía moral de la prestataria. Total desembolsado al 31 de diciembre de 1977.

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\$ 50,000

\$ 70,000

NOTA 4 - DONACIONES

A continuación presentamos una relación de las principales donaciones recibidas por Solidarios durante el año 1977:

Private Agency Collaborating Together (PACT)	\$ 207,400
International Development Research Center (IDRC)	28,523
Banco Interamericano de Desarrollo (BID)	20,287
Interamerican Foundation Agency for International Development	11,775
Ing. Adolfo Rios Sharp	23,750
Fundaciones Tinker	22,129
Otros	25,000
	<u>15,455</u>
	\$ <u>354,319</u>

Las donaciones recibidas de la Private Agency Collaborating Together (PACT) fueron aplicadas en la forma siguiente:

	Fondos		
	Desarrollo	Entrenamiento	Diseminación
Monto aprobado por PACT	\$ <u>190,000</u>	\$ <u>31,580</u>	\$ <u>-</u>
Monto recibido en 1977	<u>185,000</u>	<u>20,000</u>	<u>2,400</u>
Fondos aplicados en 1977:			
Préstamos a fundaciones asociadas	70,000	-	-
Seminarios y cursos	-	10,306	-
Servicios de consultores y profesionales	-	3,825	-
Viajes y reuniones	4,049	-	-
Sueldos	13,330	-	-
Otros	<u>1,028</u>	<u>1,246</u>	<u>-</u>
	<u>88,407</u>	<u>17,447</u>	<u>-</u>
	\$ 96,593	\$ 2,553	\$ 2,400
Otros ingresos	<u>-</u>	<u>260</u>	<u>-</u>
Fondos por aplicar	\$ <u>96,593</u>	<u>2,813</u>	\$ <u>2,400</u>

En adición a las donaciones indicadas efectuadas por Private Agency Collaborating Together (PACT), se recibieron a través de la misma \$25,000 para el programa INCAE, presentados arriba como donación de las Fundaciones Tinker.

La International Development Reserarch Centre (IDRC) y Solidarios firmaron en fecha 13 de febrero de 1976 una donación ascendente a CAN\$221,000 para investigación de los programas de desarrollo en comunidades urbanas y rurales de cinco fundaciones asociadas a Solidarios, y para publicar los resultados de tales investigaciones. De ese valor Solidarios administraría CAN\$143,698. Hasta 1976 Solidarios había recibido US\$111,809 de IDRC y en el año 1977 recibió US\$28,523. Esos valores han sido aplicados de la siguiente manera:

	<u>Hasta</u> <u>1976</u>	<u>Durante</u> <u>1977</u>	<u>Total</u>
Investigadores	77,910	39,596	117,506
Coordinación técnica	11,861	2,375	14,236
Coordinación adminis trativa	<u>774</u>	<u>1,476</u>	<u>8,250</u>
	<u>90,545</u>	<u>43,447</u>	<u>139,992</u>

#### NOTA 5 - BALANCE DEL FONDO

El balance del fondo está representado, mayormente, por recursos aún no aplicados a los fines especificados en los diferentes convenios de donaciones vigentes.

#### NOTA 6 - EVENTOS SUBSIGUIENTES

Subsiguientemente al 31 de diciembre de 1977 Solidarios concertó los siguientes préstamos en US\$ con las fundaciones que indicamos a continuación:

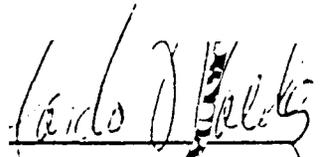
Fundación Dominicana de Desarrollo	\$50,000
Fundación Costarricense de Desarrollo	30,000
Fundación Mexicana de Desarrollo	50,000

Los préstamos antes señalados devengan un interés del 3% anual y son pagaderos en cuotas semestrales comenzando el 30 de junio de 1978 y terminando el 31 de diciembre de 1980.

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Name of PVO: SOLIDARIOS (Consejo de Fundaciones Americanas de Desarrollo)  
Address: Apartado Postal 620, Santo Domingo, Republica Dominicana  
Type of PVO: Latin America and Caribbean Regional

Pursuant to A.I.D. policy and guidelines approved March 15, 1970, I hereby certify that the above organization meets the basic criteria for eligibility to receive U.S. government assistance, and request that it be registered by the Advisory Committee on Voluntary Foreign Aid.



Abelardo L. Valdez  
Assistant Administrator  
Bureau for Latin America  
and the Caribbean

DATE: JUN 5 1978  
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## APPLICATION FOR REGISTRATION

Name of PVO: SOLIDARIOS (Consejo de Fundaciones Americanas de Desarrollo)

Address: Apartado Postal 620, Santo Domingo, Dominican Republic

PVO Representative: Lic. Enrique Fernandez, Secretario General  
Dr. Leonel Arguello, President

A.I.D. Program Officer: Robert E. Culbertson, LAC/DP

Fiscal Year: 1978

A.I.D. Financial Status: Seeking regional capital grant of \$4 Million  
over FY 1978-79-80

### 1. Description

SOLIDARIOS was formed on October 9, 1972 by a joining together of a number of the national development foundations (NDFs). SOLIDARIOS was created with the idea of establishing a representative body with a Latin American character that would coordinate activities for the benefit of all the foundations and would provide a forum for the exchange of ideas and experiences on the specific work being carried out by each of them. More recently the NDFs have come to realize SOLIDARIOS' potential for acting as a fund raiser for its members.

SOLIDARIOS objectives on behalf of its members, are therefore, both to promote the participation of different elements of the local private sector in the social development efforts of Latin America and to act as a catalyzer for the development of policies based on a common philosophy of development. Its activities contribute to the process through which the foundations improve and expand their development programs by providing a source for credit and technical assistance. SOLIDARIOS helps to establish contacts between its members and various organizations working in the development field, and disseminates information of value to these institutions. There are now 12 member foundations in eleven countries: Argentina, Bolivia, Colombia, Costa Rica, Dominican Republic, Ecuador (2), Guatemala, Honduras, Mexico, Nicaragua, and Trinidad and Tobago. Membership is open to other institutions having the same philosophy and mode of operation.

During its first three years of operations, SOLIDARIOS has promoted increased contacts among its members and between the foundations and international development organizations. It has provided services in the form of seminars on relevant topics and scholarships. It has also published three books, and organized, with aid from PACT, a revolving fund.

2. SOLIDARIOS is non-profit, non-government, non-political, and non-religious.
3. SOLIDARIOS By-laws (Estatutos) are attached.
4. SOLIDARIOS was incorporated in the Dominican Republic by Presidential Decree # 4259, January 20, 1974, as a private association with non-profit status. It also was authorized to operate in Guatemala by Presidential Accord dated August 12, 1975.
5. The Executive Committee of SOLIDARIOS, elected by the General Assembly in July 1977, is:
  - Dr. Leonel Arguello, President (Nicaragua)
  - Adolfo Linares (Bolivia)
  - Alejandro Rocha (Mexico)
  - Juan Fernando Guerrero (Colombia)
  - Adolfo Rios Sharp, Past-president and advisor (Guatemala)
6. The General Assembly, which consists of the president and the executive director of each of the member foundations, meets once a year. The Executive Board meets quarterly.
7. The staff of SOLIDARIOS, at Headquarters in Santo Domingo, includes the Secretary General, two accountants, a project design and evaluation specialist, and secretary. Two additional project developers will be added with A.I.D. financing currently being solicited.
8. SOLIDARIOS has capably managed grants from IDB, PACT, AID (DPG) and IDRC. Discussions with managers of first three grants verified this.
9. Financial statements for 1976 and 1977 (attached) have been received and reviewed. The accompanying audit cover letters confirm that SOLIDARIOS prepares their accounts by the "percibidos modificado" system, and that statements present fairly the financial position of SOLIDARIOS in accordance with generally accepted accounting principles.
10. PVO operations are in conformity with ethical standards and consistent with purposes and objectives of Foreign Assistance Act of 1961, as amended.

CHECKLIST OF DOCUMENTATION RECEIVED IN SUPPORT OF CERTIFICATE OF ELIGIBILITY

1. Articles of Incorporation  
By-laws  
Constitution  
Other
2. Copy of Statement of Tax Exemption
3. Latest Financial Statement
4. Current Budget
5. Annual Report of Program Activities 1976
6. Names, Addresses, Citizenship of  
Members of Board of Director; and  
Average number of times meet

## FOUNDATION PROFILES

Argentina

Instituto de Desarrollo Social y Promocion Humana (INDES)

Background

This organization was founded in 1974 by four technicians who had worked for the Ministry of Welfare as community organization specialists. It has legal status as a civil, non-profit association with headquarters located in Buenos Aires. The foundation's purpose is to promote and spread social development through technical assistance and training supportive of community programs. The focus has largely been on activities which enable the socio-economic improvement of rural groups.

Activities

The INDES program has concentrated almost exclusively on those activities related to the creation and development of cooperatives, community associations, or federations thereof. The foundation supports one or more of these groups in at least ten provinces throughout Argentina. During the first three years of their program (1974-76), efforts were directed at generating community organizations, consolidating the network, and establishing a track record. This emphasis was encouraged by an early grant from IAF for \$10,000 to finance a survey of private volunteer organizations in northern Argentina. A second IAF grant of \$170,000 supported INDES activities to organize 22 communities in the rural area. In 1977, IAF granted INDES a third donation of \$374,000 for the purpose of expanding their community action work to an additional 50 communities over the next three-year period.

INDES activities have covered all aspects of community organization and development: promotion, planning, programming, administration of projects, evaluation, institutional development, cooperativism, group dynamics and leadership training, social action, fund-raising, and a wide range of technical assistance in the areas of agroindustry, cottage industry and educational curricula. The foundation has been very active in establishing a communications network among the numerous private institutions and government agencies which are involved in various aspects of community programs. It has collaborated on several projects with the Instituto Nacional de Tecnologia Agropecuaria (INTA) and the Welfare Ministries of four provinces, and also coordinates its program with representatives of the FAO, OAS, and IICA as well as the many local organizations involved in community work.

To date, however, the foundation has not provided any credit assistance. It is currently undertaking the management of a \$10,000 loan made by PRODESA through INDES to a co-op group. The Banco Cooperativo Agrario Argentina has expressed an interest in developing a loan program through INDES for rural co-op groups, but is waiting for an adequate demonstration of the foundation's loan management skills before discussing a formal arrangement.

#### Organization and Administration

INDES has a total, full-time, permanent staff of ten. The six persons who work at headquarters include a program director, one coordinator each for Community Organization, PVO's, and Social Education, one treasurer, and one secretary. The remaining four employees are field coordinators, usually agronomists or co-op specialists by training. In addition to the permanent staff of ten, INDES has hired technicians in place at the communities being served. In the area of financial management, the foundation has worked closely with Price, Waterhouse, Inc., an auditing firm which helped to set up their accounting system. The services of a consultant accountant have also been used from time to time as needed.

The decision-making functions normally performed by the Board of Directors in other NDFs, are here performed by a consensus agreement of the four professionals working at headquarters. Meetings which address foundation policy and operations are conducted by a President, who works part-time as a volunteer. He is fully employed elsewhere, and his sole function in relation to INDES is to preside over these meetings.

The organizational scheme of INDES also includes a Coordinating Council, or advisory board, which is composed of nine voting representatives from the community organizations being served.

#### 1977-1979 Program

While specific information on individual projects for this period is not available, INDES plans to focus its efforts in the following areas:

1. Organize and promote local institutions;
2. Advise and coordinate development associations;
3. Training support;
4. Establish a Social Communications Center to assist organizing communities;
5. Research--collect data and information useful in evaluating community development.

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Other activities will include technical assistance to the Federation of Agricultural and Cattle Co-ops; assistance in building storage sheds for an Empedrado Co-op; training in the freezing, storing and processing of fruit, and in drying mate; training women in gardening to improve family diets; assisting families to settle land donated by various government agencies; and planning curricula for the newly built Co-op Training Center.

Analysis

While INDES has proven its capacity in the areas of promoting and developing community organizations, and in providing technical support in the design and implementation of profitable community projects, it has never administered any kind of a credit program. Although the SOLIDARIOS by-laws stipulate that NDF recipients of SOLIDARIOS funds be engaged in "promoting human welfare, technical training, and channeling credit", it is unclear whether these qualifications are set forth in the alternative or cumulative. Regardless of the legal interpretation, INDES would more closely align itself with the intent and purpose of SOLIDARIOS if it were to develop a capacity as a lending institution by which to serve its present and future clients. Because it has no present capability in this area, it will need a considerable amount of technical assistance in establishing the financial system and trained personnel necessary to implement a loan program appropriate to its resources.

BOLIVIA

Fundacion Boliviana de Desarrollo (FBD)

Background

The small farmer in Bolivia has historically been excluded from the credit market. Responding to the dearth of credit available to low income groups, the FBD was founded in 1971. Initially its operations took place in the area of public health, importing medical material through the Pan American Development Foundation and others at 1/5 the market cost. The equipment and medications were then distributed to various public and private hospitals and clinics, passing on the economies of scale.

Activities and Credit Policy

During the period 1973-75, FBD obtained \$114,461 in funds; approximately half in donations, including a \$13,520 grant from AID, and one third from loans.

In 1974 FBD began a credit program aimed at assisting marginal groups implement developmental and profitable projects. During the period 1974-76, FBD made loans totaling \$97,700 in support of the following activities: agriculture 33%; artisanry 29%; cattle 17%; small industry and agroindustry 12%; and commercialization 9%. Almost 90% of the beneficiaries were located in the La Paz region.

In order to encourage group participation in developmental activities, FBD established the following criteria for extending credit:

1. The co-op or group must be a legal entity without access to commercial credit;
2. It must have a minimum of three years experience in the activity for which credit is requested;
3. The group must have at least six members;
4. Family income of individual members must be between \$300-\$600 per year;
5. Heads of family must be between 20-45 years of age.

In addition, FBD requires that the projects be the responsibility of the collective group and provide increased work opportunities as well as socio-economic benefits. The individual members of the co-op participating in the project may receive loans of up to \$200 for 2-3 years at 8-14%, depending on the type of project activities financed. To date, the credit program has directly benefited some 1,631 families

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participating in the co-ops or other associations. The recovery rate for 1974 was 86%.

#### Organization and Administration

The General Assembly is the maximum authority of FBD and is composed of approximately 60 members. The 21 members of the Board of Directors are elected by the Assembly and serve two year terms. The staff at the headquarters in La Paz totals seven persons: the Executive Director (an economist), a program analyst (agricultural engineer), two promoters, an accountant, a secretary and a messenger. FBD has also placed consultants in three different field locations: one supervising a rice program, another providing credit supervision to a co-op, and a third who is in charge of an animal hygiene program in the Altiplano.

#### Future Program

FBD's proposed loan program for 1977-80 is for the amount of \$460,000. Project activities will focus on three areas: (1) agricultural production, especially potatoes, oats and wheat; (2) animal production, particularly establishing disease-free flocks of sheep as sources of both wool and meat; and (3) development and commercialization of artisanry as a small business enterprise. Further, FBD's resources and support will be applied increasingly in the Altiplano region.

#### Analysis

The development of FBD as an effective support institution and credit resource for the small farmer seems to face two principal obstacles at this point. The first is the lack of involvement, or proximity to, the campesino and his projects. For example, it takes the FBD supervisors ten hours to make the trip to the field, leaving little time for them to provide any real assistance once they get there. Also, the supervisors do not usually speak the dialect of the rural areas they visit, further restricting effective communication. This is particularly true in the Altiplano which received only 5% of the credit extended by FBD in spite of the fact that this region suffers the poorest living conditions and greatest unemployment. Mechanisms by which FBD could advance its support to the campesino, then, would seem to center around a physical extension and realignment of services to the rural area. This might be accomplished in several ways, among which could be the location of extension or branch offices in strategic

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rural areas, the employment of indigenous personnel to facilitate communication and familiarization with local customs, and an increase in the amount of credit provided to campesino groups in the Altiplano and other rural areas. These steps would all help to generate confidence in the FBD, especially in the Altiplano, and in the long run result in less costly operating expenses.

The second major obstacle is the inadequacy of FBD's technical support, especially in the artisanry program. While various handicrafts and Bolivian products were well received at a 1974 international fair in Berlin, a lack of technical assistance to solve such problems as quality control and inefficient production methods has prevented maximizing market potential. Demands for technical assistance in areas such as use of fertilizer and different types of grains also exceed the capacity of FBD, and the success of their credit program will be, to a large extent, dependent upon their ability to overcome these deficiencies.

COLOMBIA

Fundacion Nacional para el Desarrollo Social (FUNDES)

Background

The formation of FUNDES resulted from the efforts of several organizations, both public and private, to provide some kind of mechanism for attacking the slow rate of social and economic growth in Colombia. In 1972, at the time FUNDES was formed, there were three principal organizations expressing concern in this area: the Foundation for Industrial Development (FDI), which promoted labor intensive enterprises in Cali; the Colombian Institute of Administration (INCOLDA)-a non-profit corporation providing management training; and the Foundation for Superior Education (FES)- a non-profit corporation promoting advanced education. These three groups, together with others such as the National Training Service (a government organization providing occupational training) and the Office of Popular National Integration (government office coordinating development activities) formed the nucleus of what later became FUNDES. Representatives of these organizations have served as members of the Executive Committee since 1972, significantly influencing the foundation's policies and direction.

Basically, FUNDES was born out of the conviction that there was not a single institution in Colombia in 1972 that squarely faced the problems of development. It was felt that the government alone should not be responsible for the improvement of living conditions and that the private sector could make a significant contribution by developing social programs to bring about changes in attitude, in addition to economic programs that concentrated on development. Focusing on problems that were not receiving adequate attention from other sources, unemployment was seen as the greatest challenge. Consequently, FUNDES' developmental efforts have been directed at the marginal sector in the urban area, with 71% of their loans going to Cali residents. Cali, location of FUNDES' headquarters, is an urban area which has experienced major growth with accompanying high unemployment (13.5%) and underemployment rates, while the surrounding rural area is one of the best developed in all Colombia. FUNDES also has subsidiary independent branches in Manizales and Barranquilla.

Activities

During the 1973-1976 period, FUNDES received \$360,000 in contributions. Of this amount, \$47,000 was lent to the Foundation from private banks at 18% interest. The rest was donated by FUNDES supporters, principally members of the General Assembly of FUNDES. The Inter-American Foundation was also an early supporter of the Foundation, providing them with a \$300,000 contribution.

From the beginning of its operations in 1972 through December 1976, FUNDES made 912 loans totaling \$554,000. This directly benefited some 3,700 workers, or a total of 25,900 people when including their families. Approximately \$200,000 of this amount supported small manufacture (primarily textile and furniture), metal work, cabinetry and saddlery activities, and another 25% financed projects in food products, shoe making, and repair and service shops

In early 1977 CARE contributed \$3,000,000 which was used to set up a fund for the promotion and establishment of cooperatives. Today FUNDES has one of the best professional teams with expertise in this area. After only six months of operation, several co-op groups had been established:

1. a 36-member pre co-op in the barrios received a loan of \$25,000 and courses from FUNDES in cooperatives, small business management and finance. In the first four months of operation they realized \$44,000 in the manufacture and sale of mops.

2. Integrated Metalwork Co-op, with 41 associates, has also received instruction in business management from FUNDES. This group purchases raw materials in quantity and passes economies of scale on to its small business customers.

3. Pre co-op group of manufacturers, with 15 members, is also located in the barrios. FUNDES helped to establish them in the business of producing leather garments by giving them courses in management organization, marketing, and accounting, and \$120,000 in credit. Within 15 days the group had begun the manufacture of footballs which was so successful that they are now distributed on a world-wide basis.

4. Another barrio group is currently being assisted by FUNDES in the formation of a co-op which will manufacture wood containers. The Foundation is providing the group with instruction in carpentry and cooperatives.

FUNDES also has a program with Occidental University whereby students in their last semester work together with small businessmen who are seeking loans, and assist them in the development and design of projects which are then submitted to FUNDES. The Foundation has also been instrumental in establishing a nutrition education program for housewives in Cali.

Administration and Operations

The ultimate authority of FUNDES is vested in the General Assembly, a body whose members represent the contributors to the Foundation. Each member is entitled to one vote for every \$10,000 contributed. There are approximately 66 members at this time, including an AID representative.

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The General Assembly meets once a year to elect the Board of Directors and to examine the financial status and policies of FUNDES. The Board of Directors is composed of nine members, one of which is a representative of the GOC Office of Popular Integration, another a representative of INCOLDA, and one representative is chosen from organizations who have credit with FUNDES for small business projects. Six other representatives are chosen at large and need not be members of FUNDES. The Board meets at least once a month and is responsible for hiring the officers of FUNDES, approving Foundation programs and forming committees to manage certain foundation activities. The Executive Director, an attorney, is the official representative of FUNDES; the Deputy Director and Executive Secretary are responsible for the execution of project activities and daily operations of FUNDES. The officers and staff located at the Cali office total 14 people at this time.

The February 1976 evaluation by IAF concluded that the FUNDES program had succeeded in getting loans to a substantial number of small businesses, which had created employment at a very low cost per job. However, the process took longer than anticipated. Reasons for the delay were attributed to a lack of continuity of leadership, a lack of guidance from the Board of Directors, and a lack of local counterpart funds (only one of the five organizations committed to support actually fulfilled their obligation). The deficiency was particularly keen in the area of technical assistance, which member organizations had volunteered through various training programs but subsequently failed to provide.

Under the guidance of the new Executive Director who assumed the office in 1975, credit requirements have been tightened up with the result that beneficiaries are more credit-worthy in the traditional sense. The result has been to shift credit to a higher socio-economic group of borrowers. Originally, FUNDES' policy was to extend credit only to those for whom credit was otherwise unavailable. No guarantees were required, and the interest rate was 14-18% annually (compared with commercial rates of 24-34%). Under the new management, borrowers now have to be literate (most have a high school education), provide collateral and have experience in the activity for which they are taking out the loan. Because of this shift away from the group of beneficiaries originally targeted in their credit policy, IAF rejected a new FUNDES request for funding in June 1975.

Current credit policy utilizes the following criteria for evaluating urban groups or small businessmen seeking loans:

1. The family income must be between \$316 - \$6,316 per year.
2. The enterprise must have at least \$67 in assets and no more than \$16,700.
3. The head of the family must be no more than 55 years of age.
4. The borrower must accept technical assistance, have experience in and work personally on the subject activities, and be willing to join a cooperative.

The maximum amount of any loan is \$1,670, payable in three years at 18-24% annually.

Defaults for the period August 1972 - April 1975 were 4% of total loans; 1.5% of total amount extended. As of 1976, bad debts were running at about 6%.

The projected program for 1977-1980 will continue to expand current activities:

	<u>Amount</u>	<u>No. of Loans</u>	<u>Average Loan</u>
Manufacture . . . . .	\$104,200	180	\$580
Cabinetry & Saddlery . . . . .	189,100	324	585
Metal Work . . . . .	135,700	196	694
Shoe Making . . . . .	71,700	106	679
Artesanry . . . . .	78,000	120	653
Construction Material . . . . .	25,800	45	576
Other . . . . .	416,800	600	695
TOTAL (1977-1980)	\$1021,300	1571	\$650

The amount of money to be used for credit and technical assistance according to geographical region is: Cali-60%; Manizales-20%; Bermeja-10%; Pereira-5%; Barranquilla-5%.

The source of funds for the four year period is as follows (\$thousands):

	<u>Benef. Contrib.</u>	<u>Member Contrib.</u>	<u>Local Bank Loans</u>	<u>Int'l Loans</u>	<u>TOTAL</u>
1977	21.3	32.2	32.2	135.8	223.5
1978	24.0	37.5	37.5	153.6	252.6
1979	27.0	42.2	42.2	171.6	283.4
1980	30.0	46.6	46.6	190.0	313.2
Total	102.3	159.5	159.5	651.0	1072.3

Analysis

Data upon which an evaluation of FUNDES' institutional capacity, successes and problem areas can be made is, at this point, largely limited to the information contained in the 1976 IAF report. The weak points that were identified in this evaluation are certainly areas that should be addressed through the SOLIDARIOS program, if they have not already been resolved in the two years since the study was completed. Of particular concern is the credit policy established by the Executive Director in 1975 which added literacy and collateral to the criteria used to select loan beneficiaries. These requirements would seem to further remove the availability of credit from the very group of borrowers that SOLIDARIOS is seeking to reach, and may even be in direct contradiction to the precepts subscribed to by SOLIDARIOS members. Further investigation of current FUNDES lending criteria is indicated, as well as a more complete description of the class of borrower who benefits from present credit policy.

Considering the importance of assistance and training in small business management and cooperatives in the FUNDES program, more information concerning the current status of their technical assistance capabilities is needed. If member organizations who had volunteered to provide these services are not fulfilling their commitments, then FUNDES will undoubtedly have inadequate capacity in this area and require external assistance.

Based on the 1976 reports and data, FUNDES seems financially viable, but there appears to be a question as to the consistency of their credit policy with SOLIDARIOS guidelines, and their ability to provide the scope of technical assistance required.

Costa Rica

## Fundacion Costarricense de Desarrollo (FUCODES)

Background

FUCODES is a non-profit organization founded in San Jose by prominent members of Costa Rica's private sector. Although it was formed in 1972 for the purpose of assisting self-help development efforts of low income people, it did not receive legal status until 1974, and did not actually begin formal operations until 1975. Fund raising activities began a year later, which means that FUCODES has only been fully operational a bare three years (making it the youngest member of SOLIDARIOS). To date it has received grants from PACT (\$11,000) and IAF (\$15,000), and a \$10,000 loan from PADF. SOLIDARIOS has awarded FUCODES \$30,000 and USAID/CR is currently studying an OPG proposal.

Activities

For a small and new foundation, FUCODES is involving itself in an unusually wide scope of activities. Loans for 1976-77 totaled \$5,756, supported five projects and benefited 60 persons. Most activities are community-type projects which have a social as well as economic impact in the area, such as an ₡11,000 loan to a group of five families to finance a shoemaking enterprise, the product of which is sold in local San Jose department stores; ₡34,500 for a seamstress project; ₡20,000 for an achiote (local spice) processing project; ₡12,000 to three families for a bookbinding project; and ₡20,000 to a fishing group to buy boats, freezer and fishing nets. Program plans for 1977-80 will expand the number and type of projects considerably.

Organization and Administration

The General Assembly currently has 66 members and the Board of Directors 11, each of whom serve for one year terms. The staff numbers 14: an Executive Director, 1 financial manager, 1 program coordinator, 3 technicians, 5 field promoters, 2 secretaries and a messenger. The Executive Director has attended seminars on Cooperatives and Management of Development Foundations, and has spent time at FUNDE and FUNHDESA in an observation trip sponsored by PACT. Three working committees are responsible to the Executive Director: Credit and Finance, Programs, and Public Relations.

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### Credit Policy

FUCODES makes its loans available to both urban and rural groups, but focuses on non-farm rural poor who do not have access to normal channels of credit. The principal goal is to make its clients creditworthy subjects, preparing them for traditional commercial bank loans once they have been deemed acceptable credit risks following their FUCODES experience.

Projects are located by "promoters" who work for the Foundation and visit needy communities and neighborhoods to talk to community leaders about the availability of loans through FUCODES. Although the promoters do not try to impose ideas on the group, they do suggest that the groups decide on an appropriate project for which a loan might be sought. Once a project activity has been identified, a feasibility study is performed and then reviewed by the credit committee. Final approval rests with the Executive Board.

The lending criteria applied by FUCODES in the selection of its clients are as follows:

1. Borrower must be willing to accept technical assistance;
2. Must have experience in, and work directly on, the activity funded;
3. Must be the head of a family and living with the family;
4. Must be willing to join a credit association;
5. Income must be low enough to qualify as marginal;
6. Must be without access to other forms of credit.

Most loans are made to groups, which must have at least eight families and demonstrate a group cohesiveness. The families must also be classified as "marginados" in terms of income, housing, dress, education and health. There are no limits on age or income levels.

FUCODES charges 7% interest plus a 2% service charge. Of the 20 groups receiving credit, only one is having repayment problems. The remaining groups are...

1977-1980 Program

This four year program will cost an estimated \$247,110 and provide credit to 1,476 beneficiaries. Project activities that will be financed include:

Rural Colonization	-	\$41,000
Small Industry	-	41,000
Hog Raising	-	31,000
Social	-	27,000
Fishing	-	25,000
Vegetable Gardens	-	16,000
Bird Raising	-	15,000
Fruits	-	7,000
Bee Keeping	-	4,000
Rabbit Raising	-	4,000
Technical Assistance	-	36,500

The rural colonization projects are carried out in conjunction with the Institute of Land and Colonization, which has located more than 2,000 campesinos in some 46 new colonies. FUCODES supports this program through credit to the colonists for various types of technical assistance and training.

The small business activities financed are labor intensive, and include the manufacture of clothing, carpentry, cobblery, metalwork and bakeries.

When social projects such as potable water, health centers, and schools are financed, FUCODES tries to involve the government in their support. Social projects which support such urgent needs as food and medication, however, are arranged on a direct basis with the individual or family in need.

Most loans are at the level of \$200-250 per beneficiary, but the range is from \$100/beneficiary (Social) to \$325 (Rural Colonization).

Analysis

Because FUCODES has only been fully operational for three years, it has not had time to establish a track record or fully develop its institutional capabilities. In fact, a full-time Executive Director has only just been employed. While there is not yet enough information available to enable a meaningful evaluation of FUCODES' performance, capacity and constraints, a few observations might be made:

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1. Because of the ambitious program planned for 1977-80, and the wide scope of project activities to be financed, it is probable that the increased demand for technical personnel will be particularly high. If FUCODES is to provide adequate support in project design and implementation, it seems safe to assume that some provision should be made to increase their ability to provide technical assistance accordingly. Inadequate technical assistance has been the single most common deficiency encountered in "developing" NDFs.

2. The IICA report states that the projected rate of recovery on the loans for risky projects such as rabbit-raising, vegetable gardens, rural colonization and social activities is 60%. For the others it is estimated at 80%. An 80% rate of repayment is minimal and, coupled with a 60% recovery rate on loans totaling \$88,000, will permit serious decapitalization. If FUCODES is to establish its financial viability, it will have to adjust its operations and/or credit policy so as to ensure a more acceptable recovery rate.

3. While the lending criteria state that the borrowers must have a marginal income, there are no guidelines to stipulate what minimum or maximum levels of annual income will qualify the applicant. In order for this foundation to receive loans from SOLIDARIOS of the subject AID grant funds, it must set forth an acceptable range of income by which its target beneficiaries can be identified.

Dominican Republic'

Fundacion Dominicana de Desarrollo (F.D.D.)

Background

The predecessor agency of the FDD was the Asociacion Pro Bienstar Social, Inc. which began providing social services to the slum population of Santo Domingo in 1962. In 1966 this organization became the FDD, the first affiliate of the Pan American Development Foundation (PADF), whose express purpose was to administer a rural loan program for low income farmers. Sixty percent of the Dominican Republic's labor force is located in the agricultural sector, and of that population, 72% of the farmers work land holdings less than five hectares in size. It is largely this group which has been unable to gain access to traditional sources of credit, and which the FDD has sought to support.

Activities

While FDD's activities first focused on offering credit to groups of small farmers with little or no access to credit at reasonable cost, the foundation has now expanded its technical assistance to include community organization, formation and operation of cooperative ventures for farmers and artisans, and courses in management of small rural enterprises. FDD's promotion of community organizations has expanded its outreach to more than 200 groups and new groups are being formed each year.

FDD began in 1966 with \$1.8 million in funds. In addition to private sector donations and commercial loans, PADF granted \$500,000 in AID funds for the administration of the rural loan program. In 1969 PADF followed with a \$350,000 loan (also from AID) for the credit program. In addition to PADF, FDD has received financial support from the Interamerican Foundation (\$500,000), GOCR's Community Development Office (\$100,000 loan in 1971), ADELA Investment Corp. (\$100,000 loan in 1972), the IDB (\$2 million), the Ford Foundation, and Private Agencies Collaborating Together (PACT). Most of FDD's support, however, comes through private donations from organizations within the Dominican Republic. The foundation also has access to \$5.5 million for subloans to rural groups: IDB provides \$2.5 million through the agricultural bank and the Secretariat of Agriculture provides \$3 million in AID loan funds for sublending by FDD. As of June 30, 1977 FDD had assets of RD\$6,400,736 and liabilities of RD\$5,385,571.

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From 1972-74 FDD financed such activities as the construction of health centers and houses, potable water projects, and the purchase of stoves and sewing machines as well as farming projects. Since 1975, however, the emphasis has shifted to support of improvement of farmland (clearing, irrigation, etc.), livestock programs and artisanry activities.

The recent (1972-74) IAF-supported program in Bonao is perhaps representative of the foundation's small farmer loan activities. With a field staff of three coordinators whose expertise covered differing areas, some 60 agricultural associations were provided with supervision of loans totaling RD\$210,000. The coordinators spent some 3-9 months organizing various groups in the rural areas and would then judge which ones were credit-worthy. Although FDD has an established credit policy which sets forth various lending criteria, the determinative factor in selecting credit recipients was the coordinator's evaluation. The group receiving credit typically had 6-20 members. The average member was a 45 year old male, married with eight children, and a third grade education. Although one member who defaulted would automatically cut off the entire group from credit, half of the groups were current in their payments and another 1/4 were only 30 days behind. The delinquencies were highest in the groups undertaking bullock projects. The general success of this small farmer credit program may be attributed in large part to the close relationship of the coordinators with the various agricultural groups they supervised, and their availability for providing technical assistance. As of February 1975, there had been 97% repayment on the IAF small farmer loan program. This evidence of the credit-worthiness of the campesino subsequently resulted in changed credit policies of commercial and government banks.

Typical of the artisanry activities in FDD's portfolio is the PACT-supported Handicraft Program. Various projects throughout the Dominican Republic include a doll and toymaking program in Sani Province, the Bastidas Handcraft Center which conducts ceramic and leather workshops, and other centers which have already realized an income from the sale of their leather goods. In one case, an agreement has been signed with a U.S. importer for the sale of suitcases and benches.

#### Organization and Administration

Since its inception, FDD has had the support of public spirited community leaders. Its Board of Directors includes representatives of some of the foremost businesses in the country. Past officers have held executive positions on the National Planning Council and the country's largest banks. Largely because of its administrative

competence and demonstrated ability to carry out its programs, FDD is considered the most successful of the PADF affiliates and has become the "demonstration model" of that organization. It has exceptionally good experience in lending small amounts of money to small businessmen, and repayments of these loans are almost default free (from 1966-72 less than 1% defaults on the total loan portfolio). Over the past two years, more than 90% of FDD's loans have been repaid on time and defaults on AID-financed subloans are less than 5%.

The foundation coordinates its activities with the Agricultural Extension Office, co-op federations, the Office of Community Development, the Peace Corps and various religious groups. It also works closely with the GODR, which claims that the FDD program is of priority importance to the national development plan.

The governing body is the Board of Directors, composed of 19 members each elected for two year terms. The Executive Director is a non-voting member of the Board who is responsible for the daily operations of FDD as well as bringing new programs to the attention of the Board. In addition to the head office in Santo Domingo, FDD has supervisors in the field who assist the campesinos in the development and design of rural projects and provide them with technical assistance. The staff, which now numbers 67, appears to be well qualified. FDD provides in-house and on-the-job training, and has also sent technicians to various seminars for the development of management skills.

Credit Policy

FDD's target group includes all farmers who own up to 30 hectares and are interested in improving their farming operations. Since 1966, 2,313 agricultural and social loans with a total value of \$10,656,771 have been made. FDD's lending criteria specify that loans are made only to rural groups. A group must have at least six members, they must be small farmers or rural artisans who cannot obtain credit from other formal sources, and the group must demonstrate reasonable ability to repay. Projects are developed with the assistance of FDD field agents and are approved at regional and/or national levels depending on the size and nature of the project. Loans range from as low as RD\$300 per group to as high as RD\$24,000. The average foundation loan from AID funds has been about \$17,400. FDD charges 8% interest plus 2% service charge on its loans.

1977-80 Program

FDD plans a \$7,685,500 program for 1977-80 and is requesting \$1,575,150 from SOLIDARIOS for this purpose. In addition to providing credit, this four year program will seek to support projects for food production--to increase the inadequate diet of the campesino family-- and to create more jobs in the small towns and fincas. A total of 1,193 group loans will be made. The proposed budget allocates 74% of the total monies for crop production and livestock activities, 18% for farm/irrigation equipment, 7% for artisanry projects and 1% for social projects.

Analysis

The fact that FDD is considered one of the strongest national development foundations in the region is well supported by available data. It has enjoyed good management since it began operations twelve years ago, and during that period of time has steadily developed a successful rural loan program, with special expertise in small loans to campesino groups and small business enterprises. FDD appears to be one of the few foundations which have enough trained personnel on board to provide the technical assistance necessary for successful implementation of the group projects it finances. The respectable recovery rate on their total loan portfolio and their ability to attract contributions from international donors are both good indications of their financial viability. In sum, FDD appears to be a sound development foundation with an active program to further the economic growth of low income rural groups through credit and technical assistance services. Within the context of SOLIDARIOS, it may prove worthwhile to investigate the possibility of using FDD's established technical expertise to assist other member foundations who have problems in this area.

Ecuador

Fundacion Ecuatoriana de Desarrollo (F.E.D.)

Although there has been overall growth recently in the economy of Ecuador, principally due to the production and export of oil, agriculture, which is a major sector of the economy, has remained relatively stagnant. Agriculture continues, as in the past, to be dominated by a latifundio-minifundio land tenure dichotomy. Power and wealth are concentrated among a small elite group, and the wide majority of the population continues to live in conditions of poverty which have changed little since the period proceeding the oil boom. A major factor of the enduring inequity is a lack of access to credit for the poor majority. Small farmers have been relegated to dealing with professional money lenders at usurious interest rates or doing without credit.

In 1968, socially conscious individuals from the private sector, with initial "start-up" assistance from the Pan American Development Foundation organized the Fundacion Ecuatoriana de Desarrollo (F.E.D.). It is a private, non-profit organization with the expressed purpose of providing assistance, both financial and technical, to elements of the poor majority who were not being reached by government-sponsored development efforts.

The F.E.D. is composed of two semi-autonomous regional branches: the Zona Norte with headquarters in Quito and the Zona Sur located in Guayaquil. A National Directorate, composed of representatives from both regional branches, is responsible for formulating F.E.D.'s general policy, establishing means of collaboration between the two branches, as well as managing the accumulation and equitable distribution of funds to each region. However, after ten years the National Directorate Council has yet to become an operating reality, and in practice the critical functions of policy determination, credit policy, and loan implementation by the regional branches operate independently of one another.

Zona Norte:

Since 1969 the F.E.D. has provided technical assistance and credit (\$147,000) to over 3,000 small farmers in the Ecuadorian Sierra. The organizational mechanism used to channel this assistance is the cooperative, with groups averaging 15 members. Other critical criteria include the selection of groups whose members are under 50 years of age and have incomes which range between \$150 - \$300 per year minimums and maximums. The duration of loans ranges from one to six years, and entails an interest rate of nine percent.

The bulk of Zona Norte's activities have taken place since 1975 with financing supplied by an Inter-American Foundation Grant for \$180,000.

The grant was for a three-year period and its purpose was to increase small farmer income via credit and technical assistance in the areas of agriculture cottage industry and marketing. An important component of the project was the formation of a campesino committee charged with the responsibility of reviewing and passing judgment on loan applications.

At its termination date (1977) approximately 75 percent of the total grant was dispersed. IAF declined a request from the F.E.D. to extend the funding period for 18 additional months and an increase in the amount of the grant. IAF was generally dissatisfied with F.E.D. performance citing in particular sub-standard promotion (extension) efforts resulting in poor rapport between F.E.D. and the beneficiaries, the desolution of the campesino council, and administrative upheavels (three changes of directorship in the span of three years) as principal reasons. Further, end of project evaluations indicated that the beneficiaries were most interested in securing technical assistance, a weak component of the project, and responded poorly to non-formal training in the democratic process and attempts to "raise the level of consciousness" which were the major thrusts of the effort.

A facet of the Bolivar Project which bore positive results was a fund raising campaign. Available figures indicate that during the life of the project, private incountry donations to the F.E.D. increased from slightly less than \$25,000 in 1974 to almost \$50,000 in 1976. Unfortunately the major burden of the fund raising effort was borne by Peace Corps Volunteers, and these activities virtually ceased when the Peace Corps representatives completed their tour of duty.

In addition to programming in agriculture, Zona Norte has been involved, albeit in a limited way, in the health field. They have organized seminars for instruction in nutrition and hygiene in isolated villages in Bolivar Province (the same geographic area in which the agriculture credit project was attempted). Further, during a recent (1977) typhoid epidemic in the area, F.E.D. extension agents played a role in transporting critically ill patients to medical facilities, and in providing instruction on methods to combat the disease.

Despite the disappointing results of the Bolivar project, Zona Norte seems to have learned from this experience, has made adjustments, and is planning an expanded effort for the near future. The matter of administrative flux has been stabilized by the return of the director who had been on an extended study leave. The F.E.D.'s community promoter arm has also been improved, not only by the addition of personnel but by an upgrading in quality of the promoters, especially in the area of community relations. Finally, the F.E.D. has received a grant from Private Agencies Collaborating Together (PACT)

and has established a loan guarantee arrangement with the Central Bank of Ecuador to facilitate programming activities.

For the four-year period, 1977 - 1980, these activities will consists of a three-part \$1,232,000 program. Part 1 is a crop credit effort in the amount of \$673,400. The beneficiaries will be farmers with holdings two hectares or less in size. Loans are to be short term, six months to one year, and will be used to purchase seed, fertilizer and other modern technical farm inputs. Part 2, \$435,600, will be short-term credit for the purchase of livestock and necessary forage, and the construction of simple animal shelters. Part 3 (\$123,000) will be directed toward the construction of community centers in the hinterland. It is anticipated that these structures will serve a number of relevant purposes including crop storage, community stores and meeting places to discuss community affairs. Credit terms for the community centers will be long term, up to six years, and an organizational structure within the community--a coop, or union-- will be the entity legally responsible for repayment.

Zona Sur:

In contrast to its highland counterpart, Zona Sur has concentrated its efforts in an urban setting -- the slum areas of Guayaquil. During the period July 1972 - June 1976 the branch made loans totalling approximately \$363,000. A total of 801 loans were granted, directly benefitting almost 1,600 people. About 80% of the loans were made to individuals. (In contrast Zona Norte extends credit only to groups of 15 persons or more.) Other major lending criteria include: (1) the borrower must be a head of household who lives with his family; (2) family income must be average for the occupation of the household head and enough to enable repayment to the F.E.D.; (3) borrower must accept and put into practice technical assistance; (4) must be willing to join a credit association if recommended; and (5) borrowers engaged in artisanry must be the proprietors of the business.

The credit was used for several different types of income generating enterprises; approximately 34% was channeled into small business development, another 15% was directed towards starting and/or expanding artesany endeavors, and 23% for generating commercial enterprises. The loan recovery rate for the 1973-1976 period was 87%; a relatively high level given the fact that the only guarantee required was the personal commitment of the borrower.

In terms of administration, the status of Zona Sur is sub-standard compared to the northern branch. Staff turn-over rates are extremely high; with the exception of the controller not one of the nine people on the staff has worked with the foundation for more than two years. There are only two promoters who must

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manage the residue of the 800 loans already transacted with the F.E.D. as well as generate new loans. Technical expertise is sorely lacking and such help as is provided must come through contacts with other entities. Finally, the income generation capabilities of the Zona Sure branch demonstrate a need for considerable improvement. Figures for 1975/76 show that only \$31,000 was raised -- a slight increase over the previous high of \$28,416 in 1973/74.

In terms of future programming, for the period 1977-1980, Zona Sur has developed a three-part project totaling \$1,154,010, 55% of which will be derived from international loans channeled through Solidarios. Part 1, totaling almost \$700,000 will be used to initiate an integrated rural development project in two yet to be determined "microregions." The purpose of this project will be to stimulate commercial agricultural production among small farmers with an eye cast toward supplying the urban Guayaquil market with needed fresh produce, dairy products, and beef. Estimates are that 240 farmers, organized into 16 associations and cultivating 560 hectares of land will be the direct beneficiaries. Part 2, estimated at the \$364,000 level, is a continuation of the on-going credit program in urban Guayaquil in the small business and artesanry areas. Projections are that about 1,100 people will be directly benefited by this effort. Finally, in Part 3 \$91,000 will be targeted for the administrative costs and technical assistance required by Parts 1 and 2.

GUATEMALA

Fundacion del Centavo

Background

The Fundacion del Centavo began in 1963 through the personal efforts of a retired U.S. businessman, concerned with the plight of the Guatemala Indian. By the end of 1969, ninety-six group loans (with 4,494 beneficiaries) had been made totalling Q289,557.00 for agricultural inputs, building rural schools and clinics, land and vehicle purchase, small store operation and a variety of other purposes. The Fundacion had become associated with the Pan American Development Foundation which was the source of its first major loan in 1969. It also had begun working with Tools for Freedom, Heifer Project Inc., and the American Hospital Association, channeling resources to rural groups.

In the '70s the Foundation began to concentrate on agricultural inputs with over two-thirds of the loans for fertilizer, seeds and other cropping needs. The average size of the loans also changed as can be seen from the following table.

Average Size of Loan per Beneficiary

1966	-	Q22
1970	-	45
1973	-	53
1974	-	84

During this time the subsidiary programs in tools, hospital equipment, and cattle distribution were reduced. Increased interest developed in the Foundation to assist groups in the purchase of land, and three staff persons were assigned to this activity. The Foundation became aware that they must help farmers go beyond the simple use of chemical fertilizer, which was a significant economic boost in the 1960's, and move into agricultural enterprises with longer range potential.

From the early small beginnings, the Foundation has become a respectable Guatemalan organization with outstanding businessmen giving time to the Board, and, on occasion, advising borrower groups on business matters. Staff now includes a manager, assistant manager, program director, six field personnel, one housing engineer, seven accountants, five secretaries, a part-time lawyer, a part-time publicity person, and eight maintenance staff.

### Services Provided

From its inception, the Foundation insisted on providing only a minimum of services to borrowers, partly as a measure to keep costs down and also to force participants to assume responsibility. After an initial contact and receipt of a formal request for a loan, Foundation services for obtaining a loan would typically include the following steps:

- a. The supervisors assigned to the geographic area of the requesting group analyze the request for completeness of information and general technical feasibility.
- b. The supervisor visits the community to judge the viability of the group, explain the credit process, clarify any problems, and possibly make suggestions to modify the proposed use of the loan. Responsibility is left with the group to form its own structure and be prepared to assume joint responsibility for the loan if it is approved.
- c. Following study and approval of the supervisor's report by the Foundation, the group is advised and its representatives receive a check, generally at the office in Guatemala, payable to the agreed-upon supplier.
- d. After two weeks, the supervisor again visits to check on the utilization of the credit.
- e. Three or four months later, in mid-growing season, a further check is made to deal with any problems or questions and maintain contact with the group.
- f. At harvest time, the supervisor visits to advise the group on the status of their debt and clarify repayment arrangements.

The basic services provided are informational, regarding the Foundation and the credit arrangement, and motivational, assuring adequate group functioning to facilitate repayment. Some secondary services may also be provided, according to needs of the group and the ability of the supervisor, on community and technical matters. One of the most valuable services offered by Centavo is that of convincing previously isolated farmers to group themselves to meet their needs, and to guide them through the process of using group structures.

In the land purchase program, the Foundation has been providing more complete services. In addition to credit arrangements, the Foundation's agricultural staff helps the group prepare detailed plans for land use and provides some short-term technical assistance during the first months. In some cases, they have arranged for this help to be provided by the Ministry of Agriculture personnel.

### Achievements in Benefits to Small Farmers

Observations from field visits of an A.I.D. Evaluation contractor show that beneficiaries and other local people are convinced that Foundation-supplied credit for fertilizer, prior to recent price increases, substantially increased crop yields and farm incomes. Visits also suggest that farmers benefited by the organizational experience crystalized by the Foundation. Joint responsibility, leadership, and financial management skills are being developed. It is significant that the economic benefits are taking place within an accepted community structure that reinforces and strengthens local leadership.

The volume of loans granted by the Foundation grew from Q18,734 in 1965 to Q\$800,000 in 1976, benefiting over 5,000 borrowers annually. Supervisors can manage up to about 30 loans simultaneously. The largest number of loans are for purchase of agricultural inputs, with land and machinery purchases next in importance. The Fundacion annually allocates 3% of its new loan volume as an expense for bad debts. Currently, 10% to 20% of loans are late but only 1.5% are considered irrecoverable.

### Characteristics of Participants Using Service

The Fundacion estimates that 98% of the associations borrowing money over the year have been at the aldea level, and probably 90% Indian. The areas of major activity of the Foundation have been central and western sections in the highlands. Many groups were originally organized by Desarrollo de la Comunidad (GOG Rural Development Agency) for potable water projects. After such projects are finished, Desarrollo de la Comunidad often suggested that the group continue as an agricultural group and apply for Fundacion del Centavo support. Other groups are formed by farmer leagues, syndicates, or by other organizations, and some groups form spontaneously because farmers have heard of similar groups in nearby communities.

Survey findings indicated that many groups tend to be marginal producers, while others include small farmers in somewhat better circumstances. However, the evaluation survey demonstrates that, on balance the Foundation is reaching an average farmer of small size and low level of education.

### Achievements in Institutional Development

The Fundacion is a relevant vehicle for achieving the purpose of involving the private sector in development. The private sector is well involved on its board of trustees and it has some 220 members, including individuals and firms both inside and outside Guatemala.

There are two unique features of the Fundacion del Centavo approach compared with that of cooperatives. First, the members of the group served by the Fundacion borrow with joint liability. Each member is responsible not only for his own borrowing but also that of his fellows. The result is to exert strong group pressure on the individual to abide by his commitment.

Second, the individual member does not have to earn his right to obtain a loan by first contributing capital (aportaciones). Accordingly, the production credit lending program of the Fundacion del Centavo has a reach downward toward the least advantaged farmer.

The program of Fundacion del Centavo of financing land purchases for marginal groups seeks to resolve one of the most critical constraints to rural development. Modest tracts of land do become available with some frequency in the altiplano for those who have the cash to pay for them. The transfer of these tract to marginal near-landless groups have considerable economic and social value. The provision by the Fundacion in these projects of a package of technical assistance for development of the newly acquired land contributes not only to optimizing the economic and social benefit, but also to insure that principal and interest payments can be met.

#### Conclusion

For the Foundation to expand, it will be necessary to significantly increase its income and keep its administrative costs low. The Foundation's current interest rate is 3%, plus 2% for administration and technical assistance. They see their financial operation as a credit operation in which interest payments plus other local income must cover most costs, but they also identify a series of educational, promotional and experimental services that they do not expect interest income to cover, but rather will seek private sector support for these activities.

HONDURAS

Fundacion Hondurena Para el Desarrollo (FUNHDESA)

Background

FUNHDESA began originally in 1970 as the administrator of a \$100,000 donation from OAS to aid victims of the Salvador/Honduras conflict. A year later it received \$50,000 from PADF, which subsequently helped FUNHDESA to obtain legal status as a non-profit organization in 1972. The foundation received a \$524,000 grant from IAF the same year and has also been the recipient of various contributions from private European organizations. Since its foundation in 1972, FUNHDESA's purpose has been to promote and establish multiple service cooperatives which would benefit campesino consumers.

The foundation became part of the CONCORDE Group (Consejo para Coordinacion de Desarrollo) along with other development-oriented Honduran organizations, including Accion Cultural Popular Hondurena (ACPH) and the Pre-Federation of Multiple Services Cooperatives. These organizations have all been supporting some aspect of developmental assistance for campesinos, and CONCORDE was seen as a vehicle by which their joint efforts could be coordinated and mutually reinforced. In addition to carrying out their own internal programs, each organization performed a certain function for CONCORDE: FUNHDESA served as the fund-raiser and financial manager for the group, while other members provided the programming, planning and training services. The group embarked on an active and ambitious network of projects, but suffered serious losses through Hurricane Fifi and other natural disasters within the agricultural sector. These set-backs and other problems resulted in the recent dissolution of CONCORDE, although individual group members still continue to carry out their own programs.

Activities

FUNHDESA sought to establish consumer and multiple service cooperatives nationwide which would both purchase and sell the agricultural and craft production of the region. Although national coverage was never achieved, six regional consumer and multiple service coops and 66 "tienda campesino" outlets exist today, serving 18,000 families from low income groups. The tiendas obtain 95% of their items from the production of members, enabling campesino consumers to purchase at prices lower than those of commercial retail outlets. The coop system has also helped to stabilize frequently volatile crop prices.

In addition to its promotion of cooperatives, FUNHDESA has provided literacy training, technical support in various aspects of agroindustry, and credit for working capital.

Organization and Administration

Under the provisions of its original charter, FUNHDESA was to have two regional branches, one at Tegucigalpa and one at San Pedro Sula. Representatives

from both branches were to serve on the National Directorate Council which would determine policy and provide guidance for all FUNHDESA operations. However, the San Pedro Sula branch was never established, so the formation of the entire national organization system never materialized. The staffing pattern at this time is unclear, and appears to be in the process of changing. The Executive Director works on a part-time, volunteer basis as he is fully employed elsewhere. The administrator is full-time, although he also serves as a formal representative of the coffee industry. The actual size of the staff is not known, except that it is small and has recently been cut back.

### Analysis

While FUNHDESA originally succeeded in attracting considerable contributions and was able to embark on an active coop program serving the campesino, it has since suffered continual setbacks in the areas of administration, technical support, and fund-raising, to a point where it appears to be no longer able to carry out its institutional function.

The technical assistance provided in the training and promotion of local groups has not always been sufficient to overcome poor management, especially in the planning and purchase of inventories and storage of goods. The miscalculation of supply and demand needs, together with fire and flood damage to stored goods has generated some costly wastage for the consumer cooperatives. Because of these and other problems, only one of the six multiple service coops is now considered profitable.

The inability of FUNHDESA to provide the type of full-time management needed to assure competent implementation and administration of its activities has severely impaired its financial capabilities. Six years ago, one donor contributed several hundred thousand dollars to the foundation; it has yet to receive an audit, in spite of repeated requests. (The last audit and review was performed by RCCAP in December 1972.) Data on recovery rates is not available, although they have been low due in part to the fact that not all loans were properly recorded, and cannot be accurately traced. FUNHDESA's inadequate financial management has hampered members of the CONCORDE Group as well. Because FUNHDESA served as the Group's banker and bookkeeper, both CONCORDE and ACPH have found themselves unable to provide accurate and timely audits of their own programs.

Finally, the fund-raising capability that FUNHDESA demonstrated earlier seems to have largely diminished and all but disappeared at the local level. Encouraged by early success in attracting funds, elaborate programs were prepared involving projected costs running into millions of lempiras. Failure to secure financing on the scale sought, however, in addition to the other constraints encountered, has resulted in severe financial problems for the foundation. Suffering from a high rate of defaults, and with few prospects for further financing in the near future, FUNHDESA has ceased to make loans at this time.

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MEXICAN FOUNDATION FOR RURAL DEVELOPMENT (FMDR)

Despite Mexico's "revolutionary" politics, a majority (80%) of the agricultural labor force still belongs to the traditional sub-sector that produces only 20% of the crops, due to restricted use of technology and limited access to working capital. The communal ejidos as well as individual poor farmers belong to this sub-sector. The lack of integral economic organization among the campesinos led, in the early 1960's, to initial experimental cooperative efforts (in Ziritizicuaro). Focussing on the educational needs of the rural poor (i.e., need for knowledge of agricultural and organizational techniques) as a main element of an integrated rural development approach, concerned Mexican businessmen joined to organize the Mexican Foundation for Rural Development (FMDR) in 1969. Due to the geography and size of Mexico, a decentralized administrative structure was set up, with, today, sixteen regional service centers (centrales), which work directly with campesino groups. These groups, when organized, are referred to as empresas populares, ("people's enterprises"), and associate rural families into units that can deal directly with private banks. By law, only banks can provide agricultural credit, so that FMDR, through its Centrales, usually serves as organizer, broker, and guarantor of the empresas populares, rather than as a source of direct credit. However private banks often are not interested in lending, when loan requests are for small amounts (under 10,000 pesos, or US\$460). In these cases FMDR can provide credit directly to small farmer groups up to an amount equal to 20% of its portfolio. When they guarantee private bank loans, FMDR must currently deposit 50% of the total volume of the bank loans to FMDR affiliates as a guarantee reserve, earning 15.6% interest. This interest is used to finance the promotion and technical assistance provided by the Foundation. Currently FMDR is negotiating a new agreement with bankers to reduce this reserve ratio to 1/3 of total loan volume for affiliates. Although the lending banks determine the interest rate and length of loans, FMDR has sought to assure that the lowest possible rates of credit system are offered to these campesino groups. This has meant 12-13% for seasonal crops, and 7% for capital improvements or equipment. FMDR is limited in the amounts it can guarantee by the funds it has available to back up the guarantees. This has proved a serious constraint in recent years, as the devalued peso has increased the cost of imported inputs to the campesino farms, and larger loans are needed to just maintain activities at current levels. In practice, the Centrales bear the risk of the first 1/3 to 1/2 of possible losses, and FMDR assumes the rest.

Criteria for farmers' entry into any association with FMDR and its regional centers has been clearly set: their income must be between US\$160-640, they must work the land themselves (with their families), and must be over 20 years of age. They must present some form of financial reference and must accept technical assistance along with financing. Ejidos are the main beneficiary units for FMDR activities. Rural small industry as well as agriculture and livestock production are assisted.

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Prior to the 1976 devaluation, FMDR had reached an annual level of credit guaranty operations of nearly US\$1.2 million, and Centrales promoted a total of US\$1.4 million in credits (1975). These benefited 256 groups (4,367 families). The majority (70%) of beneficiaries reported increases in corn production of over 15%. This major annual increase began to occur after credit expanded sufficiently to permit use of fertilizers.

The FMDR is recognized as one of the three strongest members of SOLIDARIOS, for the size and sophistication of its program, and for the eventual ability of the campesino groups to become independent of FMDR and deal directly, unassisted, with the banking system.

NICARAGUAN DEVELOPMENT FOUNDATION (FUNDE)

The Nicaraguan economy, while enjoying periods of dynamic growth, is also characterized by concentrations of wealth, and exclusion of over half the population from direct benefits of this economic growth. One major factor in this continuing maldistribution of wealth has been the inaccessibility of credit on reasonable terms for small farmers and entrepreneurs. The banking community has traditionally provided lines of credit to larger borrowers, while the smallest enterprises were relegated by default to street lenders.

Similarly, local participation in government and in social services planning has been extremely limited. Means for expressing concern for community or family welfare have in the past generally required entreating one's patron or travelling to the capital city to seek the aid of a public official.

In the mid-1960s, concerned members of the private sector (including bankers) organized the Institute for Development (INDE), and began to finance a handful of promoters to work with the poorer communities. By 1969, with the assistance of the Pan American Development Foundation, a separate national development foundation, FUNDE, was established by INDE. This separation facilitated the securing of external funds and the planning of social development activities.

FUNDE has passed through three stages in its maturation process:1/

1. From 1969 - 1972, the emphasis was on generating community definition of needs and participation in the solution to problems. Small loans at commercial rates (12%) were provided to groups and individuals to support a variety of activities: infrastructure, crafts, fishing, marketing, small industry.

2. Between 1972 - 1974, improved FUNDE administration was emphasized, through training courses, and feasibility of projects began to be analyzed, following realization that mere credit access did not guarantee resolution of poverty-related problems. Activities were still diverse, but began to be concentrated into three areas: small industry (294 projects assisted), small farmers (50 groups attended), and marketing (ten credit unions among market women). Both financial and technical assistance were provided by FUNDE.

3. From 1974 to the present, FUNDE has concentrated attention on cooperative groups to make most efficient use of its administrative capability and to provide a mechanism for democratic determination of actions, development of local leaders, and eventual self-sufficiency. Marginal and non-group projects ceased to receive FUNDE support. The market credit unions continued, and the concept was extended to semi-rural communities where not only small shopkeepers but also artisans were encouraged to join credit unions. These associations quickly began to identify needs beyond credit and in some cases began to organize "second-generation" activities such as a day-care library, and health services. Agriculture cooperatives for coffee, rice and vegetable farmers continue, though with occasional economic difficulties. As groups, they have gained recognition by banks and government agencies, and procured services that as individuals, they would not have obtained. The taxi drivers cooperative has gained sufficient maturity to obtain international funding on its own.

1/ IDRC/INCAE Study

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In learning from its errors, concentrating its efforts on successful strategies, and innovative administrative methods, FUNDE has become a mature development entity, recognized as one of the four strongest members of SOLIDARIOS. It is developing an increasing number of "graduates" capable of seeking funding and technical assistance separately, rather than relying only on FUNDE. Cooperative savings totalled US\$1 million in 1977 for the 61 FUNDE cooperatives and their more than 11,000 members. Repayment rates to FUNDE are over 90% and actual losses are under 3%. Over \$2 million has been mobilized from the private banking system and a similar amount from external donors to help finance activities of these cooperatives.

The control of decisions about use of these resources rests with the cooperatives themselves (through their credit committees). Experience in managing resources and identifying community needs has strengthened local leadership skills. Regular meetings of coop leaders have permitted an exchange of innovative and problem-solving techniques to take place that actually reduces the overall technical assistance that FUNDE itself must provide to members.

TRINIDAD AND TOBAGO DEVELOPMENT FOUNDATION (TTDF)

Background

The TTDF was established in July 1973 as a private, non-profit organization. Its objective is to promote self-help development among the less privileged sector, and to this end the foundation has helped rural groups to obtain low interest loans otherwise unavailable to them. Technical assistance is also provided.

The foundation has been very successful in attracting grant funding. It received \$19,130 in 1974 and another \$17,400 in the first six months of 1975. It also received a grant of \$193,000 from IAF in 1974. As of 1973, 33% of the donations to the foundation have come from the banking sector.

Activities

According to TTDF's Quarterly Report for January-March 1976, 13 projects were being supported, of which the following are representative:

- 1) Community Grocery Store in Tobago;
- 2) Matelot Multi-Purpose Co-op Society which provides villagers with lower-priced groceries;
- 3) Congo Enterprises - a youth-operated cooperative which established such a timely repayment record that it was granted increased loan support;
- 4) Casablanca Fish and Meat Co-op - the management of this cooperative has been transferred from one group, which had lapsed in its payments, to another which has demonstrated its ability to manage the co-op;
- 5) The Cumoca-Platanol Transport Group has defaulted, and returned a Land Rover to TTDF which will be reassigned to another project.

In addition to these ongoing activities several other projects were approved in 1976, among which were the following:

- \* Construction of a Youth Centre;
- \* Electrical installation for a community centre;
- \* Poultry-rearing;
- \* Manufacture and sale of leather and wood products.

Organization and Administration

The Board of Trustees is composed of 20 members experienced in the areas of banking, business and government. In addition to the Board, there is a Credit Committee, composed of representatives of local lending institutions, which reviews all application for loans. A Projects Committee controls the field operations.

A staff of 4 is responsible for the daily operations of the foundation: the Executive Director, an Assistant Executive Director, and field officers with specialties in marketing, agriculture and social work).

#### Credit Policy

The TTDF does not finance its clients directly; rather it provides funds for community projects by setting up guaranteeing loans at existing financial institutions for interested groups. It has been so successful at fund-raising that contributions have exceeded any collateral needs, and the guarantee fund totalled \$107,370 as of 12/31/74 and \$291,000 as of 12/31/77. Interest from this fund is used to defray the foundation's operating expenses.

TTDF has established three basic criteria for selecting recipients of guaranteed loans:

- 1) The borrower must be a group without access to other sources of credit;
- 2) The project must involve comprehensive community participation;
- 3) The project must be economically viable.

As of March 1976, 94% of the loans guaranteed by TTDF with IAF funds has been repaid.

#### Analysis

In late 1975 an evaluation of the TTDF was conducted, at the request of the foundation, by the Management Development Centre (MDC). This government agency is charged with promoting managerial effectiveness and productivity throughout the country. Because the amount of information otherwise available for this country profile permits only a cursory observation of the foundation's operations, a summary of the MDC analysis is included:

- 1) The administrative services were found to be gravely inadequate, resulting in insufficient support for, and isolation of, field operations. The foundation had not made any attempt to use assistance available through the Small Business Division of the MDC, which is familiar with the areas of operation involved and has considerable data on file.
- 2) Jobs are not clearly defined, poor hiring practices are employed, and the internal salary structure does not correspond with job responsibility. The Executive Director holds the same position in another social organization, preventing him from giving the amount of time to TTDF that is required for strong management.
- 3) Project approval and implementation have been delayed at least in part because the Board has had difficulty in assembling the number of trustees necessary to constitute a quorum. The trustees serve part-time, without pay, and consequently have not been highly motivated with regard to their TTDF functions.

The Management Development Centre, as part of its evaluation, submitted several recommendations addressing these problems to the Board of Trustees, which were subsequently approved. The recommendations dealt with the optimal number and type of staff (Executive Director, Chief Field Officer, Field Officer, Secretary/Bookkeeper, and Clerk/Receptionist), a description of their duties, and necessary training. It was also suggested that the TTDF work closely with the MDC which could provide them with the management and technical assistance necessary to deal with other administrative and organizational problems. A more current analysis will be required to determine whether these recommendations have been acted upon and if so, how they have impacted on the foundation's institutional capacity.

FINANCIAL ANALYSIS OF THE NDFs

The historical financial analysis of the NDFs is based on information contained in the IDB financed IICA study of member NDFs completed in August 1977, subsequent information obtained from mission cables, telephone calls and annual reports available. For the smaller NDFs, with the exception of the Costa Rican foundation, sufficient information was not available to form a positive judgment as to NDF's capabilities to effectively administer significantly increased development loan funds from SOLIDARIOS. Proposed loan funds from SOLIDARIOS would at least for all the smaller NDFs involve at least a doubling of the asset base of the NDFs.

Summary tables, including financial statements and other relevant data, when available, are presented at the end of this annex for each of the NDFs.

A comparative ranking of financial performance places the NDFs in basically two categories as follows:

<u>Category</u>	<u>NDFs</u>
I	FDD - Dominican Republic FC - Guatemala FMDR - Mexico FUNDE - Nicaragua

<u>Category</u>	
II	FBD - Bolivia FUNDES - Colombia FED - South Ecuador FED - North Ecuador FUCODES - Costa Rica INDES - Argentina FUNDHESA - Honduras TTDF - Trinidad and Tobago

Category I NDFs appear financially and administratively capable of immediately receiving loan funds from SOLIDARIOS, while Category II NDFs will require further analysis and probable strengthening of their operations.

Category I NDFs

Each of the Category I firms is discussed briefly below.

FDD - Dominican Republic

1) Total Assets - The FDD is by far the largest of the NDFs with total assets of \$6.4 million at 6/30/77.

- 2) Operating Income - The foundation operated with an excess of revenues over expenditures of \$36,000 for the year end 6/30/77.
- 3) Capitalization - The FDD is well capitalized with an equity of \$1.0 million, largest of the NDFs, and a debt/equity ratio of 5.3:1.
- 4) Growth - Over the past three years asset growth averaged \$1.250 million annually, or an average yearly rate of growth of 47%.
- 5) Grant Resource Attraction - The foundation has been able to attract grant and donated resources averaging \$350,000 over the past three years, representing an annual amount of 5% of present total assets.
- 6) AID Experience - FDD has had considerable experience in the subblending of AID funds channeled through the state agriculture bank.
- 7) Bad Debts - The allowance for doubtful accounts is 2% of the loan portfolio balance in the latest audited financial statements.
- 8) Professional Staff - FDD has 43 professionals in staff and line functions. Total employees are 73 with 33 working in rural regions. The organization is divided into four separate departments: social services and finances (credit and technical assistance operations), administration, fund raising, and accounting. Loans are made only to groups with a minimum of six persons. The average assets managed by each professional employee is substantial, \$213,000 at the end of 1977.
- 9) Operating cost Percentage - Total operating costs as a percentage of average loan portfolio approximated 17% in 1977, the second lowest percentage of member NDFs.
- 10) Proposed Loans - Proposed loans from SOLIDARIOS to the FDD under the project are estimated at \$540,000, or an increase of a little over 8% in the total assets of the FDD. It would thus appear, based on the relatively small percentage increase in activities represented by the additional loan funds from SOLIDARIOS and past performance, that the FDD should have no problems in effectively moving the proposed loan.

FC - Guatemala

- 1) Total Assets - Penny Foundation is the second largest of the NDFs with total assets of \$1.9 million at 12/31/77.
- 2) Operating Income - The foundation operated with the highest surplus of revenues over expenditures, \$90,000 for the year ended 12/31/77.
- 3) Capitalization - Penny has a large equity base of \$729,000 and currently operates with a modest debt/equity ratio of 1.6:1.

- 4) Growth - Asset growth over the past three years averaged \$300,000 annually, or an average yearly rate of growth of 47%, comparable to the FDD in the Dominican Republic.
- 5) Grant Resource Attraction - The foundation has been able to attract grant and donated resources averaging \$258,000 over the past three years, representing an annual amount of 14% of present total assets.
- 6) AID Experience - Penny has received substantial loan amounts from AID loan funds channeled through the state agricultural development bank.
- 7) Bad Debts - Audited financial statements show a bad debt reserve of 5.7% of the loan portfolio outstanding. Management indicates that losses are now substantially less, running at 1 1/2% of newer loans outstanding.
- 8) Professional Staff - Penny has 22 total employees of which fourteen are professionals. In addition to a headquarters operation, staff are also located in regional offices. The operations are divided into four divisions: administration and finance, fund raising and public relations, operating programs and the medallion program (fund raising project). Loans are made only to groups with a minimum of ten persons. The average assets managed by each professional employee is very high, \$134,000 at the end of 1977.
- 9) Operating Cost Percentage - Total operating costs as a percentage of the average loan portfolio approximated 16.5% in 1977, the lowest percentage of member NDFs.
- 10) Proposed Loans - Proposed loans from SOLIDARIOS to the Penny Foundation under the project are estimated at \$185,000, or an increase of a little less than 10% of the total assets of the Foundation. It would appear that Penny should be able to absorb this increase effectively given past performance.

#### FMDR - Mexico

- 1) Total Assets - Total assets of the FMDR at 6/30/76 were \$1.5 million, the third largest of the NDFs. The Mexican Foundation at present only guarantees loans made by private commercial banks and as a result, total assets do not provide a true measure of the FMDR's lending activities as guarantees are not reflected in assets. During 1975, approximately \$2.5 million was loaned using guarantees of the foundation.
- 2) Operating Income - The excess of revenues over expenditures totalled \$78,000 for the year ended 6/30/76.
- 3) Capitalization - The foundation has the largest equity base of all the NDFs, \$1.1 million at 6/30/76 and a very low debt/equity ratio of 0.3:1. The debt/equity ratio is somewhat misleading due to the guarantee operations of the FMDR, as guarantees are not reflected in the financial statements of the foundation as additional debt, but rather as conditional liabilities.
- 4) Growth - Over the three year period 1973-76, assets grew at an annual average amount of \$175,000, or a yearly rate of 19% of present total assets.

5) Grant Resource Attraction - FMDR has captured grant and donated resources of \$297,000 on an annual basis, equal to 20% of present total assets.

6) AID Experience - The foundation has had no experience in the past with AID funds because there is no AID bilateral program in Mexico.

7) Bad Debts - For the year ended 6/30/76, the foundation recorded losses on guarantees of 3% of the amount guaranteed. Groups receiving assistance from FMDR are required to put up cash deposits equal to 1/3 - 1/2 of the total loan guaranteed by the foundation. In special cases, such as more than one community involved in a project or a group of less than 10 persons, FMDR is authorized to make direct loans. As of 6/30/76, direct loans amounted to \$218,000.

8) Professional Staff - The foundation has a total staff of 25 of which twenty are classified as professionals. Administration, accounting and fund raising are centralized while development programs are carried out through Centrales de Servicios organized and developed on a regional basis by the FMDR. Loans are made only to groups. The average assets managed by each professional employee was \$73,000 at 6/30/76. This amount would be substantially higher if loans guaranteed by the FMDR were included in the asset base.

9) Operating Cost Percentage - Because of FMDR use of guarantees, this statistic is not meaningful, however, an attempt to measure efficiency can be inputted by conservatively assuming that long-term deposits guarantee a loan portfolio twice as great or \$1,900,000 in addition to regular portfolio of \$218,000. Operating cost percentage using the above base is 17%, one of the lowest rates for NDFs.

10) Executive secretary of the foundation stated that FMDR moved approximately \$6.0 million under its guarantee loan program in 1977. Additional loan under the project would amount to \$540,000 or 9% of the foundation's guarantee activity in 1977. Given past performance and relatively small amount of loan in relation to activities it would appear that FMDR should have little trouble in moving funds effectively.

FUNDE - Nicaragua

1) Total Assets - FUNDE's total assets at 12/31/77 totalled \$1.3 million, making it the fourth largest NDF.

2) Operating Income - Overall operations of FUNDE showed a net deficit of revenues over expenditures of \$84,000 for the year ended 12/31/77. One of the principal reasons for the net deficit is the heavy technical assistance requirements in the start up and development of cooperatives. Over the past several years, FUNDE has organized an average of eight new cooperatives annually. The other main reason for the net deficit is due to low interest spread available to FUNDE on borrowed funds reloaned to the cooperatives. Principal sources of FUNDE funding of subloans to the cooperatives have been the private commercial banks in Nicaragua. Commercial bank funds are borrowed at 10% and reloaned at 12%, leaving only a 2% spread.

- 3) Capitalization - FUNDE's equity at 12/31/77 amounted to \$436,000 while the debt/equity ratio was a moderate 1.9:1.
- 4) Asset Growth - FUNDE has shown the highest growth rate over the past five years of any of the NDFs. Assets have grown at an annual average rate of 148%. Absolute average yearly amount has been \$155,000.
- 5) Grant Resource Attraction - FUNDE has been the most successful of the NDFs in attracting grant and donated resources. In 1977 FUNDE received \$592,000 in donations and grants, an amount equal to 47% of its total assets.
- 6) AID Experience - FUNDE has received considerable AID bilateral grant financing in the past as the foundation represents the prime organizer and developer of cooperatives in Nicaragua.
- 7) Bad Debts - In 1977, FUNDE substantially increased its allowance for doubtful accounts by recording a reserve of \$87,000 or approximately 7.8% of the loan portfolio. The substantial reserve was set up to reflect bad loans made over several past years when FUNDE was gaining experience working with cooperatives. In the future, FUNDE management estimates that bad debts will run between 1% and 2%.
- 8) Professional Staff - FUNDE has a total paid staff of 49 employees of which 36 are classified as professionals. The organization is divided into five departments: technical assistance, cooperative training, cooperatives, rural education family centers, and accounting and administration. Loans are made only to cooperatives. The average assets managed by each professional employee is \$23,000.
- 9) Operating Cost Percentage - Total operating costs as a percentage of the average loan portfolio amounted to 58% in 1977, reflecting the heavy technical assistance costs in the organization and development of the cooperatives.
- 10) Proposed Loans - Proposed loans from SOLIDARIOS to FUNDE under the project are estimated at \$36,000, or an increase of 29% of the total assets of the Foundation. Proposed loans will for the most part, be subloaned to the 43 existing savings and loan cooperatives and will not require noticeable increases in the staff of FUNDE. Interest spread of 7% (12% - 5%) should provide sufficient resources to make a heavy contribution to FUNDE's general and administrative costs and technical services program.

#### Category II NDFs

Category II NDFs are all much smaller in size ranging in size from \$290,000 in total assets (FUNDES - Colombia, and TTDF - Trinidad and Tobago) to \$28,000 (INDES - Argentina); professional staffs range from 12 employees (FUCODES - Costa Rica) to 4 employees (TTDF - Trinidad and Tobago). Operating costs as a percentage of average loan portfolio range from 29% (FUNDHESA - Honduras 1972 data) to 131% (FUCODES - Costa Rica) reflecting their relatively small

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portfolios and the need for substantial technical support services from their clients. However, the proposed loans from SOLIDARIOS will substantially increase the asset base of all of these smaller NDFs and correspondingly reduce their operating expenses as percentages of their portfolios.

STATEMENTS OF REVENUES AND EXPENDITURES  
(\$000s)

FOUNDATION	FBD	FUNDES	FED-S	FED-N	FDD	FUCODES	FC	FMDRAC	FUNDHESA	FUNDE	INDES	TTDF
COUNTRY	BOLIVIA	COLOMBIA	ECUADOR	ECUADOR	DOM. REP.	COSTA RICA	GUATE- MALA	MEXICO	HONDURAS	NICARAGUA	ARGENTINA & TOBAGO	TRINIDAD
FOR YEAR ENDED	8/31/75	12/31/76	6/30/76	12/31/76	6/30/77	12/31/76	12/31/77	12/31/76	10/31/72 (Ten Mos.)	12/31/77	6/30/77	12/31/77
<b>REVENUES</b>												
Donations	68	11	2	29	273	13	111	214	15	592		99
Quotas			18		76			10				
Interest	3	39	7	5	297	1	47	116	7	65		14
Gross Marg. on Sales	1				79				33			
Other	10	1	4		183	3	168	89	2	9	30	
Total	82	51	31	34	908	17	326	429	57	666	30	113
<b>EXPENDITURES</b>												
Salaries		32			272	14	47			356		8
Interest		5	2		172		30			58		
Bad Debts		7			77					87		3
Depreciation		1			27					2		3
Travel							4			5		
Other		17	36		324	9	155			170		3
Total	21	62	38	45	872	23	236	351	56	750	28	17
EXCESS (Deficit)	61	(11)	(7)	(11)	36	(6)	90	78	1	(84)	2	96

BALANCE SHEETS

(\$000'S)

UNDATION	FBD	FUNDES	FED-S	FED-N	FDD	FUCODES	FC	FMDRAC	FUNIDESA	FUNDE	INDES	TIDF
UNTRY	BOLIVIA	COLOMBIA	ECUAD.	ECUAD.	DOM.REPUB.	C.RICA	GUATE.	MEX.	HOND.	NICAR.	ARGEN.	TRIN. & TOBAGO
OF	8/31/75	12/31/76	12/31/76	12/31/76	6/30/77	12/31/77	12/31/77	12/31/76	10/31/72	12/31/77	6/30/76	12/31/77
SETS												
CASH	10	4	3	5	508	1	570	156	35	82	-	43
A/C REC.	15	62		1	80	16	90	342			28	
LOANS REC.	45	159	98	103	4,513	26	964		218	1,114	-	
OTHER	8	54	18	26	547		78	954	68	8	-	233
FIXED ASSETS	22	11	10	12	753		172	9	9	54	-	15
TOTAL	100	290	129	147	6,401	43	1,874	1,461	330	1,258	28	291
LIABILITIES & FUNDS BAL.												
LOANS PAY.	15	20	80	20	4,953		913	111	142	681		
OTHER	13	83	5	20	433	35	232	219	61	141		
TOTAL	28	103	85	40	5,386	35	1,145	330	205	822	-	-
FUNDS BAL.	72	187	44	107	1,015	8	729	1,131	125	436	28	291
TOTAL	100	290	129	147	6,401	43	1,874	1,461	330	1,258	28	291

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FINANCIAL INDICATORS

	FBD BOLIVIA	FUNDES COLOMBIA	FED-S ECUADOR	FED-N ECUADOR	FDD D. R.	FUCODES C. R.	FC GUATEMALA	FMDRAC MEXICO	FUNDE <sup>1/</sup> NICARAGUA	INDES ARGENTINA	PUNDHESA HONDURAS	TTDF TRINIDAD & TOBAGO
Total Assets	100M	290M	129M	147M	6,401M	43M	1,874M	1,461M	1,258M	28M	330M	291M
Operating Surplus (Deficit)	61M	(11)M	(7)M	(11)M	36M	(6)M	90M	78M	(84)M	2M	1M	96M
Professional Staff	5	9	7	7	30	12	14	20	36	10	N/A	4
Capitalization												
Debt/Equity	0.39	0.56	1.90	0.37	5.25	4.26	1.56	0.30	1.89	N/A	1.64	N/A
Equity Amount	72M	187M	44M	107M	1,015M	8M	729M	1,131M	436M	28M	125M	291M
Grant Resource Attraction												
% of Assets	28%	27%	15%	20%	5%	49%	14%	20%	47%	N/A	22%	34%
Amount	28M	79M	19M	29M	349M	21M	258M	297M	592M	N/A	73M	99M
G & A Exp. - % of Ave. Port.	96.2	35.6	45.0	60.0	17.4	130.9	16.5	N/A	58.2	N/A	28.7	N/A
Asset Growth												
# of Years	2	2 <sup>1/2</sup>	2	2	3	1	3	3	5	N/A	N/A	2
Annual %	5%	57%	16%	64%	47%	95%	47%	19%	148%	N/A	N/A	52%
Annual Amount	6M	73M	19M	42M	1,252M	21M	366M	175M	155M	N/A	N/A	95%

N/A = Not Available

M = \$000's

<sup>1/</sup>

Total assets and operating surplus of FUNDE are based on consolidated statements as prospective borrower would look to consolidated operations for repayment. Total assets/professional staff and G & A expenses as percent of portfolio are FUNDE unconsolidated amounts.

OTHER FINANCIAL DATA

FOUNDATION COUNTRY	FBD BOLIVIA	FUNDES COLOMBIA	FED-S ECUADOR	FED-N ECUADOR	FID DOM. REP.	FUCODES COSTA RICA	FC GUATE.	FMDRAC MEXICO	FUNDE NIC.	INDES ARGEN.	FUNDESA HONDURAS	TTDF T&T
<b>Sources of Funds</b>												
Time Period	'73-'75	'73-'76	'73-'76	'76	'76	'76	'74-'76	'73-'76	'76-'77		'70-'72	'78-'77
Donations	56M	314M	6M	29M	152M	16M	774M	1,186M	1,014M		75M	38M
Quotas			51M		76M					NA		
<b>Loans</b>												
Institution	PADF BISA	PVT.	PADF PVT.	PVT.	STATE	PADF	STATE&PADF	PADF OTHER FUNDS	PVT.		PVT.&PADF	PVT.
Amount	15M 25M	47M	44M 36M	20M	3,369M	10M	813M	110M	650M		92 50	NA
Repay. Term	20 5	1	20 NA	NA	1T	20	20	NA	NA		ST LT	NA
Interest %	3.5 12	18	3.5 NA	NA	2.5-6	3.5	3-4	NA	10%		NA NA	NA
Loans Made #	'74-'76	'72-'76	'73-'76	'72-'76	'72-'76	'76	'73-'76	'70-'75	'77		'72	'73-'75
	27	653	1,582	45	1,150	5	492	NA	57		NA	11
Amount	98M	406M	363M	112M	6,481M	6M	2,099M	3,728M	325M	NA	218M	24M
Average	\$3,600/Grp.	\$622	\$229	\$2,491/Grp.	\$5,635/Grp.	\$1,200/Grp.	\$4,266/Grp.	NA	\$6,000/Coop.			\$2,000/Coop
<b>Credit Policy Eligibility</b>												
Group	Min. of 6	Yes	Some	Yes	Min. of 6	Yes	Min. of 10	Yes	Coop.	NA		Yes
Individual	No	Yes	Majority	No	No	No	No	No	No	Does not administer loans		No
Annual Famy.												
Max.	\$600	\$7,000	Ave./Occup.	\$300	Low Income	Low Income	Low Income	\$640	Low Income	NA	NA	NA
Min.	\$300	\$690	Meet Oblig.	\$100				\$160				
Other		Min. Assets \$60 Max. Assets \$14,000	12 ha. min. 50 ha. max.		Cultivate own or Rented Land		Unable to obtain Instit. Credit					Unable to obtain Inst. Credit
<b>Guarantee</b>												
Group	Group Only	Personal, Mtg. Chattel	Personal	Group Only	Group Only	Group, Chattel	Group	1/3-1/3 loan guaranteed by cash deposit	Coop. Assets			Loans guaranteed by TTDF Guaranty Fund
<b>Loan Terms</b>												
Max. Am't.	\$100-200/Ind.	\$1,438/Ind.	\$160-\$4,000/Ind.	\$16,000-\$40,000/Grp.	\$25,000/Grp.	\$232/Ind.	NA	NA	\$14,000/Coop.	NA	NA	NA
Repay. Term	2-3	3	1-7	2-6	Most 5-T	2	NA	NA	NA			
Int. Rate	8-14%	18-24%	10-12%	12-17%	8-9%	12%	8+2%	NA	12%		10%	NA

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145  
2

OTHER FINANCIAL DATA

FOUNDATION COUNTRY	FBD BOLIVIA	FUNDES COLOMBIA	FED-S ECUADOR	FED-N ECUADOR	FOD DOM. REP.	FUCODES COSTA RICA	FC GUATE.	FMDRAC MEXICO	FUNDE NIC.	INDES ARGEN.	FUNDESA HONDURAS	TTDF T&T
Delinquencies	14% not Recupera- ted	6% BAD Debts	13% not Recupera- ted	2% not recupera- ted	5% BAD Debt on AID port.	5% BAD Debts	5.7% BAD debts allow.	3% loss on guaran- tees	Under 3% losses	Not applic- able	NA	6% Not recu- perated
Personnel #	7	14 in HQ	11	12	73	4	22	25	49	13	NA	6
Annual Cost	NA	25.6M	25.3M	NA	273M	16.3M	47M	NA	243M	NA	NA	NA

M = \$000's

NA = Not Available