

CLASSIFICATION
PROJECT EVALUATION SUMMARY (PES) - PART I

Report Control
Symbol U-447

1. PROJECT TITLE Solidarios			2. PROJECT NUMBER 598-0587	3. MISSION/AID/W OFFICE Regional
5. KEY PROJECT IMPLEMENTATION DATES			4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY)	
A. First PRO-AG or Equivalent FY <u>79</u>	B. Final Obligation Expected FY <u>80</u>	C. Final Input Delivery FY <u>81</u>	<input checked="" type="checkbox"/> REGULAR EVALUATION <input type="checkbox"/> SPECIAL EVALUATION	
6. ESTIMATED PROJECT FUNDING			7. PERIOD COVERED BY EVALUATION	
A. Total \$ <u>4,000,000</u>			From (month/yr.) <u>June, 1978</u>	
B. U.S. \$ <u>4,000,000</u>			To (month/yr.) <u>February, 1980</u>	
			Date of Evaluation Review	

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
a) Completion and implementation of Solidarios' Manual of Procedures on Planning, Programming and Evaluation to strengthen the NDF's capacity to develop and implement projects for the beneficiary groups. p. 17	Solidarios NDFs	December, 1980
b) Establish a time limit for the NDF's member groups receiving foundation's technical and financial resources to develop and have access to the normal credit channels open to farmers. pp.27 and 32	Solidarios NDFs	December, 1980
c) Establishment of a uniform baseline data collection system. p. 34	Solidarios NDFs	December, 1980

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS			10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT		
<input type="checkbox"/> Project Paper	<input type="checkbox"/> Implementation Plan e.g., CPI Network	<input type="checkbox"/> Other (Specify)	A. <input checked="" type="checkbox"/> Continue Project Without Change		
<input type="checkbox"/> Financial Plan	<input type="checkbox"/> PIO/T	_____	B. <input type="checkbox"/> Change Project Design and/or		
<input type="checkbox"/> Logical Framework	<input type="checkbox"/> PIO/C	<input type="checkbox"/> Other (Specify)	<input type="checkbox"/> Change Implementation Plan		
<input type="checkbox"/> Project Agreement	<input type="checkbox"/> PIO/P	_____	C. <input type="checkbox"/> Discontinue Project		

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)		12. Mission/AID/W Office Director Approval	
Roberto Castro, LAC/DR/RD <i>for</i>		Signature	
Herman Obregon, LAC/DR/RD		Typed Name	
Enrique Fernandez, SOLIDARIOS' General Secretary		Marshall D. Brown <i>for</i>	
		Date	
		Aug-11, 1981	

SUMMARY

In general, conformance with the terms of reference developed for this purpose (See attachment), a partial evaluation of selected National Development Foundations (NDF's), members of Solidarios, was carried out. Additionally, the Solidarios' central offices and operations were reviewed in collaboration with the general manager and key personnel. NDF's were visited in the following countries: the Dominican Republic, Guatemala, Nicaragua and Ecuador.

The implementation of this Solidarios/AID project appears to be effective in overall terms. Solidarios has performed reasonably well in providing member foundations with the credit and technical resources provided by the project. Where loan disbursement delays have been observed, it has been, for the most part, the time the smaller NDF's have taken to conform to the project's criteria for funding eligibility.

Less effective has been the project's response to the following objectives:

1. The establishment of baseline data collection system to measure the project's impact on the final beneficiary, the rural and urban poor;
2. Increasing the number of new groups receiving funds;
3. An effective follow-up on implementation of sub-projects;
4. A practical system of project design and evaluation.

METHODOLOGY OF THE EVALUATION

This is the first evaluation of Solidarios. Due to a delay of eight months in the implementation of the project, the original evaluation, scheduled for July, 1979, was not effected until February, 1980.

The evaluation team was composed of Herman Obregon, RSSA/USDA and Roberto J. Castro, LAC/DR/RD. The scope of the evaluation was reviewed and approved by Howard Lusk, LAC/DR, Larry Armstrong, LAC/DR, and John Balis, LAC/DR/RD.

The evaluation process considered a visit to three NDF's out of the 12 foundation members of SOLIDARIOS. The selection of these NDF's was based upon disbursements of project funds to NDF's. The foundations of the Dominican Republic, Guatemala, and Nicaragua have been receiving loans to fund specific projects. The field work consisted of interviews with technical personnel and managers of both SOLIDARIOS and the selected foundations, visits to selected project areas under implementation, interviews to some direct beneficiaries, and review of files and documents.

SOLIDARIOS

List of Organizations and Key Persons Contacted

I. DOMINICAN REPUBLIC

SOLIDARIOS

Lic. Enrique A. Fernandez P.	Secretary General
Lic. Mariano A. Mella	Accounting & Finance
Dr. Manuel Sosa P.	Programs, Planning & Evaluation

FUNDACION DOMINICANA DE DESARROLLO

Lic. Rafael A. Abreu R.	Manager
Bienvenido Medina	Finance Officer
Ing. Carlos Castillo	National Supervisor
Ing. Fernando Duarte	Regional Supervisor
Ing. Aridio Santana	Coordinator
Ing. Henry Soni Tio	Coordinator

MEMBER GROUPS

- | | |
|--|--------------|
| 1. Agricultural Association San Pablo: | |
| Juan Maria Cabrera | Treasurer |
| Octavio Antonio Vera | Member |
| Jose Diaz Bare | Member |
| 2. San Andres: | |
| Fernando Camacho | President |
| Antonio Ortega | Board Member |
| Jesus Maria Ortega | Secretary |
| 3. San Miguel: | |
| Fruto Jaque | Treasurer |
| Maria Petronila Toribio | Member |

II. GUATEMALA

FUNDACEN

Ing. Hernan Quan	Manager
Lic. Dionicio Avibal Menchn G.	Program Director
Ing. Marco Tulio Gomez G.	Regional Supervisor
Ing. Rene Moreyra	Regional Supervisor

MEMBER GROUPS

1. Maya - Quetzaltenango:
Juan Ulin Member
2. Chanoc - Quetzaltenango:
Pablo F. Vasquez R. Member
3. Las Camelias - Chimaltenango:
Pedro Sitan President
Domingo Xinico Poron Member
4. Flor De Trigo:
Francisco Mutzutz Board Member

III. NICARAGUA

FUNDE

Lic. William Baez Sacasa	Executive Director
Lic. Armando Chacon Mairena	Administration & Accounting
Lic. Edgar Robleto	Research & Development
Ing. Jose Maria Chow	Agronomist

MEMBER GROUPS

1. La Union Credit Union - Matagalpa:
Roberto Cordelano M. Manager
2. La Hermandad Credit Union - Matagalpa:
Jose Tobias Altamirano Asst. Manager

MINISTRY OF AGRICULTURE

Lic. Roger Collado	Finance Officer
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BANCO DE CREDITO POPULAR

Carlos Dextre	Consultant
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IV. ECUADOR

FED - NORTH - QUITO

Ing. Sergio Guevara T.	Executive Director
Dr. Nelson Jaramillo	Planning & Programs
Lcda. Clemencia Quispe	Sociologist

FED - SOUTH - GUAYAQUIL

Ing. Walter F. Camacho N.
Gilberto Lopera Mesa

Executive Director
Projects

External Factors

Ecuador

In August 1979, Ecuador elected a civilian government after nine years of dictatorial rule. The new administration has committed itself to major structural and social reforms that can more effectively deal with development problems. The GDP growth rate, which increased annually by 8.5% between 1970 and 1978, slowed to 5%, and it is expected that it might not rise faster than this rate during the 1980-84 period covered by the new development plan. Uncertainties regarding trends in the petroleum sector explain, to a large extent, this low rate expectation. Increasing domestic consumption and stagnant or declining production would slow-down the economic growth. The expected rate of inflation, about 15-20% per year, imposes financial constraints. The preliminary budget for CY 1980 asks for a 38% increase in central government expenditures, and part of it is deemed necessary to cover the expected rate of inflation. The projected increases in public sector expenditures, and the additional resources required to meet new minimum wages, would result in a budget deficit of \$494 million in 1980, which if brought to manageable levels, would sacrifice the new social and institutional development programs the government intends to carry out. The cumulative foreign investment through 1978, amounting to \$840 million, were distributed as follows: Manufacturing 64.3%, Financial institutions and real estate 22.4%, Agriculture, forestry and fisheries 5.7%, and trade and tourism 5%.

The rural sector represents 57% of Ecuador's population and over 50% of its labor force. The agricultural sector accounts for some 40% of total exports, and contributes 20% of the country's GDP.

Rural unemployment is estimated to be as high as 50% of the current labor force. Underemployment in agriculture, limited rural investments, lack of relevant education opportunities, limited non-agricultural employment opportunities, lack of basic services, added to widespread environmental deterioration and general misuse of natural resources have caused a continuous shortage in food production. Food production for the domestic market increased at an annual rate of 3.2% between 1968-70 and 1976-78, while the population grew at an annual rate of 3.4% and the demand for food increased at an annual rate close to 6%.

One of the civilian government's priorities in the agricultural sector is to address such constraints as: weak national and regional institutions with little coordination among them, weak base-level institutions, lack of appropriate technologies and management systems for dealing

with the problems of small farmers, lack of policies directed at encouraging agricultural investment and food domestic production, limited access of small farms to land and other inputs, and lack of coherent policy to address the country's severe soil erosion and the environmental problems.

Guatemala

The Guatemalan economy has experienced a notable growth since 1970 of about 5-7% in real terms. Favorable prices for traditional exports such as coffee, and nontraditional exports to the Central American Common Market have contributed to this rate of growth. An additional factor that explains this rate of growth is the transfer of resources after the 1976 earthquake. These resources stimulated the construction sector, which increased employment and substantial investments.

Domestic investments in the 70's, which were concentrated in the commercial and industrial sectors, represented between 14-19% of the G.N.P.. As a result of these investments the unemployment rate dropped from 13% in 1973 to 9% in 1978. However, underemployment has persisted in rural areas.

The inflation rate has been increasing since 1973 and is now about 15% annually. The balance of payments has remained relatively stable in the face of rising oil and import prices, due mainly to surplus in the capital account.

The implementation of the 1971 development plan permitted an increase in public investment of 400% for rural development between 1974-79. Public investments in health, education, and agriculture increased from 52% in 1974 to 88% of the total budget in 1979. The cooperative movement was also strengthened, as demonstrated by an increase in membership from 14,784 in 1970 to 28,000 in 1979.

The reorganization of the Agricultural Development Bank (BANDESA) resulted in an increase of credit extended to small farmers from almost zero in 1970 to 29 million in 1979. In spite of these achievements during the last decade, the majority of Guatemalans are still in poverty. The benefits of increased growth have not yet been distributed to the general public, and the disparity in incomes has increased, due mainly to inflation. One of the major causes for the continued poverty in the rural sector of the Altiplano has been the high population density. The farmer, with an average area of one acre per person, cannot generate sufficient income for his family's needs. A growing number of these farmers supplement their incomes by working as artisans or in small industries. Others are switching from traditional agriculture to more profitable crops and to higher yielding varieties of traditional crops.

The recent events in Nicaragua and El Salvador have influenced the Guatemalan government to adopt means of dealing with the problems of land tenure. The creation of the National Land Institute (INTA) is one of the most important actions adopted in the process of land distribution. By 1979 INTA had already assigned over 13,000 property titles to landless farmers of the Altiplano. The average size of the parcels was about 10-15 has. The government is now formulating new agrarian legislation to substitute for the 1962 law. The new law will consider, among other aspects, the creation of the National Land Institute (INA), would authorize the issuance of bonds for programs of buying and distributing land, increase taxes on land not being used, and assign INA the primary function of distributing land to small farmers, and rural people without land.

In December 1979 the "Plan for Social Action", conceived as an immediate solution to the crisis facing the country, was submitted for consideration by Congress. The top priority of this plan is to improve and accelerate the implementation of programs designed to have direct impact in the deprived sector (55% of the rural population). The short run objectives include housing and construction work aimed at creating employment. In the long run the plan proposes administrative reforms intended to improve the capability of the public sector in the promotion of development activities, and in optimizing the use of available resources.

Dominican Republic

The country achieved the high rate of 8.95% in economic growth between 1968 and 1973. Since 1974, this rate has slowed appreciably to less than 3%. Precipitous declines in prices of traditional exports (sugar and ferronickel) and significant increases in the cost of imported petroleum products, added to severe droughts in 1975 and 1977 and two destructive hurricanes in 1979, explain in a great deal this decline in growth. Brighter prospects for the leading exports, due to rising prices, give hope for considerable improvement of the economy during the next two to three years. In spite of these prospects for improvement, the unemployment problem will remain extremely serious. Employment demand projections indicate that a GDP growth rate of more than 6% is indispensable if unemployment is to be kept to a manageable level, particularly in the rural areas. The current unemployment rate is estimated to be as low as 27% or as high as 45%.

Inflation, impacting heavily on economic decisions is offsetting efforts to improve the income of the poor. The 1969 household survey indicates that the real purchasing power of the mean income declined by one-third between 1969 and 1976-77. The decline in purchasing power is even more dramatic when mean total family expenditures are compared. The 1969 figures show a decline of 40% in eight years in real terms. The effect of the inflation rate on investments and credit is depressing in lieu of the GODR policies. At present, no formal credit institution can charge more than 12%, which limits interest on savings to only 5% to 6%. These rates are unrealistic in view of the official inflation figures estimated at 13% for 1979.

The extraordinary degree of centralization of the GODR public sector in decision making and program execution is one of the factors that intensified the inequality in income distribution. Until very recently, there was little evidence of the government's having pursued policies leading to a more equitable distribution of productive resources, especially land. Resources and the GODR attention were concentrated in the capital city and a few other urban areas. Large irrigation schemes, poorly planned and maintained, were wasted. Outdated water laws and untrained technicians at the water resources agency (INDRHI) contributed to inefficient use of available supplies of irrigation water.

Deforestation and erosion rates are increasing rapidly as more marginal land is being brought under production in response to a continuously increasing demand for land. The lack of significant improvement in average crop yields and the almost absence of horizontal expansion of the land frontier since 1970 have resulted in a rising agricultural import bill. Staple foods such as rice, beans, and corn are among the imports.

The potential for self-sufficiency in rice and edible beans is great and it may be reached without major shifts in crops and agricultural practices if policies and resources are reoriented. The lack of a National Development Plan imposes a serious constraint to the efficient allocation and utilization of resources, especially in the agricultural sector. Although the present administration is still in the process of defining and elaborating a comprehensive economic policy, there have been a number of encouraging developments with respect to planning and setting public priorities. These include a more rational procedure for formulating and executing the public sector budget, the elaboration of a four-year development plan for the southwest region, the launching of an effort to formulate regional development plans in four other regions of the country, the completion of a three-year plan for capital projects utilizing external resources, and the undertaking of a three-year national development plan.

Nicaragua

In the period previous to the revolution, the GNP of Nicaragua grew at a rate of 6.4% annually, due mainly to the policy of regional integration that stimulated industrialization and development of export crops such as cotton, sugar and coffee. However, in the last three years of the period under consideration (1976), the industrial development and associated employment were about the same as during the initial years. Reductions in the rate of growth of internal demand, and in industrial exports to the Central American markets were the causes for the shrinking of the industrial sector.

The per capita income in 1977 was estimated to be \$991. However, 70% of the families in the rural sector earned less than \$750 (less than \$100 per person, considering a family of 8). Forty-five percent of urban dwellers earned less than \$120 per year. Eighty percent of the employment in the rural sector was agriculturally oriented. Salaried employees represented more than 40% of this group and the remainder constituted small farmers.

The private sector experienced a rapid development in the 70's and there was a greater number of entrepreneurs and administrators than in neighboring countries.

The revolutionary process produced drastic changes in the economy of Nicaragua. The damage was even greater than those caused by the 1972 earthquake, with losses estimated between 500 - 800 million dollars. Economic activities throughout the entire country were affected, including a reduction in cotton plantings and food products. Capital flight was estimated to be about 500 million dollars, along with the exodus of a significant number of administrators, entrepreneurs and technical people. Professional associations lost about 30% of their membership during this time.

The demand for payment of short-term loans exceeded 680 million dollars, which was greater than the country expected to receive from exports. The per capita GNP declined from \$991 in 1977 to \$649 in 1979 (in 1977 constant dollars), while the unemployment rate reached 30%.

The present government, under its "Revitalization Program" of 1980, proposed, along with other aspects, to provide assistance to the agricultural sector. The primary objectives of the program in the agricultural sector include the cultivation of cotton, the recuperation of

coffee production, and a return to previous levels of production for rice, corn, beans and sorghum.

The future of the industrial sector will be delineated from the negotiations taking place between the revolutionary government and representatives of the industrial sector.

The unemployment levels, according to the revitalization program, should drop to 18% in the non-agricultural sector, and 20% in the agricultural sector. The government expects to reach these goals with public works programs, but the role of the private sector would be decisive.

It is evident, however, that the accomplishment of the objectives of the Economic Revitalization Program will depend fundamentally on external assistance.

PROJECT ASSUMPTIONS

Clearly, in Nicaragua and Guatemala, the validity of the project assumptions for achieving target goals is questioned, particularly in the assumption, "that there will exist relatively stable political, social and economic conditions in member countries." In Nicaragua, the government's support of the Funde appears restricted by the following actions:

1. Denied access to the Central Bank's "Fondo Especial de Desarrollo," a fund financed by AID's Community Credit Guarantee Fund;
2. Suspension of the special commission named to study ways and means to facilitate the contribution of the cooperative movement to national development and the writing of a new cooperative law;
3. Suspension of the registration of new cooperatives and the legal status of all cooperatives.

PROJECT OUTPUTS

Loans to NDF's

As noted in the following loan status report to February, 1980, six foundations have received loans from the AID current - project AID/LAC-G-1291.

SOLIDARIOS - Grant Status to February 1980

AID/LAC-G-1291

Capital Fund	\$3,550,000	
Institutional Support Funds	450,000	
Total	<u>\$4,000,000</u>	
Obligated (Letter of Credit 9/30/78 - 3/31/80)		<u>\$1,500,000</u>

Loan Activity

<u>Approved Loans</u>	<u>DATE</u>	<u>Amount</u>	<u>Disbursed</u>	<u>Balance</u>
Nicaragua-Funde	3/79	\$360,000	\$360,000	\$ -0-
Dominican Republic-FDD	5/79	540,000	425,280	114,720
Guatemala-FUNDACEN	5/79	185,000	185,000	-0-
Mexico-FMDR	7/79	540,000	108,000	432,000
Colombia-FUNDES	7/79	360,000	72,000	288,000
Ecuador-FED-Quito	<u>9/79</u>	<u>185,000</u>	<u>37,000</u>	<u>148,000</u>
Total Loans		<u>\$2,170,000</u>	<u>\$1,187,280</u>	<u>\$982,720</u>

Institution Support Fund Expenses \$129,720

Total Disbursements \$1,317,000

SOLIDARIOS has been particularly successful in attracting financial contribution for its programs from international sources. Aside from the grants obtained from AID, PACT, JDRC (Canada), and the Tinker Foundation for operational funds and for the purpose of building a strong institutional capability to assist member foundations, SOLIDARIOS has received funds to provide a source of much needed credit to its foundations to support development programs and the technical assistance to develop and implement projects for low income beneficiaries. The principal source of revolving fund credit follows:

<u>Source</u>	<u>Date</u>	<u>Amount</u>
Private Agency Collaborating Together (PACT)	1978	400,000
Agency for International Development (AID)	1978	4,000,000
BID - European Economic Community (EEC)	1979	1,800,000
BID - Social Progress Trust Fund	1977	<u>2,350,000</u>
	TOTAL	\$8,550,000

Because of their extensive experience and proven institutional capacity, the four national development foundations, FUNDACEN of Guatemala, FUNDE of Nicaragua, FDD of the Dominican Republic, and FMDR of Mexico receive project funds without further analysis. The AID SOLIDARIOS grant agreement stipulates that prior to any disbursements, all other foundations are to be evaluated to assess their capabilities to organize and assist low-income groups and to recommend courses of action to overcome administrative and technical deficiencies. Conforming to the conditions of the grant, SOLIDARIOS entered into a contractual agreement with the Development Group for Alternative Policies (GAP) to conduct evaluations of the following eight foundations:

<u>Foundation</u>	<u>Country</u>
Fundacion Hondurena de Desarrollo (FHD)	Honduras
Fundacion Costarricense de Desarrollo (FUCODES)	Costa Rica
Fundacion Nacional para el Desarrollo (FUNDES)	Colombia
Trinidad & Tobago Development Foundation (TTDF)	Trinidad & Tobago
Fundacion Ecuatoriana de Desarrollo-Quito (FED)	Ecuador
Fundacion Ecuatoriana de Desarrollo-Guayaquil (FED)	Ecuador
Fundacion Boliviana de Desarrollo (FBD)	Bolivia
Instituto de Desarrollo Social y Promocion Humana (INDES)	Argentina

Under the contract agreement, additional foundations joining SOLIDARIOS could be added to the list to be analyzed.

To date, SOLIDARIOS has submitted to AID evaluations and evidence of institutional capabilities for three NDF's: Costa Rica, Colombia, and Ecuador - Quito. AID has approved these foundations for financing of credit programs with grant funds. Additionally, GAP completed and forwarded to SOLIDARIOS evaluations and follow-up reports for the NDF in Ecuador - Guayaquil.

SOLIDARIOS has also received from GAP the first evaluation report on NDF's in Honduras and Bolivia. In Bolivia, the Centro para el Desarrollo Social y Economico (DESEC) replaced FBD in the original listing of the eight NDF's to be studied. In process of completion are the evaluations for TTDF, INDES, and a new member of SOLIDARIOS, Uruguay's Instituto de Promocion Economico Social del Uruguay (IPRU). Moreover, loans to the foundations have been channeled to the income groups' beneficiaries in an expeditious manner.

Institutional Capacity

A marked advance is noted in SOLIDARIOS capability to provide institutional and technical support to the member foundations. Drawing from the more experienced NDF's, the Fundacion del Centavo in Guatemala, Funde of Nicaragua, the FDD of the Dominican Republic, and the FMDR of Mexico, SOLIDARIOS programmed three seminars on the functions of foundation planning, program design and implementation, and the evaluation progress. The seminars, held in Costa Rica, Colombia, and Guatemala during 1979, were attended by the key personnel of all the member foundations.

Planning, Programming and Evaluation

SOLIDARIOS' activities in the field of technical assistance are in two areas: the financial and in the planning, programming and evaluation of projects.

--Finance

The technical assistance of SOLIDARIOS has contributed in standardizing the NDF's bookkeeping procedures with the adoption and implementation of Accounting by Funds System. The system has proven very successful in all the NDF's.

--Planning, Program & Evaluation

The manual guide of procedures for these activities needs additional work for implementation. The manual establishes the theoretical base for each activity and examines the procedural needs in light of the capacity of the foundations to implement effectively. However, the written procedures should be strengthened and detailed for practical application. For this purpose, it is necessary for SOLIDARIOS to assign additional resources to complete the manual guide. Further, a cadre of specialists in the fields of planning, programming, and project evaluation should be contracted by SOLIDARIOS to adequately meet the needs of the NDF's in these vital areas.

It is Recommended That:

1. SOLIDARIOS, in the collaboration with its member NDF's, complete the manual for the activities of planning, programming and evaluation of projects through the process of written systems and procedures;
2. To expedite the implementation of the systems and procedures, a team of specialists be contracted for the field work with the NDF's.

In this NDF's seminar conducted by SOLIDARIOS for the purpose of reviewing and approving the draft of the manual guide the technical staff, the personnel best qualified to make the activities operational were not, in most cases, selected to participate. As a consequence, the contents of the manual were not made available to the personnel most appropriate to assess the contents.

Funde, in Nicaragua, has taken the lead from SOLIDARIOS in creating a Research and Development Department with the objective of establishing disciplines in planning and programming for the purpose of providing these services to its members. In establishing the department, Funde recognized the need to provide training on a permanent basis in view of the heavy turnover of its personnel. It is noted that this need is also apparent in the rest of the NDF's visited. However, it is SOLIDARIOS that must provide the cadre to train the present and new NDF's in these disciplines.

Foundation for Dominican Development (FDD)

The staff of FDD, in addition to the management and administrative personnel, consists of 26 project promoters, 7 agronomists, and 21 field supervisors. Field activities are carried out in all areas of the Dominican Republic and are divided into 4 zones: the North Central area with a focus on agricultural and livestock production; the South with land preparation, land reform and agricultural activities; the Southwest on agricultural production; and the Northwest with agricultural projects.

FDD utilizes SOLIDARIOS funds on the basis of 5 year loans and lends to its member groups on one and two year terms. Loans to groups are given to members in kind (principally fertilizers and seeds) with payment for the inputs made directly by the foundation to the supplier. The farming group is free to negotiate the best price for the supplies with the distributors subject to the approval of FDD. All basic crops are eligible for financing. Each field promoter assists 10 to 15 agricultural groups in the preparation and obtainment of credit. Promoters hold weekly and biweekly individual group meetings in each zone. Additionally, monthly meetings are held to include all groups in each zone. A biannual meeting of all zones is held on a national level.

Selection and organization of farmer groups is the responsibility of the promoter. Socio-economic information is obtained and complete files are maintained by the promoter.

Most groups are heterogeneous in respect to the financial capacity of its members. In most cases the group leaders have acquired financial resources in excess of the maximum figure to qualify for a group loan. It is argued that although this leader may not be eligible for a loan, his administrative ability helps in the organization and maintenance of the group and therefore is entitled to obtain loans. Additionally it is rationalized that the leaders high net worth helps the group meet the foundation's minimum requirements for group loans.

Complementing the functions of the FDD is the training of farm leaders and technicians. It is through this important service that the training programs of SOLIDARIOS in planning, programming, and design and evaluation of projects can be extended to all FDD technical personnel and to the group leaders.

In respect to its financial position, the FDD suffered loan delinquencies totalling 20% of its loan portfolio as the result of the heavy property and production losses occasioned by the 1979 hurricane. The reserve for bad loans covers 5% of the loan portfolio.

The groups visited in were San Pablo, San Andres, and San Miguel in the Salcedo Region (North Central zone). San Pablo has a total of 18 members, including two women. It has been organized for 4 years and is dedicated to the production of yucca, plantain, and dried beans. FDD loans have given the farmers access to the use of fertilizers and pesticides in addition to hire and utilize contract labor.

The San Andres group counts with 28 members and is two years old. Agricultural pursuits of farmers are mainly the cultivation of plantain and dried beans. Training to group members has been provided by the foundation, the Department of Agriculture (SEA) and the Catholic Action Organization.

San Miguel is a group of 20 members that have recently been organized. It appears that the reason for the group's formation has been solely for the subsidized credit available from FDD. The crops grown by the group are coffee, cacao and plantains. Agricultural extension services to the farmers are provided by SEA and FDD. Some of the group members have access to bank credit. Obviously, the San Miguel group does not fit the poor, small farmer group that characterizes the target of the foundations' development efforts.

FUNDACEN Foundation - Guatemala

Guatemala's National Development Foundation, FUNDACEN, is the oldest member of SOLIDARIOS. Fundacen centers its activities in the highlands encompassed by the Departments of Chimaltenango and Quetzaltenango serving small farmers designated "poorest rural families" (landless rural worker families plus those farms of less than 1.4 hectares per 100 hectares of arable and potentially arable land).

The foundation has received a total of \$185,000 from the SOLIDARIOS grant fund with placement of the fund completed to 44 small farmer groups comprizing the most marginal of the rural poor in the country. Most loans are for production purposes averaging \$4200 per farmer group with loan proceeds distributed in kind (principally fertilizer and seed) to each group member. With a total of 1136 farmers participating in the 44 groups, sub-loans per farmer average \$163. The typical Guatemalan rural family numbers some 6.5 persons indicating that the beneficiaries of the SOLIDARIOS loan total 7,384 of the rural poor.

To accomplish the task of helping the small farmer, FUNDACEN utilizes a total of 14 agricultural supervisors that provide assistance to organized rural groups averaging 25 farming families. In his area of activity, each supervisor attends to the needs of some 30 groups.

It is noted that the supervisor does not provide technical services to the groups during his monthly visits, but acts as a coordinator to obtain the specialized services of public institutions such as DIGESA (Ministry of Agriculture) and from the private voluntary organizations, represented by Desarrollo de la Comunidad and others.

Loans to the groups bear an 8% interest rate plus a 2% charge for FUNDACEN's administrative and operation costs. Delinquent loans were estimated at one-half of 1% immediately after the disaster. Today the delinquent loans are estimated at 8.8% of the total loan portfolio. A reserve for bad or doubtful loans has not been established.

Two farmer groups in Quetzaltenango were visited by the evaluation team, Mayaand Chanoc. Members are small farmers with less than a grammer school education (20% are unable to read or write). The typical farmer is basically a subsistence farmer with few reserves in terms of money, animals, machinery, food stocks or educational assets. His interest is in growing basic food staples, with labor his principal investment, for two principal purposes: (1) to produce a food reserve for his family and (2) to produce a cash crop with a dependable market.

Both farm groups have received a previous loan from the foundation with payment made according to the loan terms. The current two loans total \$9708 and carry an annual interest rate of 8%. To cover administrative costs, a charge of 2½% of the loan amount requested is assessed by FUNDACEN. Each agricultural group has 25 farmer members indicating an average loan of \$196 per member,

Most farmers own their land with an average farm size of 1.52 has. Total loan proceeds are utilized for the central procurement of fertilizer and seeds for subsequent member distribution according to previously determined individual planting requirements.

The Maya group are Quiche farmers and total 25 families. Organized in 1978, the Maya members have been provided agricultural credit for the last 2 years. Principal activities of the group are agriculture, handicrafts, and commerce. It is estimated that some 70% of the group's income is derived from agriculture with corn and wheat being the basic crops grown. It is noted that the short-term impact of the agricultural credit provided by the program in the form of loans has been in the increased utilization of fertilizer by the group member farmer.

The Chanoc farmer group, comprising 14 members, was organized five years ago. As in the Maya group, the activities of the farmers centers in the production of corn and wheat and to a lesser extent artisanal and commercial endeavors. It is noted that both groups reserve the harvested corn production for family consumption while the total wheat produced is sold and the proceeds of sale utilized to pay the loan. During the periods of little farm activity, the farmer travels to the large coastal cotton and coffee plantations to work as a transient rural hand helping the harvesting and other group labor tasks. Cash received for the seasonal work is utilized by the farmer to pay debts and provide his family with the barest necessities of life.

In Chimaltenango the Camelias and Flor de Trigo farmer groups were visited. Organized in 1973, Camelias counts with 31 members and at the time of the visit, 7 new membership applications were being processed. From its very beginning, the Camelias farmers have been recipients of FUNDACEN production loans. In addition to the traditional crops of corn and wheat, cauliflower is being produced for export. The exporting firm establishes the cauliflower price paid the farmers and additionally provides technical and financial assistance.

The farmer association, Flor de Trigo, has 30 members and has received FUNDACEN loans for the last 6 years. Only corn and wheat crops are raised with other income activities extremely limited. Production credit has provided a doubling of fertilizer utilization,

The loan repayment record of the farmer groups is exceptionally good. Upon contracting a loan from FUNDACEN each member of the group becomes responsible for his own share and assumes a joint liability for the total loan amount. The result has been a strong group pressure on each farmer to fulfill his loan responsibility and, more important, has created a self-policing selective system for membership eligibility to the group and to credit funds.

Notwithstanding the farmers trust and dependence in FUNDACEN for short-term production credit and technical assistance, the basic problem of small land units, marginal production, and subsequent low income is that the small farmers remains locked with his insistence in producing primarily corn and wheat.

RECOMMENDATION

1. Utilize the trust placed on FUNDACEN's field supervisors by the farmer to promote a change to the cultivation of more labor and production intensive crops that offer more product value and income growth potential. This effort should be coordinated with existing private and government programs.
2. Interest rates on production credit should be raised to levels near commercial bank agricultural loans levels to generate income for expanding and improving the services of extension, T.A. and training to the farmer.

FUNDE

The Nicaraguan Foundation for Development (FUNDE) has undergone substantial changes in technical, administrative and financial personnel as a result of the socio-economic upheaval that the country has experienced. With the exception of top management, most of the personnel are relatively new. The experienced personnel have joined the government service due to, among other reasons, the climate of uncertainty that existed during the critical period of transition. The foundation, however, has maintained its identification with the business sector due, in part, to its manager, a director of INDE (Nicaraguan Institute for Enterprise), the private-sector voice for the business community. FUNDE's alignment with the private sector will probably have its effects on the foundation's future. Should the new government assign an important role to the business community in the reconstruction of the country, FUNDE will likely be asked to participate

in that process. The success of FUNDE depends on the target groups with which it operates. The savings and loan cooperatives are also beneficiaries of the foundation's technical and financial resources, competing in this manner with the Federation of Cooperatives (FECANIC). FECANIC finds itself waiting for the government's decision on the official status of cooperatives before moving ahead with its programs. It appears that FUNDE will be in a better position to retain its credit union member cooperatives. FUNDE provides free technical assistance, while FECANIC counterplates charging for these services. FUNDE also counts with a capable and enthusiastic personnel compensating, in part, for their lack of experience with the operations of FUNDE. In general, the personnel aspect is favorable for FUNDE, but presents a succession problem. The manager of FUNDE is characterized by his dynamic and entrepreneurial personality, but at the same time tends not to relegate authority well. Personnel have not been found within FUNDE that can eventually substitute the present manager.

The activities of FUNDE are more diversified than in other foundations. In the effort to satisfy the technical and financial assistance requirements they are covering various areas, including agricultural production, marketing and land purchase, among others. This diversity of activities sometimes results in improvisations. The marketing project that basically intends to substitute the middleman should be very carefully analyzed to avoid the case. The cooperative purchased a microbus with the purpose of providing products to the small vendor and retailer members at attractive prices. The project was a failure and the cooperative now owns a vehicle that does not produce enough income to authorize its costs.

The position of FUNDE is financially acceptable, considering the losses experienced during the revolution. The uncollectable accounts are 4% of the current assets and the bad debt reserve funds is 5%. On the other hand, many of the losses and uncollectable accounts had been covered by grant funds. After the earthquake, the foundation received a total of \$14 million in donations, of which \$6 million designated to increase working capital and \$8 million for operating costs.

FUNDE, in its new organization process, has seen the necessity to create a Department of Investigation and Development to satisfy necessities detected in planning, programming, design, and project evaluation. In connection with these activities, this department would have the function of collecting the necessary information to be utilized in measuring the impact of the foundation's activities.

The cooperatives visited were the R. L. Union in Matagalpa and the Brotherhood in Serbaco. The first cooperative has 921 members and was founded in 1974. The membership includes medical doctors, nurses, office clerks, professors, small vendors, and small merchants. The second cooperative comprises 483 members and is basically dedicated to agricultural production.

FED - ZN, Ecuador

The Fundacion Ecuatorirna de Desarrollo, Zone Norte (FED - ZN) was established in 1968 in Quito and concentrates its development effort on the small farmer groups in the Northern Andean and Amazon Basin regions of Ecuador. Its small but well-organized administrative staff consists of a manager and a sociologist who jointly coordinate all field work. Working with the beneficiary groups in their promotion and support is the responsibility of a project coordinator, a training specialist and, a project analyst. The administrations and field personnel is supported by an accountant and a group promoter. The foundation places special emphasis on the helping Shuar indigenous groups with its educational, training and financial resources.

One of the projects visited and expected to be financed with SOLIDARIOS/AID funds is sheep raising for a Shuar group of small farmers from the Southeastern Amazon region. The group, composed of 22 members, has received extensive training in the management and care of wool-producing sheep. Lambs are purchased from the Ministry of Agriculture and distributed to the farmer on a cost basis.

Another project visited was the potato marketing program for the savings and loan cooperative, CARCHI, in Tulcan adjacent to the Colombian border. The marketing project is benefitting some 300 small potato producers working farms with less than 3 hectares of land. A SOLIDARIOS/AID loan of approximately \$185,000 is being utilized to finance production credit and the physical infrastructure consisting of potato distribution centers in the terminal market towns of Quito and Ibarra and trucks for the movement of the product. Initial results of program are positive with a net increase of paying price to farmers (after all expenses) of some 30%.

It is noted that the CARCHI cooperative is a 3100 member savings and loan organization, member of the Federation of Savings and Loan Cooperatives and affiliated to COLAC, the Confederation of Savings and Loan Association.

FINDINGS ABOUT OUTPUTS AND INPUTS

The granting of credit in the form of inputs instead of cash is a policy of the NDF's that is worth emphasizing. The target group of the foundations consists, in general, of individuals with none or limited experience with formal financial institutions. Also, in view of the limited cash incomes that these beneficiaries generate, the foundations could not expect to totally recover all of the cash loans since part of the same would probably be used for consumer goods. This risk is reduced considerably when the loans are granted in the form of inputs. In addition, with the provision of technical assistance, there is more assurance that these inputs will be used properly. This aspect of the lending procedure explains, in part, the high percentage in loan recuperation. Another relevant aspect is the channeling of credit through groups of beneficiaries.

Experience in granting credit to small farmers has shown that the administrative costs of financial institutions in providing loans increase as loan amounts decrease. From the borrower's point of view, this problem is just as great or greater. The costs incurred by the borrower in terms of opportunity costs and effective costs represent a high percentage of the loan.

To this is also added the usually late timing in the disbursement of loans which are due to the long time taken in processing individual applications.

The problems are reduced considerably when the loans are channeled through farmer groups. They not only reduce the time and costs of processing the loans, but also contribute in reducing the risks of nonfulfillment of the loan obligations. In general, the beneficiary groups of the NDF's tend to solidarize in the payment of loans. If one or more members do not comply with their obligations for payment, the rest of the members increment their contributions in such a way so as to cover the financial obligations of the whole group. Independent of these actions, the board of directors of the group analyzes the particular cases of the members failing to make loan payments, and recommends actions deemed necessary. If the reasons for nonpayment are justified, the member is granted an extension to meet his financial obligations. On the other hand, if the reasons exposed do not satisfy the board, the member is expelled from the group.

The nature of granting credit in inputs and the reduction in the risk of noncompliance with the terms of payment have had a positive impact in the meeting of the objective to increment the incomes of the project beneficiaries. The principle inputs that are provided in the agricultural area include fertilizer, seed and, to a smaller degree, pesticides. Taking into consideration that most of the NDF beneficiaries are small farmers using traditional technology, access to these inputs present the possibility of adopting improved technology that would result in increased production. Since they are small farmers, however, the increased production is not enough to influence market prices. In general, this implies that the increased production translates into increased income.

In the case of those groups serviced by FUNDACEN in Guatemala, two situations merit consideration. In the area surrounding Quetzaltenango, the majority of the beneficiaries are agriculturalists with cultivated parcels so small so as not to permit the farmer to meet his family's needs. These farmers utilize the credit for the production of mainly corn and some wheat. The corn production is used totally to satisfy the basic food needs of the farmer and his family, while the wheat is sold to cover a percentage of the loan. The balance of the loan is satisfied by income generated from artwork and off-farm agricultural labor (mainly cotton and coffee cultivation). During periods of slack time on the farm a great number of small farmers move to the coast and coffee producing regions for employment. The production of corn and wheat under this system allows the farmer to satisfy his family's nutritional needs, which permits him greater opportunity to engage in other productive activities.

In the Chimaltenango region these methods of increased income generation are less frequent. The farmer does not have the same ease of mobility as the farmer in Quetzaltenango. In addition, the distances are greater, and a tradition that binds the farmer with agricultural activities in cotton and coffee does not exist. The farmer also has fewer occupational alternatives during slack periods on the farm, due to less artistic activities in the area.

The under-employment manifested in this region has induced agricultural export companies to introduce labor intensive crops into the area. At the time of the evaluation, it was observed that some beneficiaries of the foundation were engaged in the cultivation of cauliflower with financial and technical assistance from an export farm. The credit provided by the foundation

was utilized mainly for the production of corn, which was used to satisfy the nutritional needs of the farmer and his family. This implies that the assistance given by the foundation insures the obtaining of basic necessities, thereby permitting the farmer to undertake riskier ventures, but with expectations of higher incomes.

CHANGES IN DESIGN AND EXECUTION

The NDF's rationale of granting successive loans to the same groups over protracted periods of time needs close examination. In some cases, particular groups have received technical and financial services from the foundations for as long as 9 years. Yet their ability to become viable farmer organizations was stagnated. A possible cause of this situation is the absence of an operating policy within the NDF's consistent with the objectives of the SOLIDARIOS/AID project. In effect, the present operating procedure requires field promoters to supervise and provide services to established groups and to organize new groups. Because of budgetary constraints, the number of groups assigned to each promoter is usually in excess of his capacity to serve. Since a good operator is judged by the total number of groups he serves, the tendency is to continue giving loans to the groups of record and increase their number by the occasional new group organized.

The SOLIDARIOS/AID project proposes that aid to groups should be limited to a period of time sufficient to build the institutional and financial maturity of the farmers' group to a level where it will become eligible for financial assistance from banking sources. To date, no group has demonstrated the ability to reach this objective.

All the groups visited expressed their satisfaction with the credit received from the NDF's and plan to receive all their future financing from the foundations. Even when available, none of the groups had any desire to utilize other financial resources. This attitude, contrary to the project's objectives, appears to be encouraged by the NDF's paternalistic tendencies.

It is recommended that:

1. The NDF's, with the active assistance of SOLIDARIOS, extend their radius of action to include a greater number of small farmer groups while limiting the time for established groups receiving foundation resources to reach a degree of development and maturity that permits their eligibility to the normal financing and credit channels open to all farmers.

2. The NDF's establish operating procedures to insure the upward mobility of groups and coordinate their transition from subsistence into small-scale commercial farming.

PURPOSE

"The main purpose of the project is to increase SOLIDARIOS' institutional capacity to provide member foundations with:

1. A source of credit to support development programs carried out by member development foundations, and
2. Needed technical assistance for the development and implementation of projects for low income groups. The project intended to achieve these objectives through a program which is 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."

The creation of the SOLIDARIOS Development Fund (SDF) justifies, in part, this purpose. The SDF, a revolving credit fund, was created in April 1977, when Private Agencies Collaborating Together (PACT) granted SOLIDARIOS \$400,000. This grant provided \$340,000 as the initial capitalization of the loan fund. In September 1978, under the current project, AID contributed with a \$3.55 million grant to increase the capitalization of the fund. In February 1979, the International Development Bank (IDB) contributed two additional grants to the revolving fund, one for \$2.35 million and the other for \$1.8 million. This last grant, expressed in European units of account, came from funds provided by the European Economic Community. The SDF is being used to make loans to SOLIDARIOS' member National Development Foundations (NDF), which in turn are using these funds to make subloans to groups unable to obtain credit from commercial sources in the majority of the cases. Consequently, the SDF becomes a viable revolving credit fund, that satisfies part of the credit needs of the target group. It is too early to determine whether or not the SDF will be financially viable. A realistic rate of interest policy will help to reach this objective.

- 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."

The proposed program requiring the hiring of two analysts to increase SOLIDARIOS staff, in addition to the core of technicians of the Santo Domingo office. This activity has been accomplished and at the time of the evaluation, one financial analyst has his operational center in Colombia and the other has his in Guatemala.

At this stage of the project, there is not sufficient evidence that this program would be self supporting. The services of the two analysts as well as the administrative costs of SOLIDARIOS are grant funded.

The main functions of the financial analysts, as stated in their scope of work, is to provide assistance in the areas of credit administration, accounting, and finance with emphasis on ways to speed up disbursements of approved loans.

One of the main accomplishments of SOLIDARIOS is the establishment of an "accounting system by funds," which has been adopted by the majority of the NDF's.

This system, clearly specified in accounting manuals, served as basis for training seminars with participation of all member NDF's. Additional assistance helped the foundations in establishing sound system for the control and reporting on the financial assets of the foundations.

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

Two indicators were identified to measure the extent to which this objective was achieved. The first deals with identifying and meeting Travel Authorization requests by member foundations. The second relates to the membership of SOLIDARIOS.

The member NDF's showed a general weakness in project development, review, and evaluation. The SOLIDARIOS approach to this problem was to hire a technician to provide assistance to member foundations in the areas of planning, programming, project design and evaluation. A sociologist lawyer contracted under the support grant prepared two drafts of the "Manual Guia de Planificacion, Programacion y Evaluacion." Each one of the drafts was

reviewed and analyzed during the training seminars, held during the period 1977 - 1980. Comments and suggestions of participants were included in each successive draft. The guidelines, although comprehensive, constitute an orientation tool with limited operational applicability in lieu of the existing differences among member NDF's.

Goal

The stated goal of the Solidarios Development Fund is "to improve the access of low income groups in Latin America, particularly in the rural areas, to capital resources from private, non-government development institutions."

At the time of this evaluation approximately one-third of the project funds had been disbursed to the National Development Foundations, Members of Solidarios. In turn, NDFs have been prompt in channeling loan funds to the groups. At this early stage of project implementation progress toward objective attainment appears good.

Beneficiaries

The status of this project appears good relative to the project funds reaching this eligible group and its members. However, the utilization of NDF's funds for repetitive loans to the same groups indicates a lack of progress in preparing groups to qualify for loans from financial institutions. This is in conflict with the indicator of goal achievement that calls for, "increase in number and type of funding requests received from rural and urban poor members and approved for financing."

Unplanned Effects

The development foundations traditionally focus their resources to aid the formal and informal groups of low-income small farmers, landless rural workers, and the urban poor. The principal beneficiaries of this group action are the small farmers. Most organized groups have no legal status in their countries and cannot participate or negotiate as a lawful entity. Groups may be organized as cooperatives to acquire legal status and become members of cooperative federations having access to the technical and financial services of that organization. Additionally, the cooperative can negotiate loans with other banking and financial institutions.

Operating somewhat differently from the traditional mold, the Development Foundation in Nicaragua, Funde, permits savings and loans cooperatives to participate as group beneficiaries of the Foundation's services. Members of the Savings and Loan Cooperative, La Union, in Matagalpa include doctors, nurses, school teachers, clerks, and vendors. Loans made to this cooperative have strengthened its institutional infrastructure and have been instrumental in attracting significant savings from the membership. Realistic interest rates are charged for loans generating operating margins. Members' savings earn 7% yearly and can be withdrawn at the members' request. Loans up to \$1,500 are available to the membership and carry a 24% per annum interest charge. Shares equivalent to one-third of the loan is the only requirement.

La Union supplements members' savings with loans from funds at 8% and bank funds carry 16% interest to finance its loan portfolio demands. The interest charges for cooperative loans to members is adequate to cover administrative expenses and generate operating margins.

Present procedures have been instrumental in reducing the amount of uncollectible and delinquent loans suffered by the cooperative during the revolutionary period. Matagalpa was affected heavily from the loss of lives and property. The main marketplace, where some members of La Union had large investments in its operation, was totally destroyed. Numerous members of the cooperative were killed during this period. After the devastating effects of the revolution, the cooperative was slow in its recovery. An agricultural marketing project was initiating without positive results due primarily to the lack of a proper analysis of the project and inadequate planning.

An issue is raised relative to Funde's role as a development foundation dedicated to aiding formal and informal groups that are denied access to all normal credit resources on one hand and Funde's acceptance of savings and loan cooperatives as beneficiaries of the foundation's financial and technical resources on the other hand.

Funde's decision to include savings and loan cooperatives as beneficiaries of foundation resources has had a negative effect on the operations and viability of the Nicaraguan Federation of Credit Unions, FECACNIC. Much of the success of Funde has been largely due to the inability of FECACNIC to provide the member savings and loans cooperatives technical services and assistance during the revolutionary crisis because of government constraints on the operations of all cooperatives in Nicaragua. At the time of the evaluation, FECACNIC was still waiting for the official position of the government relative to the role of the cooperatives in the new political framework. In the meantime, for all intent and purpose, IDB and AID financial assistance and loan funds are not being disbursed awaiting an official declaration.

Lessons Learned

The evaluation did not attempt to measure the impact of the Solidarios/AID project funds on the target group's ultimate beneficiary, the small farmer. It is felt that this task will be the major objective of the final project evaluation. Prior to the final evaluation, the project should concentrate its efforts in gathering and compiling data to permit, realistically, the effects of the project on the small farmer's income, employment, technology, production and quality of life.

The systematic collection of information to measure the results of the project on the farmer has been largely neglected by the development foundations. The FDD in the Dominican Republic has an information system that could provide some data to expedite a final impact evaluation in that country. Unfortunately, the procedures for the gathering of data in a complete manner and with the required regularity have been largely ignored by the field personnel. The other foundations visited have not developed any semblance of a data or information system to serve and expedite an impact evaluation.

It is recommended that Solidarios should take the lead to define and design a standard information gathering procedure for all of its foundation members that will provide vital data and information for the development foundations as well as a ready source for impact evaluation.

SOLIDARIOS - EVALUATION TERMS OF REFERENCE

I. Background

The project's implementation plan designated a management team to visit the eight group II foundations for the purpose of conducting in-depth studies to assess the NDF's capabilities to organize and assist low-income groups and recommend courses of action to overcome administrative and technical deficiencies. These recommendations were to form the basis for the first project evaluation. Subsequently, Solidarios contracted a consultant firm, The Development Group for Alternative Policies (GAP) to prepare the group assessments.

As of this date, December, 1979, three NDFs (Ecuador, Colombia, and Costa Rica) have been approved by AID for project grant funding. In the absence of the remaining NDF's assessments the first Solidarios evaluation, scheduled for July 1979, has not been performed. Notwithstanding the circumstances that have delayed the project's first evaluation it is recommended that the AID project team conduct an evaluation of Solidarios in conformance with AID's policy relative to annual program appraisals. Because of the Bureau's budgetary reduction of travel funds it is proposed that the project review be limited to the NDFs in Santo Domingo, Guatemala, and Nicaragua where the major project activities and loan disbursements, to date, have been noted.

II. Project Goal and Purpose

The goal of the project is to improve the standard of living of low income groups in Latin America by increasing their access to capital resources through private, non-government institutions. Specifically, the project will support:

1. Programs that increase target group incomes by providing credit for increasing farm income or financing small business or artisanry projects;
2. Programs that support marketing and consumer activities including social projects.

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

1. Creation of a permanent and financially viable revolving fund administered by Solidarios for its members.
2. Establishment of self-supporting training and technical assistance programs.
3. Institutional support to strengthen Solidarios' capabilities to analyze the feasibility of loans to NDFs.

III. Evaluation Outline

Consistent with the project paper's evaluation plan, the Management Team will analyze 1) the financial capability of each NDF including its loan portfolio, collection procedures, operating expenses, interest rates; 2) administrative organization and capacity; and 3) the development policies and capabilities of reaching target groups and providing technical assistance.

As noted, the emphasis on this initial project evaluation will be on the Institutional Infrastructure of NDFs and its relevance to project objectives. An additional output derived from this process will be a proposal to determine the base line information required to measure the projects' impact on the ultimate beneficiaries.

A. Solidarios

Central Office review and assessment of the following project elements:

1. Base line data and system for updating project progress and accomplishments.
2. Progress in responding to NDF's needs and capability to provide T.A. and training.
3. Staffing of administrative and technical positions to expedite NDF's requirements.
4. Loans portfolio activity relating to loans approved, disbursements, repayments and procedures for loan data compilation and reporting.
5. Adoption and implementation of accounting and financial system by NDFs.
6. Development fund operation - source and amount of funds, reflows, and effective demand.