

PD-AAZ-120  
6075

1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS.  
2. USE LETTER QUALITY TYPE, NOT "DOT MATRIX" TYPE.

**IDENTIFICATION DATA**

A. Reporting A.I.D. Unit: Mission or AID/W Office (ES#) USAID/Belize

B. Was Evaluation Scheduled in Current FY Annual Evaluation Plan? Yes  Slipped  Ad Hoc  Evaluation Plan Submission Date: FY 88Q 3

C. Evaluation Timing Interim  Final  Ex Post  Other

D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)

Project No.	Project /Program Title	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
505-0011	National Development Foundation of Belize (NDF/B) OPG	83	9/89	872	872

**ACTIONS**

E. Action Decisions Approved By Mission or AID/W Office Director

Action(s) Required	Name of Officer Responsible for Action	Date Action to be Completed
1. Provide additional USAID grant funds to NDF/B to cover part of its operating expenses and to augment the Revolving Loan Fund.	USAID	June 1988
2. To achieve a larger portfolio level, raise funds for on-lending purposes from other institutional sources, including other donor agencies, government, commercial banks PVOs and other private entities.	NDF/B	Continuing
3. Raise the maximum loan size NDF/B can lend to qualified borrowers.	NDF/B	March 1989
4. Increase the frequency of business management skills seminars and enforce the need for clients to have this training prior to receiving the loan.	NDF/B	Continuing
5. Update the previous survey on Belizean SSES to assess the current status and needs of small and micro entrepreneurs.	USAID/NDF/B	Dec 1988

(Attach extra sheet if necessary)

**APPROVALS**

F. Date Of Mission Or AID/W Office Review Of Evaluation: (Month) (Day) (Year)

G. Approvals of Evaluation Summary And Action Decisions:

Name (Typed)	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
	Paul A. Bisek/ Art Villanueva	Manuel F. Cuellar	Art Villanueva	Mosina H. Jordan
Signature	<i>Paul Bisek</i>	<i>M Cuellar</i>	<i>Art Villanueva</i>	<i>Mosina H. Jordan</i>
Date	3/2/89	3/2/89	3/2/89	3/2/89

**ABSTRACT**

**H. Evaluation Abstract (Do not exceed the space provided)**

Evaluation Abstract

The project is designed to assist the NDF/B to expand and strengthen Belizean micro- and small-scale enterprises, and create a more solid base for their development and that of the overall private sector. The interim evaluation covers the period August 1985 to March 1988, and focuses on three principal areas - analysis of the institution, its impact on the small scale borrowers, and its relationship with other Belizean and international organizations. The evaluation was conducted through interviews, review of project and NDF/B documents and a random sample survey of borrowers. The major conclusions are:

--- NDF/B is a strong institution, characterized by good leadership, a community base of support, networks with similar organizations in Belize, the ability to grow and adapt to changing situations, and has diversified portfolio of financial support and income sources.

--- It has made progress in meeting 4 of 5 institutional development goals, i.e., strengthening existing and developing new linkages, management and staff enhancement, improvement of finances, and Board strengthening; it has fallen short on the goal on local fund-raising, mainly as a result of the limited number of potential local donors.

--- NDF/B has been able to meet beneficiaries and loan targets but at the expense of reducing the size of the loans. In order to meet portfolio projections and eventually become self-sufficient, NDF/B needs additional capital funding to achieve a portfolio level that will generate the needed income.

--- The Project's financial and economic impact on the SSE borrowers has been favorable. Many of the loans have created a pool of viable businesses as indicated by their profit margins, equity buildup and low arrears level.

The following "lessons" are noted:

--- Business skills training (such as record-keeping) provided by NDF/B to its SSE borrowers have facilitated closer NDF/B-client relationship and has contributed to the Foundation's low arrearages rate.

--- Marketing is a major constraint facing small scale enterprises partly because of their limited resources to promote their products and tap other buyers aside from the local market.

--- Foreign trade, price and fiscal policies affect SSE operations to the extent these lead to higher production costs and reduced inputs supply.

**COSTS**

**I. Evaluation Costs**

**1. Evaluation Team**

Name	Affiliation	Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. \$)	Source of Funds
1) Mahlon Barash	ISTI Inc.	0619-C-00-		
2) Hilda Yumiseva	ISTI Inc.	7038-00 "	N/A N/A	LAC/PS LAC/PS
3) Michael Seepersaud	CAPS	Nine days	\$3,922	Project
Mission/Office Professional Staff Person-Days (Estimate) <u>Seven</u>		3. Borrower/Grantee Professional Staff Person-Days (Estimate) <u>Twenty</u>		

**SUMMARY**

J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided)  
 Address the following items:

- Purpose of evaluation and methodology used
- Purpose of activity(ies) evaluated
- Findings and conclusions (relate to questions)
- Principal recommendations
- Lessons learned

Mission or Office: USAID/Belize	Date This Summary Prepared: February 1989	Title And Date Of Full Evaluation Report: Evaluation of the National Development Foundation of Belize - May 1988
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Evaluation Summary

The Project is assisting the NDF/B to provide credit and technical assistance to small and micro-entrepreneurs who have no access to formal or institutional credit. NDF/B is composed of a cross section of the Belizean private sector committed to the socio-economic development of Belize. Financial support from USAID and other international and local organizations and self-generated income enable NDF/B to provide business guidance, technical assistance and credit to assist the target clientele expand and strengthen their businesses.

This interim project evaluation was aimed at assessing the Foundation's institutional efficiency and prospects for self-sufficiency, program impact on the intended target group, relationship with Belizean and international private and public organizations, and the possible areas on which future AID assistance should focus. The data for institutional analysis and NDF/B's external relationships were collected from interviews with NDF/B staff and Board, borrowers, local and international donors and other key private and government representatives, and from official project and financial documents. The impact on the SSEs was measured by conducting a survey of a random sample of borrowers, using a questionnaire developed in conjunction with NDF/B staff. The survey was conducted in areas with the greatest concentration of NDF/B program activity --- Belize City, Orange Walk town and Cayo district. The evaluation focussed on August 1985 to March 1988 period.

NDF/B has accelerated its efforts to meet project goals. As of March 1988, NDF/B exceeded direct beneficiaries, indirect beneficiaries, and loan goals. However, it was below target with respect to the expected number of women beneficiaries; the number of existing jobs protected; new jobs created; new businesses assisted; and the loan size. Progress has been made in meeting 4 of 5 institutional development goals - strengthening existing and developing new linkages, enrichment of management and staff, improvement of the income position and strengthening of the Board. The fifth goal, local fund-raising, has fallen short by 35.7% so far mainly due to the limited number of potential donors.

NDF/B now serves a larger variety of clients, yet the main focus is still on small and micro entrepreneurs. The average cumulative loan size (\$1,608) is actually less than it was at the time of the last evaluation (\$1,618) of August 1985. NDF/B charges a nominal add-on interest rate of 12%, or an effective rate of approximately 20% or higher depending on the loan size and maturity date. Although NDF/B rates are higher than nominal bank rates, it is justified by higher risk and the high cost of follow-up technical assistance/monitoring and training.

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## SUMMARY (Continued)

Small enterprise borrowers appear to be more concerned with the ability to obtain credit than with the interest rate level. NDF/B collateral arrangements are very flexible, in spite of stated policy, and are made on a case-by-case basis. Most micro loans (\$250 to \$500) are made on a character basis alone, since these clients usually have no real collateral. The loan processing procedure has been streamlined by reducing processing time and pre-selecting only those clients most likely to be approved by the Loans Committee, which has rejected only 5% of the total applications received. The current philosophy of portfolio management is to diversify and reduce risk. This is done by making loans to borrowers and carefully selected new clients. Making a limited number of larger loans and in various geographic areas and categories also contribute to risk diversification.

The current financial situation of NDF/B is healthy, especially as compared to some of the other NDFs in the LAC region. Liquidity is rather high and could be reduced. Net worth has increased by obtaining grants, thereby maintaining a favorable debt to equity ratio. Additional equipment (e.g. computer, electric typewriters, etc.) should also be purchased to allow the staff to become more productive, particularly as the portfolio size expands. The book value of assets should be doubled. The current arrears rate of 9.8% is lower than those of some other NDFs and local NGOs. The rate would be lower if NDF/B followed the practice of writing off its bad debts. The reserve for bad debts should be increased so as to cover the total amount of loan balances of doubtful collection.

NDF/B's operating level of expenses is unrealistically low, since it is currently understaffed, and will require budget support to bring it to a realistic level. In order to meet its portfolio projections and eventually become self-sufficient, NDF/B will also need additional capital funding to have a portfolio level that will generate the needed income. NDF/B will also have to explore the possibility of other income generating projects to cover expenses not covered by interest income. Its staff has high morale, is highly motivated and efficient. However, the current level of staffing is too low for the current portfolio level and certainly inadequate for an expanded portfolio. NDF/B plans to hire one new FEO and add two business counselors who will relieve the FEOs of the business training duties.

The technical assistance and training (TAT) component is of utmost importance because it provides SSEs with much needed business guidance through both individual and group sessions. The acceptance of TAT is a requirement for obtaining a loan, and, although not always enforced, has been an important factor, along with follow-up monitoring, in maintaining a low arrearage rate. Borrowers have indicated that they would like to have the seminars offered more frequently.

It is estimated that the potential number of SSE clients qualifying for NDF/B financing seeking a loan is between 5,339 and 6,514. This represents a potential credit demand of between \$8.4 and \$10.2 million based on the current average loan size. Total loans disbursed by NDF/B to December 1987 was 545 totalling \$876,000, or less than 11% of the estimated demand. This suggests that there is a great potential for NDF/B credit expansion.

The analysis of the client's responses in the survey indicates that NDF/B businesses are quite viable as measured by their profitability level and the fact the repayment of the loan does not seem to be a burden to most of them. In addition, the standard of living showed improvements in the areas of housing, education, health care, food security, and ability to save. They demonstrated adequate to high levels of entrepreneurial capability. They showed initiative, creativity, ability to diversify into new products and new markets for their products, and ability to improve the quality of their product(s). On the other hand, these clients demonstrated a low to moderate level of business skills. Only 46% of the clients attended the NDF/B seminar and only 15% maintained records in a consistent although inadequate manner.

The principal conclusions are that NDF/B is a strong institution, characterized by: good leadership; a community base of support; networks with similar organizations in the country, with appropriate government entities, and with international organizations; the ability to evolve, grow and adapt to changing situations; and a diversified portfolio of financial support and sources of income. Nevertheless NDF/B will not be able to achieve self-sufficiency by 1990 without the addition of income generating activities to supplement interest income. The program impact on the borrower SSEs has been generally favorable based on financial and economic indicators.

The following are the major recommendations:

- NDF/B should strive to maintain its equity and should continually seek out grant funds rather than loan funds to finance assets or to increase the Revolving Loan Fund. Long term debt should not exceed 30% of net assets based on a comparison with other NDFs.
- NDF/B should enter into additional alternative income generating activities (including other NGOs) to supplement interest income.
- To support a higher portfolio level needed to achieve sustainability, NDF/B should consider increasing its loan size to some borrowers and the possibility of joint financing of loans with commercial banks.
- NDF/B should request advances from USAID to cover operating expenses to allow it to estimate coverage of expenses more accurately.
- Evaluation projections show that USAID should provide additional funding through 1990 of \$252-285,000 to cover operating expenses, and additional funding of \$110-385,000 for the Revolving Loan Fund in order to achieve the \$400,000 yearly income in the portfolio level as projected in the TYP or an expanded level for some 300 loans per year.
- NDF/B should increase the frequency of business management skills seminars with greater emphasis on record keeping and marketing and enforce the need for clients to have this training prior to obtaining loans.
- A countrywide update of the previous survey (Mintz) should be done to assess the current status and needs of small and micro enterprises.

The evaluators noted the following "lessons":

- Business skills training (such as record-keeping) provided by NDF/B to its SSE borrowers have facilitated closer NDF/B-client relationship and has contributed to the Foundation's low arrears rate.
- Marketing is a major constraint facing small scale enterprises partly because of their limited resources to promote their products and access other buyers aside from the local market.
- Foreign trade, price and fiscal policies affect SSE operations to the extent these lead to higher production costs and reduced supply of inputs.

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### ATTACHMENTS

K. Attachments (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier; attach studies, surveys, etc., from "on-going" evaluation, if relevant to the evaluation report.)

Evaluation of the National Development Foundation, International Science and Technology Institute, May 1988.

### COMMENTS

L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report

The evaluation report addressed adequately the demands of the scope of work. It provided meaningful conclusions and recommendations to further improve the Project's effectiveness in assisting NDF/B to strengthen their credit and technical assistance program for small and micro enterprises.

The evaluators were able to work effectively with the NDF/B staff in the process of the evaluation, particularly in undertaking the sample survey of NDF/B clients.

The evaluation supported USAID/Belize's and other key private sector leaders' contention that NDF/B is a strong local organization with clear and achievable program goals. It is able to assist its target clientele efficiently and, with some near-term financial support from international and local organizations, should be self-sustaining over the medium-term.