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An Evaluation of the Fundacion Eugenio Espejo's Integrated  
Community Development Project

(An Operational Program Grant--No. 518-0021-G-00-2409-00)

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## EXECUTIVE SUMMARY

On September 29, 1982, USAID/Ecuador provided an Operational Program Grant (OPG) to the Fundacion Eugenio Espejo to undertake an Integrated Community Development Project. The goal of the project was "...to increase the incomes and quality of lives of low income marginal groups in a large urban barrio of Guayaquil (Mapasingue) and in a depressed rural area of the Province of Guayas (Santa Lucia)." The purpose of the project, in turn, was described as follows: "...to develop and implement the type of new integrated development model called for by the National Development plan that can be expanded to other areas." This new model has the following characteristics:

--active participation by community groups in the planning and implementation of project activities;

--leadership by a private Ecuadorean development agency (FEE) in promoting community organization and participation so that public sector agencies can better deliver their resources and services in the target areas;

--joint participation by public and private sector Ecuadorean agencies in implementing integrated field level development activities;

--development of new lower cost urban and rural community development technologies and approaches that can be replicated in other areas of the country.

To achieve these objectives, AID provided \$365,050 in Operational Program Grant (OPG) funds. The Fundacion Eugenio

Espejo contributed \$163,350, and local agencies pledged approximately \$240,000 in cash and in-kind contributions during the three year life of project.

The project staff (largely specialized in "promotion" and community development work) organized a project on the basis of the following program areas: Community Development (PRODECOMUN--Programa de Desarrollo Comunal); Training (GRESIU--Centro de Recursos Emprariales del Sistema Informal Urbano); and Credit (PROCREDEM--Programa de Credito y Desarrollo Integral de la Microempresa Informal Urbana). The Special Education Program with Handicapped Children in Mapasingue--CEDUES (Centro de Educacion Especial para la Infancia) was not developed until the latter stages of the project.

The foundation's rural-urban integrated community development strategy can be described as nonideological and pragmatic, based on direct contact and involvement with the target population, and hence on intensive field work and a thorough knowledge of the community. Guided by this approach, the staff initiated activities in Mapasingue (a suburban area on the outskirts of Guayaquil) and Santa Lucia (the rural project site not far from Guayaquil).

In both instances, the staff had to modify its approach to the target population: in Mapasingue, it was discovered that the cooperatives and precooperatives had no economic function, having been organized by local inhabitants largely to legalize their claims to the land which they had taken over as "invasores." Consequently, most of the initial success in community

organization and "promotion" in Mapasingue was with local neighborhood groups (i.e. comisiones) and parents' associations. Through these organizations the project was successful in mobilizing local inhabitants to make effective demands on public authorities for community improvements and social services-- education, sanitation and health, drinking water, electricity, health planning, etc.

The foundation followed a similar approach in the rural sector although with limited success. Its limited accomplishments were due to a series of implementation problems, including the isolation of the local community, natural disasters, and lack of cooperation by the principal government agency involved in rural programs in the area. Consequently, a decision was made to change the project site from Santa Lucia to Daule, a more accessible area with several production cooperatives and a sizeable campesino population.

In addition to direct community organization, a major component of the FEE's strategy of leveraging greater resources for marginal communities consisted in negotiating and signing agreements ("convenios") with public (and to a lesser extent) private sector entities. Despite bureaucratic problems, the FEE was successful in signing numerous agreements on the basis of which considerable resources were obtained for the urban and rural communities where the project was working.

Training activities were organized under CRESIU (Centro de Recursos Empresariales del Sistema Informal Urbano), one of the

four program areas developed under the OPG. The project developed a series of leadership conferences and specialized training activities. Although this was a significant training effort, these activities were of a very diverse nature and thus appear to have had limited relevance to the specific objectives of the project and limited impact in developing local community leadership or specialized skills.

A total of \$65,000 was allocated for technical assistance to strengthen the institutional capabilities of the implementing agency to develop and implement a replicable integrated community development model. Most of these funds were used largely to cover operating expenses. The two exceptions involved the use of small amounts of technical assistance funds to develop a credit operations manual and to conduct a socioeconomic study of potential credit beneficiaries in Mapasingue. The lack of technical assistance has limited the efficiency of project operations and undermined its efficacy in achieving project objectives.

The credit program--PROCREDEM (Programa de Credito y Desarrollo Integral de la Microempresa Informal Urbana) was initiated in the latter stages of the project. As a result, the credit program has been in operation only 16 months. In defining its action strategy, the foundation carefully considered several alternatives with regard to the type of credit program to be developed and the beneficiary groups to be addressed. These were as follows: 1) to create eight (8) small enterprises generating

employment for 30 persons each; 2) to create "self-managed" enterprises in various productive lines; 3) to provide individual credits for the creation of small businesses; and 4) to provide individual credit to the existing entrepreneurs (microempresarios) in the area, that is, small producers and merchants.

The foundation adopted strategy # 4 above, that is, to provide small loans (including training in the use of credit) to existing small businesses in the informal sector. The foundation feels that this is an effective development strategy because it targets small producers that have a higher multiplier effect in terms of employment generation in contrast to the economic activities of merchants that do not appear to generate as much employment. In this sense, the credit program supports the long term goal of the project which is "...to increase the incomes and quality of lives of low income marginal groups in a large urban barrio of Guayaquil ... and in a depressed rural area ...."

To date, its loan portfolio reveals the following selected features: Loan amounts have shown a trend toward increasing amounts and longer terms; there is also a high rate of recovery (96.5%); increasing rates of interest charged (from 1.5% to 2.5% per month at present time) and service charges (from 3% to 4% per loan processed); an increase in the number of beneficiaries from 78 to 257 and cooperatives benefited from 16 to 23. The loan portfolio is allocated approximately as follows: 80% for small producers and 20% for merchants.

The foundation also works with solidarity groups of from 3 to 5 persons, principally merchants. This is a new feature of the credit program which complements the credit program with individual entrepreneurs.

The Special Education Program with Handicapped Children in Mapasingue is the most recent addition to the social component of the project. Under this program the University of Guayaquil's School of Psychology assigns fourth year students to the CEDUES program as part of their regular academic program. At present there are 16 teachers assigned on a daily basis to this program which has an enrollment of approximately 96 children between the ages of 7 and 14; an additional 140 are on a waiting list.

#### Conclusions and Recommendations

On the whole, the evaluation team feels that the foundation has demonstrated that it can fulfill its role as a catalyst and coordinating agent for social services and economic resources in marginal rural and urban sectors in Ecuador. Its presence also has improved local morale and reaffirmed the dignity of these previously neglected communities. Its shortcomings consist in an inability to consolidate its accomplishments. Specifically, the FEE has been largely unsuccessful in institutionalizing processes, procedures and programs initiated under the present OPG. In this sense, it has not yet fully developed a replicable integrated community development model as called for in the project paper.

Although the short duration of the project may partly explain why the process of institutionalization has not yet been completed, management deficiencies also have prevented the foundation from achieving its potential under the OPG. The evaluation team identified the following problems: 1) absence of a comprehensive or master work plan; 2) lack of clarity over the project's principal objectives; 3) poor planning as reflected in "scattered," ad hoc programming; 4) lack of balance or proportion in the project as reflected in its unduly heavy emphasis on social components; 5) lack of benchmarks against which to monitor accomplishments (also lack of adherence to reporting requirements in accordance with AID guidelines); 6) absence of annual evaluations, 7) poor budget planning and lack of financial controls. It was also noted that the project has been implemented mostly without the benefit of technical assistance.

Despite these management deficiencies, the evaluation team is of the opinion that the FEE's Integrated Community Development project is a worthwhile endeavor that has achieved considerable success. The management problems can be corrected; its staff is experienced, energetic and dedicated; and the project has the potential to achieve the purpose as described in the project paper. Any additional mission support should be provided in combination with technical assistance in the areas outlined in this evaluation to improve the project's efficiency and efficacy.

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by the Agency for International Development)

I. Introduction

The Contractor was hired by USAID/Ecuador (under Contract No. 518-5-210-L) to conduct a midterm evaluation of the Fundacion Eugenio Espejo's Integrated Community Development Project, an Operational Program Grant (OPG) activity. To this end, the Contractor reviewed available background information in AID/Washington and in USAID/Ecuador before proceeding to the foundation's headquarters in Guayaquil to commence field work. (Hereafter the Fundacion Eugenio Espejo shall be referred to as "the FEE" or "the foundation").

In Guayaquil, the Contractor made the necessary arrangements to secure the services of an Ecuadorean sociologist (Dr. Paul Velasco) who ably assisted in the preparation of the evaluation.

II. Evaluation Methodology

The present evaluation addresses various aspects of the FEE's performance in accordance with the terms of the Scope of Work of the present contract. (The Scope of Work is attached as Annex 1). It is based on a comprehensive review and analysis of documents in AID/Washington, USAID/Ecuador and the foundation's headquarters in Guayaquil. Additional information was gathered

on the basis of interviews with project staff in Guayaquil and with field personnel working in Mapasingue (an urban area) and Daule (a rural area).

### III. Project Background

Before discussing the specific findings of the present evaluation, it is useful to begin with brief comments concerning the background against which AID provided funding for this Operational Program Grant (OPG) activity in 1982.

In general, opportunities for small producers in Latin America to improve their social and economic status have been traditionally constrained by: a) overcentralization of public services and a corresponding lack of local organizational competence, b) poorly or underdeveloped infrastructure in both rural and urban areas, and c) the absence of institutional mechanisms to aid and motivate low income groups in their own socioeconomic development by providing them access to credit and related services necessary to increase productivity and income.

In view of FEE's experience in working with low income marginal groups, AID agreed to support the foundation's work by providing a three year \$365,050 Operational Program Grant (OPG) in 1982 to further the foundation's work in rural and urban areas in Ecuador.

According to the Letter-Grant Agreement signed between AID and the FEE signed on September 29, 1982, the goal of the project was "to increase the incomes and quality of lives of low income

marginal groups in a large urban barrio of Guayaquil (Mapasingue) and in a depressed rural area of the Province of Guayas (Santa Lucia)."

The purpose of the project, in turn, was "to develop and implement the type of new integrated development model called for by the National Development Plan that can be expanded to other areas." This new model has the following characteristics:

--active participation by community groups in the planning and implementation of project activities;

--leadership by a private Ecuadorean development agency (FEE) in promoting community organization and participation so that public sector agencies can better deliver their resources and services in the target areas;

--joint participation by public and private sector Ecuadorean agencies in implementing integrated field level development activities;

--development of new lower cost urban and rural community development technologies and approaches that can be replicated in other areas of the country.

To achieve these objectives under the different components of the project (social, economic, productive, and credit), the following inputs were provided under the Operational Program Grant (OPG).

A. INPUTS

AID's contribution. AID provided a three year grant of \$365,050 allocated to the following budget categories:

1. Personnel	\$203,000
2. Commodities and Equipment (typewriters, office furniture, air conditioners, three vehicles, etc.)	33,700
3. Other Administrative Costs (office supplies, rent, gasoline, local transport)	33,350
4. Small Enterprises	80,000
5. Training	15,000
6. Other Inputs	-0-
	-----
TOTAL	\$365,050

Counterpart funds provided by FEE. The FEE contributed \$163,350 for the following budget categories:

1. Personnel	\$113,300
2. Commodities and Equipment	-0-
3. Other Administrative Costs	35,050
4. Small Enterprises	-0-
5. Training	15,000
6. Other Inputs	-0-
	-----
TOTAL	\$163,350

Other inputs to the project. Local agencies pledged approximately \$240,000 in cash and in-kind contributions to the project.

	Year 1	Year 2	Year 3
Value of cash and in-kind contributions pledged by the Ministries of Health, Agriculture and Livestock, Social Welfare, Education and others	80,000	\$80,000	\$80,000
	-----	-----	-----
TOTAL	\$80,000	\$80,000	\$80,000

#### IV. Achievement of Project Objectives

Upon authorization of the project, the foundation made plans to initiate implementation activities in Mapasingue (a suburban area on the outskirts of Guayaquil) and in Santa Lucia (a rural area). The foundation had considered other areas (e.g., el Guasmo) as potential project sites, but Mapasingue, with a smaller population of approximately 50,000 inhabitants, was considered more "manageable." Moreover, in contrast to "el Guasmo," which was receiving considerable attention at the time from the national government and international donors, Mapasingue had been largely ignored. Santa Lucia, the area selected as the rural site, was well known to foundation staff and was considered to have development potential.

Perhaps in anticipation of the emphasis on social development in the initial implementation phase, the staff hired for the project specialized primarily in "promotion" and

community development work and included a project director (with a specialization in sociology); three coordinadores sociales (with social work backgrounds and field experience). The deputy project director, an economist, was not hired until March 1984.

The project was organized according to the following program areas: Community Development--PRODECOMUN (Programa de Desarrollo Comunal); Training--GRESIU (Centro de Recursos Empresariales del Sistema Informal Urbano); and Credit--PROCREDEM (Programa de Credito y Desarrollo Integral de la Microempresa Informal Urbana). The Special Education Program with Handicapped Children in Mapasingue--CEDUES (Centro de Educacion Especial para la Infancia)--was not developed until the later phases of the project.

The first program area to be developed and implemented was PRODECOMUN, the social development component of the project.

1. The Start-up Phase

- a. Initial Activities in an Urban Setting (Mapasingue)

The foundation's integrated approach to community development in rural and urban areas can be described as nonideological and pragmatic ("empírico," as described by one of the staff members). Its methodology is based on direct contact and involvement with the target population, and hence on intensive field work and a thorough knowledge of the community and its needs. As we shall see, this pragmatic approach has allowed great flexibility in making necessary adjustments at key

junctions in the implementation process.

In the initial phases of implementation, the PRODECOMUN project staff conducted a socioeconomic study of the urban target area of Mapasingue to gain better understanding of the strengths and problems faced by the community. They also initiated organizational work with local community organizations. Not surprisingly, the field study revealed a broad range of problems and community concerns, but also identified promising areas for future collaboration between the foundation and the community. The project staff became especially interested in the the existence of numerous small businesses, particularly in the lower elevations of Mapasingue, as a potentially key element in the economic (i.e. credit) program to be developed in a subsequent phase of the project.

In contrast, the existing local community organizations appeared less promising. Although project staff identified numerous so-called cooperatives and pre-cooperatives in Mapasingue, they were of a special kind: despite the economic connotations of their names, they had no economic functions, or very limited ones at best. For the most part, the existing cooperatives and pre-cooperatives in Mapasingue had been organized by invasores, or recent arrivals from the rural areas who had simply taken over ("invaded") the area and illegally staked out individual plots of land. Thus, the principal raison d'être of these cooperatives and pre-cooperatives was to legalize claims to the land on which they had built homes. These homes are largely made of bamboo and rest somewhat precariously on the hillsides of

the cerro de Mapasingue.

Given the narrow orientation of the housing cooperatives and precooperatives in Mapasingue, project staff concluded that these organizations would have limited utility as mechanisms for organizing and mobilizing the community, at least in the initial phases of the project. Therefore the staff decided to work with different organizations, namely, with local parents associations and neighborhood committees (comisiones) that appeared to have greater interest and potential in organizing to improve social services in the community. Project staff then began mobilizing these community groups, identifying local needs and organizing delegations to petition government officials for the improvement of social services in their respective neighborhoods. Working with these comisiones led to success in obtaining services in the following areas: education, sanitation and health, drinking water, electricity, establishing a market place, health planning, and of course the legalization of land in some instances. (Chart 1 below outlines the services obtained through these and other community development efforts).

b. Initial Activities in a Rural Setting (Santa Lucia)

In the rural sector in Santa Lucia a series of community development activities were initiated in December 1982. From its inception, however, the project encountered several major difficulties: first, a harsh winter which made access to the project site almost impossible; second, the lack of cooperation on the part of FODERUMA (Fondo de Desarrollo Rural Marginal), one

of the principal government agencies responsible for rural programs in the area; and third, a weak response to the project by the local campesinos.

Although the project was successful in organizing a local group ("El Comité Zonal Campesino") of potential beneficiaries, the cooperation of FODERUMA was essential to the success of the project. Since FODERUMA did not participate in the project (largely as a result of institutional rivalries, according to project staff), it was difficult to produce tangible results in Santa Lucia.

In view of its limited accomplishments, the project staff members concluded that the work in Santa Lucia was not worth the effort, and decided to shift their rural activities to another area. They chose the small rural settlements of Jigual and Guarumal in the canton of Daule where there were 19 campesino organizations (production cooperatives) with a total of 466 members working 1,835 hectares of land.

The foundation's initial work in this area consisted of promotional activities with the local campesino organizations, including training in cooperativism, cooperative accounting systems, introducing crop diversification techniques, and providing technical assistance to improve production techniques. In the opinion of the project managers, these activities were organized with the idea of "integrating family, school and community".

Overall, however, the foundation in the rural sector encountered several predictable problems with entrenched traditional leadership and an isolated campesino population that was unfamiliar with institutional mechanisms to communicate and make effective demands on governmental authorities. Local leaders, for the most part illiterate, resisted working with the foundation and attempted to use the resources of the foundation for their own ends. The foundation's community development activities also revealed the very narrow perspective of the campesino groups, characterized by an almost exclusive concern with credit and loans to grow only rice, the traditional single crop of the area. According to project staff, the local campesinos had not considered, much less explored, possibilities of petitioning the local authorities to provide physical and/or social infrastructure services to complement and support their productive activities. Lastly, the project encountered a certain amount of institutional rivalry on the part of the existing organizations already working with the production cooperatives in the area.

In this context, the project directors, and in particular the rural coordinator of the project, reformulated the original plan of action. Instead of working with the local production cooperatives, they decided to work with community organizations, emphasizing education and other social programs. This strategic move minimized the influence of local leaders whose power base was in the local cooperatives, thus allowing the foundation to achieve some concrete results in this area. (These are outlined

in Chart 1 below).

2. Second Phase: Re-establishing Ties with Neighborhood Organizations.

a) Community Organizations--Mapasingue

The initial success with neighborhood committees and parents associations in improving the social services in Mapasingue and legitimizing the foundation's presence encouraged the project staff to renew its work with cooperatives and precooperatives. Thus, on December 16, 17 and 18 of 1983, the foundation organized a large seminar (encuentro) with the various leaders of cooperatives and precooperatives of Mapasingue. One of the outcomes of this meeting was the creation of a "united front" of cooperatives and precooperatives (Frente de Cooperativas y Precooperatives de Mapasingue Este).

The foundation staff felt that the creation of this action mechanism would speed up implementation of major activities planned under the project, including credit, training, and the provision of social services. Unfortunately, due to the high degree of politicization of the local leadership, exacerbated by the electoral campaign in 1983 and the first six months of 1984, this mechanism did not live up to expectations. In the ensuing political fragmentation, the "united front" became an obstacle to the implementation of the project. A decision was then made to work directly with the cooperatives and precooperatives on an individual basis, and thus in a less politicized and independent manner than through the "united front."

b) Community Organizations--Daule: Jigual-Guarumal

On the basis of its community organization and promotional work in the area, the foundation provided in October 1984 the first twelve (12) loans to local campesinos to grow tomatoes. The effort to support crop diversification in an area almost exclusively devoted to the cultivation of a single crop--rice--was a positive initiative. However, the work of the foundation in this area has been somewhat discontinuous; the foundation has initiated activities but there has been inadequate follow-up to produce consistent results. To date, its accomplishments in the rural sector are few. Moreover, despite the recent provision of loans for agricultural activities (as mentioned above), one cannot conclude that an agricultural credit program is now truly operating. It is therefore necessary to clearly define the objectives of the rural component of the project. To the extent that this component of the project remains ill-defined (as it appears to be at present) the rural part of the program risks being an irrelevant appendage, or at best an isolated effort divorced from a truly integrated urban-rural program.

V. Formal Institutional Contacts: Negotiating and Signing Agreements (Convenios)

In addition to direct community organization, mobilization and promotion, a major part of the FEE's strategy of leveraging greater resources for marginal communities consisted in negotiating and signing agreements with public sector entities. In this area, the FEE has played an active and innovative role

and has been successful in signing agreements with several public and private organizations. However, numerous difficulties were encountered (particularly with public sector organizations) in implementing this part of the strategy. First, the foundation staff (especially its executive director) spent an inordinate amount of time contacting government officials in Quito, the capital. Furthermore, the foundation had to overcome such obstacles as governmental centralism, the lack of decision-making authority at the local level, cumbersome and slow bureaucratic processes, inter-institutional rivalry, high bureaucratic turnover, and so forth. Another problem involved the foundation's strategy of working with higher echelon officials to secure commitments involving public services for the community. On the whole, this strategy was not very productive. In subsequent phases of the project, the foundation discovered that it was generally more productive to work with mid-level directors with decision-making authority. Finally, it should be noted that some of the problems resulted from the foundation's relative inexperience in negotiating as a "middleman" between the community and government authorities.

The foundation was nevertheless successful in signing agreements with several government entities. One notable exception was FODERUMA which did not cooperate with the project in the rural area of Santa Lucia, thus contributing to a change in the project site, as already discussed.

Once the convenios were signed, the foundation was faced

resources and programs for the respective communities. Ironically, many of the results achieved by the foundation were attained largely as a result of personal ties and/or friendships between foundation personnel and government officials. The foundation's joint efforts with public and private entities produced considerable results, as shown in Chart 1 below.

### CHART 1

#### RESOURCES PROVIDED TO LOCAL COMMUNITIES

(URBAN SECTOR)

Institution	Contribution
<u>Ministry of Health</u>	<ul style="list-style-type: none"> <li>a) Organized two large vaccination campaigns.</li> <li>b) Organized neighborhood clean-up campaigns.</li> <li>c) Built health post in the 24 de Octubre (Prosperina) Cooperative.</li> <li>d) Organized a conference on health and nutrition in Mapasingue.</li> </ul>
<u>Ministry of Education</u>	<ul style="list-style-type: none"> <li>a) Organized civic and cultural activities with the local public schools ("escuelas fiscales") in Mapasingue.</li> </ul>

- b) Donated 8 metal structures for an educational learning center.
- c) Built 4 schools in Mapasingue.
- d) Built a kindergarden.
- e) Built classrooms and provided additional professors for two schools.
- f) Provided land for the construction of two schools.

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Ministry of Social Welfare

- a) Built community centers in Mapasingue and Prosperina.
- b) Assigned personnel to work with a pre-school center in the 12 de Octubre Cooperative.

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Municipal Water Supply Corporation

- a) Installed water connections in Mapasingue (El Cerro Cooperative).
  - b) Installed water tanks in San Francisco market.
  - c) Provided drinking water system for schools located at the higher elevations of Mapasingue.
-

Electric Company

- a) Provided electricity to several neighborhoods in Mapasingue.
- b) Installed individual meters for areas of Mapasingue.
- c) Provided street lighting in La Prosperina.
- d) Provided electricity and lighting for public schools in Mapasingue.

---

Provincial Government

- a) Constructed a local police post in Mapasingue.

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City of Guayaquil (Municipio)

- a) Took a census and established a registry of those eligible to receive title to land.
- b) Installed sewage pipes in Mapasingue.
- c) Cleaned existing sewage pipes.

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University of Guayaquil

- a) Provided 16 psychology students as an integral component of a testing, counselling and teaching program with handicapped children in Mapasingue.
-

RURAL SECTOR

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Institutions

Contribution  
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Health Ministry

- a) Vaccination campaign in Santa Lucia.

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Ministry of Agriculture

- a) Organized and conducted training course on cooperativism in the El Rincon Cooperative in Santa Lucia.
- b) Provided services of a doctor on a weekly basis to Jigual and Guarumal.
- c) Organized and conducted training course on cooperativism in the El Rincon Cooperative in Santa Lucia.

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Ministry of Education

- a) Provided two schools in Santa Lucia and increased the number of professors.
- b) Established four schools in the Guarumal area.
- c) Organized a gardening program ("Huertos Escolares") in the schools.

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Central Bank

- a) Organized a conference in collaboration with local cooperatives on the Daule-Chonona culture.

As demonstrated in Chart 1 above, the foundation has played an active role as a catalyst and coordinating agent, and has been successful in leveraging considerable resources on behalf of marginal and rural communities previously neglected by government authorities. It has also been able to promote within the framework of these activities broad community participation and organization. Respondents also indicated that these efforts had contributed to the "improved morale" of local inhabitants. Our principal concern is that despite the signing of formal agreements ("convenios") between the respective ministries and the foundation for the provision of services outlined above in Chart 1, much of this effort was based on personal ties and friendships between foundation representatives and public sector personnel. There has been no process whereby programs initiated by the foundation become an integral part of the planning, programming and budget of the respective ministries involved. To date, "institutionalization" has been more the exception than the rule. Activities initiated by the foundation have been institutionalized in only two major instances: the large scale vaccination campaigns organized with the Ministry of Health and the preschool program developed jointly with the Ministry of Social Welfare. Both of these activities have been incorporated as part of the regular program of these two ministries.

The more typical situation is represented by SNALME (Servicio Nacional de Almacenes de Libros del Ministerio de Educacion). This public sector entity signed a formal agreement

with the foundation to provide books and school supplies to the local communities. However, this initiative appears to have been a one-time proposition: though materials were provided in 1984, SNALME apparently will not continue the program in 1985. This situation appears to be typical and reconfirms our conclusion that the institutionalization of procedures and programs is needed.

#### VI. A Note on the Training Program (CRESIU)

As already indicated, training initiatives have been organized under CRESIU (Centro de Recursos Empresariales del Sistema Informal Urbano), one of the four program areas developed. Project staff have undertaken a very wide array of training activities under the present OPG, such as conferences on organization and human resources, including two leadership seminars. The first seminar, held on April 10, 1983, was for leaders of cooperatives, pre-cooperatives, parents and neighborhood committees to explain the objectives of the project. The second seminar, held on December 16, 17, and 18 of 1983, was designed to identify and develop local leadership. As noted earlier, one of the outcomes of this seminar was the creation of the "united front" of cooperatives and pre-cooperatives of Mapasingue.

In October and December of 1984, a long-term, intensive training effort was undertaken in such specialized areas as accounting, marketing, human relations, tailoring (sastreria), rural and urban health, welding, community action, the use of

industrial machinery, working with caña guadúa (a local cane used in furniture making), industrial security, family planning, homemaking, waxworks (batiks), improving the rural home, principles of cooperativism, puppetry, fish breeding, management of small neighborhood projects, folk music, and wood finishing.

These training activities continued during the months of February to June of 1985.

This list of activities represents a significant training undertaking. It was made possible principally by the foundation's successful efforts in securing the services of local experts who provided their services at little or no cost to the project. Nevertheless, this training effort appears to have absorbed an inordinate amount of time of the technical and administrative personnel of the project. While these activities may be effective for eliciting strong community response and support for the project, and may even have helped to improve morale and affirm the communities' cultural values, they appear to have had limited relevance in developing local leadership or the specialized skills that support the objectives of the project.

An internal cost-benefit analysis of this component of the project might be useful to determine costs and accomplishments to date as well as to establish the relationship of training activities to project objectives. It is also suggested that the project staff systematize the training program, specifically with regard to the requirements of the project and particularly with

regard to the credit program. Special emphasis also should be placed on establishing a more coherent set of training priorities and guidelines for training seminars so that these are oriented toward the principal areas of productive activity served by the credit program.

#### VII. A Note on Technical Assistance

A total of \$65,000 was allocated for technical assistance for the three-year life of the project. The purpose of this technical assistance was to strengthen the institutional capacity of the FEE so that it could develop and implement an integrated community development model for marginal communities and replicate the model in other areas of the country.

Unfortunately, it appears that the foundation used funds allocated for technical assistance for other purposes (largely for operating expenses, as far as the evaluation team could determine). There were two exceptions: small amounts were used to hire a local consulting firm to develop a credit operations manual, and funds also were used to conduct a socioeconomic study of potential credit beneficiaries in Mapasingue.

Although AITEC, a U.S.-based private voluntary organization (PVO), provided some technical assistance to the foundation in developing its credit program, the magnitude of these services was modest. Furthermore, it should be noted that AITEC's technical assistance services were provided under another AID-funded project, and not with the FEE's OPG funds.

The present evaluation thus concludes that the FEE's Integrated Community Development project has been implemented over a period of three years without the benefit of technical assistance. As we shall note later, the lack of technical assistance has limited the efficiency of some of its operations and undermined the efficacy of the foundation in achieving project objectives.

#### VIII. The Credit Program (PROCREDEM)

##### 1. Defining an Action Strategy

The credit program--known as PROCREDEM (Programa de Credito y Desarrollo Integral de la Microempresa Informal Urbana)--was initiated on May 10, 1984, with an allotment of 2,500,000 /sucres (approximately US\$25,000). Before initiating the program, the foundation considered several alternatives with regard to the type of credit program to be established and the beneficiary groups to be targeted by the project. These alternatives may be summarized as follows: 1) to create eight small enterprises generating employment for 30 persons each; 2) to create "self-managed" enterprises in various productive lines; 3) to provide individual credits for the creation of small businesses; 4) to provide individual credit to the existing entrepreneurs (microempresarios) in the area, made up of small producers and/or merchants (comerciantes).

These options represent different credit strategies with potentially very different results in each case. For example, the project paper suggests the creation of eight small

enterprises that generate employment for 30 persons each (option # 1 above). According to project staff, these enterprises would rank at the lower end of the formal sector (i.e. enterprises with an intermediate division of labor, well-defined administrative systems (including accounting systems), access to the formal financial sector etc.). To the extent that the strategy focuses on businesses already integrated in the formal sector, it would have had limited results from the standpoint of the proposed goal (i.e., "to increase the incomes and quality of lives of low income marginal groups in a large urban barrio ... and in a depressed rural area ...").

The other two alternatives also were not viewed as viable because "self-managed" enterprises require a high degree of administrative skills and, according to project staff, must overcome a high degree of individualism among the members of the enterprise. On the other hand, providing individual credits to create new businesses was not viewed as a viable alternative in the context of Mapasingue. This approach carries a high degree of risk in terms of capital recovery and a lack of control over the use of capital that can be used for activities not contemplated under the project.

The FEE thus adopted a strategy of providing small loans to carefully selected existing small businesses (microempresas) in the informal sector in Mapasingue. Furthermore, its credit program was designed to provide strong support to the beneficiaries, principally training in the use of credit.

Project staff repeatedly noted that without such training the credit program would have had limited possibilities of succeeding. The foundation has been following this strategy during the sixteen months since the inception of the credit program in May of 1984.

Although the program is still modest in terms of volume, working with individual small enterprises appears to be a particularly effective development strategy. The reason is that the activities of small producers have a higher "multiplier effect" in terms of generating employment, in contrast to the activities of merchants that do not appear to generate as much employment. Thus, the foundation's support of microempresarios--particularly its emphasis on production--is consonant with a development strategy aimed at bringing about structural changes that increase the possibility of creating more employment and raising incomes for a larger segment of the target population. In this sense, the project's activities support the long term goal of the project, which is "...to increase the incomes and quality of lives of low income marginal groups in a large urban barrio of Guayaquil...and in a depressed rural area...."

## 2. Implementing the Strategy

In the process of developing and implementing its strategy, the foundation had to cope with the political realities of the area. As already noted, the "united front" of cooperatives and precooperatives (Frente de Cooperativas y Precooperativas de Mapasingue Este) had been organized as part of the foundation's

community development efforts. When the foundation began to implement the credit program, it faced a number of problems from this organization. The leaders involved in the "united front" viewed the credit program as a source of patronage, and consequently, attempted to manipulate it for their own political ends. They regarded it as a source for personal loans and for providing loans to friends and political associates. This problem was exacerbated by the national electoral campaign (in full swing at the time), that created additional political pressures on the the uses of the credit fund.

Under these circumstances the project managers acted as they had on the previous occasion when the community development program was involved. They reoriented the credit program to bypass the leaders of the "united front," and began working directly with the cooperatives and precooperatives. Leaders were dealt with merely as members of their respective cooperatives and precooperatives. To this end, the project staff contacted artisans identified in previous surveys, explained the program in detail, made physical inspections of the workplace and established a registry of potential beneficiaries. The first loans were made from this initial registry.

The fundacion was thus adroit in establishing a more direct link with the community, depoliticizing the credit program and protecting the overall viability of this component of the project.

2.a. The first three months of the credit program

The first three months (May 10 - August 15, 1984) of implementation reveal the following features of the credit program:

Loan Amounts: The trend was toward increasingly larger loans, beginning with 10,000 /sucres per beneficiary and increasing up to 70,000 /sucres in some cases. (Note: US\$1.00 = 100 sucres).

Loan Terms: The initial terms were of four (4) weeks, subsequently increased up to twelve (12) weeks.

Rate of Recovery: 96.5%.

Income from Interest and Service Charges: 36,525 /sucres.

Interest Rate: 1.5% per month per month.

Service Charges: 3% for each loan.

Default Rate: 3.5% (The foundation defines the default rate as loans that fall due but are not paid. Few of these loans have had to be completely written off; usually they are refinanced).

Number of Beneficiaries: 78 members. On this basis the foundation estimates that 165 families were benefited, that is, approximately 1000 persons.

Number of Cooperatives Benefitted: 16.

Type of Activities Benefitted: Bakers, shoe makers, tailors, wood finishers, mechanics, etc.

(Additional information is provided in Annexes 2, 3, 4 and 5).

2.b. The current period

Loan Amounts: An amount of 100,000 /sucres has been established as a ceiling; the average loan amount is approximately 40,000 /sucres.

Loan terms: For microempresas (both producers and merchants) the loan period is not to extend 16 weeks; for solidarity groups no more than 12 weeks. (Solidarity groups are described below).

Rate of Recovery: Approximately 80%. Of the outstanding amount, approximately 12% is refinanced; the remaining 8% is absorbed in "legal proceedings" to recover loans (i.e. sending collection notices, letters etc.).

Income from Interest and Service Charges: Approximately 942,758 /sucres during the first 14 months of operation (up to June 30, 1985).

Interest Rate: 2.5% per month. (Increased from 1.5%).

Service Charges: 4% per loan processed.

Default Rate: Less than 5%.

Number of Beneficiaries: 257.

Number of Cooperatives Benefitted: 23.

Type of Activities Benefitted: Small businesses and merchants.

3. Loan approval procedures (including flow chart). These are outlined in Annex 5.

4. Solidarity groups (grupos solidarios)

The foundation's work with "solidarity groups" was developed to complement the credit program with individual entrepreneurs. "Solidarity groups" refers to three to five persons participating in the credit program who jointly request a loan. This approach has been useful with groups of small merchants (microcomerciantes) who request loans to buy supplies and other finished goods, working with much smaller loan amounts and shorter time periods than artisans and small manufacturers. A typical scenario might look like this: Three store merchants in the San Francisco market in Mapasingue request a loan for the purchase of one quintal of rice, whose value is 3,000 /s. Upon approval of the loan, a check is made out to one of the members of the group ("coordinador del grupo") who becomes responsible for its repayment (although all three members sign the IOU). With the loan they purchase a quintal of rice, which is divided among themselves and then sold on a retail basis through their respective businesses. At the end of two weeks (the usual term for this type of loan), the group leader ("coordinador") repays the loan or, if necessary, refinances it.

It should be pointed out that the program with solidarity groups does not involve street vendors ("vendedores ambulantes"), but rather small merchants, usually with fixed establishments in the marketplaces where the project is operating. This is in

contrast with other programs, such as those of the Fundacion Ecuatoriana de Desarrollo in Quito, that make loans to small merchants from throughout the city.

Project staff also pointed out another interesting feature of the program: the high rate of return on capital loaned to small merchants. This rate is due to the high velocity of these types of loans, in contrast to the lower velocity of loans to artisans or small manufacturers which generally contain longer loan repayment terms. Nevertheless, viewed from a development perspective, the focus on production involves a strategy aimed at strengthening productive capacity and generating greater employment, in contrast to the activities of small vendors, which create relatively few jobs. The foundation feels that it is thus following a development strategy by targeting a larger proportion of its loans for microproductores. Despite the comparatively lesser returns on capital, this approach has a larger multiplier effect and in the long term will produce greater employment and raise incomes.

IX. The Special Education Program with Handicapped Children in Mapasingue (CEDUES).

This is the most recent addition to the social component of the project. It appears to be a very popular program that addresses the needs of handicapped learning disabled children in Mapasingue. In this area, the foundation has successfully developed a joint program with the University of Guayaquil's School of Psychology whereby fourth year students are assigned to

the CEDUES program as part of their academic program. The students are given academic credit for their voluntary service, which becomes part of their required practicum.

At present, there are 16 teachers assigned on a daily basis to the CEDUES program. At the time of the evaluation, the program had an enrollment of approximately 96 children between the ages of 7 and 14; an additional 140 children were on a waiting list. The program provides a comprehensive series of services involving psychological testing, counseling and instruction for handicapped children and those with learning disabilities in Mapasingue.

Staff members indicated that discussions have been undertaken between foundation representatives and officials from the University of Guayaquil to explore the possibility of the university assuming direct responsibility for the operation of the program in the future.

Although this is a very successful and popular program, it is not quite clear how it fits into the overall objectives of the project. We therefore recommend that the foundation clarify the role of this program within the objectives established under the project.

## X. Conclusions and Recommendations

In assessing the overall performance of the Fundacion Eugenio Espejo (FEE) under the OPG, the following points should be kept in mind. First, the program developed by the FEE under the OPG should be judged on its own merits and not by comparison to more well-established programs that may appear to be more successful. Well-known foundations such as the Fundacion Ecuatoriana de Desarrollo (FED-Quito) and the Fundacion Dominicana de Desarrollo (FDD-Santo Domingo) that operate comparable programs have been in existence for longer periods of time (almost twenty years in the case of the FDD in Santo Domingo) whereas the FEE's activities, particularly the credit program under the OPG, are limited to less than two years.

Second, the FEE has undertaken a different and more ambitious program which involves both social and economic components in urban and rural areas that require large investments in "promotion" and community organization. In contrast, foundations such as FED (Quito) operate credit programs principally as financieras, or funding agencies without significant investments in promotion ("autopromovidas") and training in the use of credit.

Although its programs may be overly ambitious, the FEE has nevertheless succeeded in developing an integrated community development project based on community organization and participation that has improved the quality of life in urban and rural areas previously neglected by public officials. Despite

the fact that not all of its initiatives or mechanisms developed (e.g., the convenios) have been successful, there have been notable successes in improving social services to both rural and urban marginal communities. The foundation also has been successful in developing and implementing a credit program that-- despite its short duration--is beginning to provide resources previously unavailable to small enterprises. There are also less quantifiable accomplishments for which the FEE can take credit. Respondents pointed out the improved morale and reaffirmation of the dignity of their communities which they feel is a direct result of the foundation's presence and efforts.

On the whole, then, the evaluation team feels that the foundation has demonstrated that it can indeed fulfill its role as a catalyst and coordinating agency for social services and economic resources to marginal rural and urban sectors in Ecuador. Its major shortcoming is that it has been unable to consolidate its accomplishments to date. The FEE has been largely unsuccessful in institutionalizing processes, procedures and programs initiated under the present OPG. In this sense, it has not yet fully developed a replicable integrated community development model as called for in the project paper.

Although the short duration of the project may explain, in part, why the process of institutionalization has not yet been completed, the evaluation team believes that management deficiencies have also prevented the foundation from achieving its potential. These management problems will have to be addressed in the short term to improve the overall performance of

the FEE under the OPG.

The evaluation team identified the following problems:

Lack of a comprehensive or master work plan. Discussions with the management and administrative staff of the FEE revealed that the FEE has never developed a comprehensive work plan that provides an overall rationale for the project and establishes implementation guidelines and progress indicators. Although "partial" plans apparently were developed for some of the activities, a more comprehensive planning exercise was not undertaken. Such exercise would have been useful in establishing a process at the beginning of the project whereby staff, assembled together, could have reflected on the overall mission and nature of the project and clarified objectives to be achieved--particularly at the output, purpose and goal levels of the project. It also would have been an excellent opportunity for project staff and AID officials to discuss mutual responsibilities and expectations.

This lack of planning may explain the poor "timing" or scheduling of some of the implementation activities. For example, the Grant Agreement was signed on September 29, 1982, but activities did not commence until December 1982. The subsequent implementation of important components of the project (such as the credit program) also reflects poor timing: the credit component was not implemented until the very latter stages of the project, and consequently, has been in operation for only 16 months.

The lack of planning may also explain why after three years of implementation there is yet no consensus among the management and administrative staff as to the principal objectives of the project. We noted in particular the lack of clarity between the goal and the purpose levels of the project. As pointed out earlier, the goal of the project is "to increase the incomes and quality of lives of low income marginal groups..." in urban and rural areas; on the other hand, the purpose is "to develop and implement an integrated development model (as called for by the National Development Plan) that can then be expanded to other areas."

However, respondents gave different answers when queried as to the principal purpose of the project. Some said it was to raise incomes while others said it was to organize and bring about community improvements. Still others believed it was to provide credit and related services to small entrepreneurs in order to increase incomes in the area. No one mentioned the principal purpose of the project which is to develop and implement an integrated community development model that can then be expanded to other areas of the country. In the opinion of the evaluation team, the staff appears to have been so busy with day-to-day implementation activities that they have not had time to think about, much less to reflect upon, the development of a fully operational model and to consider these questions: What are the essential elements that constitute a fully developed integrated development model? How does one go about

institutionalizing these elements? And what institutional capabilities in terms of numbers of personnel, skills, financial and other resources are required to replicate such a model in other parts of the country?

The lack of planning (reflected in the absence of a work plan) also may explain several characteristics of the project-- for example, its "scattered" ad hoc programming which seems to reflect an attempt to respond to an infinite number and variety of community needs but pays little attention to the interconnections between activities and how they support project objectives. As already noted, this approach has been most apparent in the training component.

The lack of planning also may explain the lack of "balance" or proportion in the project as evidenced by its unduly heavy emphasis on the social component of the project. As a result of this concentration on the social component of the project, the economic component of the project was unduly delayed until the very later phases of the project.

Given the absence of a work plan and the project's ad hoc, episodic planning process, it is not surprising that the project staff did not develop benchmarks at the beginning of the project against which to monitor accomplishments that could have been measured or assessed on a regular basis throughout the duration of the project. Furthermore, we also noted that the reporting requirements were not adhered to in the format required by AID. The reports submitted by the foundation to AID consisted largely

of narratives rather than an analysis of project indicators. The evaluation team also did not see evidence that the reporting narratives submitted to AID had been compiled through a process of discussion and internal evaluation/assessment among project staff.

The evaluation team also noted that annual evaluations were not undertaken as called for in the project paper. Although Section 8 ("Reporting Requirements and Evaluation") of Annex A of the project description prescribes annual evaluations ("...the first annual evaluation [to be] completed by October 1, 1983..."), and established \$2,000 per year in the budget to cover the expense of undertaking these evaluations, they were not carried out. When queried, foundation staff indicated that an effort had been made to conduct one of these internal evaluations but that it had not been completed.

The failure to comply with this important requirement was a particularly worrisome finding because evaluations are a useful management tool in clarifying objectives as well as in measuring accomplishments to date, determining progress toward end-of-project indicators, measuring the nature and impact of project inputs and recommending modifications to the project designed.

Our evaluation also revealed poor budget planning. The most obvious case involved the use of technical assistance: Despite the existence of a line item of \$65,000 in the budget for technical assistance, almost none of it was used for this purpose. The two exceptions included a small amount used to

procure the services of a local consulting company (Naranjo and Stern) to develop a credit manual (which, as it turned out, was too general for the needs of the program); and payment for a socioeconomic study. Most of the \$65,000 allocated for technical assistance appears to have been used largely to cover operating expenses.

Discussions with USAID/Quito officials suggest that other line items, such as for credit, may not have been fully used for their intended purposes, and may also have been used to cover operating expenses. (This evaluation was unable to make a clear determination of this fact, which would have required a financial analysis beyond the scope of the evaluation).

Failure to use technical assistance in specialized areas has, in the opinion of the evaluation team, adversely affected the efficiency of program operations and the efficacy of the project in achieving objectives. For example, the FEE could have secured the services of a number of experts--local or offshore--to assess the overall credit program and make recommendations for its improvement; to develop an updated loan procedures manual; to develop and strengthen the management information system by providing computer training to project staff; to develop electronic data bases for credit beneficiaries; to assess the accounting system and assist in the development of indices of operational efficiency; or to assess the overall training program in terms of the objectives of the project. Small amounts of technical assistance in these specialized areas could have greatly enhanced the efficiency and efficacy of the project. To

date, this has not been done.

In addition to inadequate budget planning, there is a related problem involving inadequate financial controls over the budget. At present, there is no evidence that the program has developed any measures of financial and operational efficiency to monitor the performance of the project. As a result of poor financial planning and controls over the budget, the project ran out of funds two and a half years after initiation of this three-year activity. (It appears that AID recently approved an additional \$180,000 to continue operations and the credit program until December 1985).

The overspending by the FEE under the OPG also raises the corollary issue of AID's monitoring of the project. Although AID's policy of providing maximum programming and financial flexibility in the implementation of OPGs may make sense in the case of small grants, it may not necessarily be an appropriate policy when larger grants are involved. In general, local organizations are not familiar with the myriad requirements of a complex organization such as AID. More specifically, they tend to be unfamiliar with AID's accounting system based on advances where budget line items are not monitored with the same degree of scrutiny they receive in bilateral programs. (In the latter, changes may not exceed 15% of the line item without the expressed authorization of AID). AID project management should therefore consider conducting a "preimplementation" seminar for all new OPGs, or follow-on activities. This would be a useful

mechanism to establish a dialogue on objectives and mutual responsibilities and expectations on the part of AID and implementing agency staff. The Mission also might consider requesting the participation of the Latin American Bureau's PVO Office in this exercise.

As described in this evaluation, the project is organized according to four program areas: PRODECOMUN (Programa de Desarrollo Comunal); PROCREDEM (Programa de Credito y Desarrollo Integral de la Microempresa Informal Urbana); CRESIU (Centro de Recursos Empresariales del Sistema Informal Urbano) and, more recently, CEDUES (Centro de Educacion Especial para la Infancia).

With regard to these programs we make the following general observations and recommendations:

#### Community Development--(PRODECOMUN)

a. Although the project has been successful in mobilizing and promoting community organizations such as neighborhood and parents associations, these organizations are for the most part weak institutions. Project staff will therefore have to assess to what extent it will continue to assist them in strengthening their organizational capabilities to become more stable and self-sufficient so that they can mobilize using their own resources and establish direct linkages with the respective government institutions.

b. Since most of the activities developed by the project have not yet been institutionalized, priorities will have to be

established for the institutionalization of some of the activities initiated by the project. The top candidate at present is the CEDUES program. According to project staff, the University of Guayaquil has expressed an interest in assuming principal responsibility for the project. The activities undertaken must not be merely episodic but must lead to the creation of more direct, and permanent linkages between the community and public institutions.

c. The heavy urban emphasis of the project reflects in part a lack of clarity with respect to the major objectives of the project. Despite the efforts undertaken in the rural areas of Santa Lucia and Daule, the "integrated" rural-urban strategy contained in the project as originally conceived appears to have been lost to a large extent. The present urban bias of the project is, interestingly, reflected in the credit program's name, which does not even refer to the rural sector: "Programa de credito y desarrollo integral de la microempresa informal urbana." In similar fashion, the name of the training program also does not make reference to the rural sector: CRESIU (Centro de Recursos Empresariales del Sistema Informal Urbano). (Emphases added).

The rural credit component of the project thus needs to be defined in the very near term, with a particular emphasis on its relationship to the urban component in Mapasingue. This recommendation is based on the fact that while project activities have continuity and concrete results in Mapasingue, the

activities in the rural area appear unsystematic, episodic and largely isolated from the overall thrust of the project which, as we have already indicated, is largely urban at present.

#### Training--(CRESIU)

In view of the very diverse number of training activities developed by the project, it is necessary to establish priorities and to define their relationship to the two principal programs developed under the project: social development and the credit program. We thus suggest that the project staff undertake an internal evaluation with the objective of establishing priorities with regard to the training program.

#### The Credit Program--(PROCREDEM)

The credit program has been developed with a considerable amount of innovation on the part of the project managers who have defined and implemented a strategy that addresses different classes of local business. Despite the apparently sound basis of the credit program, project management should consider using technical assistance to increase the efficiency of selected aspects of the program, with particular attention paid to the specialized areas noted earlier: the need for training in the credit program; the development of various measures and indices of operational efficiency; the development of electronic data bases for credit beneficiaries; and the development of a procedures manual for the existing system also would be useful. Technical assistance should also be used to determine the extent to which the present credit program can be expanded.

As already noted above, in view of the pronounced urban bias of the credit program it will also be necessary to redefine a credit policy for the rural area. Despite the approval of some loans in the rural sector, one cannot conclude that a strategy for this sector currently exists.

The evaluation team thus concludes that, despite its accomplishments, the FEE has to address its management deficiencies in a systematic fashion in order to achieve its potential. A forum such a seminar would be an appropriate mechanism to discuss these issues and then decide upon a rational course of action to address them. In the very near term it is therefore recommended that:

1. A seminar be held as soon as possible to address both AID's and the FEE's responsibilities and expectations during the remainder of the OPG. It is further recommended that this seminar address the issues as outlined in this evaluation, with special emphasis on the following:

2. A master work plan be developed that restates the project rationale and clarifies objectives at the output, purpose and goal levels. One of the outcomes of this planning exercise should be the development of a calendar of activities planned for the near term, with appropriate provision made for regular evaluation/assessment to measure accomplishments to date,

determine progress toward end-of-project indicators and measure the impact of project inputs. A format for regular reporting on project status (including financial data) that is in accordance with AID requirements should also be developed.

3. The FEE reassess its integrated development strategy, which simultaneously addresses both urban and rural marginal populations. In particular, special attention should be paid to the concentration and consolidation of its efforts in the urban areas with a corresponding deemphasis of activities in the rural area until a subsequent phase of the project. A related issue involves the structure of the program, i.e., What is/should be the appropriate balance between the social and the economic components of the project?

4. The project staff also consider focusing or scaling down its very ambitious training program and making it more relevant to the objectives of the project. Another program that has to be re-examined in terms of its relevance to the overall objectives of the project is the CEDUES program with handicapped children.

5. Most importantly, the FEE begin aiming toward self-sufficiency by generating funds to cover operating expenses for activities such as the credit program from internal sources, and not merely from funds provided by international donors.

The issue of self-sufficiency raises a related issue of the social v. the economic components of the project. Given that the social component will have to be subsidized indefinitely, the

foundation must determine to what extent it can "afford" this component, or whether it should reorient its overall program toward economic development (i.e. credit). If it chooses the latter course of action, it must concentrate on making the credit program more efficient and more self-sufficient by exploring several alternatives:

a) The FEE can consider decreasing its promotional activities in the credit program, thus making it more "autopromovido". In other words, the FEE should consider operating more like a financiera with minimal support services such as training in the use of credit;

b) The FEE can improve the efficiency of its present credit program by strengthening its institutional capabilities-- upgrading the skills of its personnel, establishing more efficient procedures and developing various indices of operational efficiency;

c) The FEE could increase service charges and to some extent interest rates currently charged under the credit program. (However, this option may be limited to some extent by current usury laws);

d) The FEE might also consider changing the structure of the credit program with regard to the end users by increasing loans to more profitable merchants as opposed to the present emphasis on producers.

Despite the management deficiencies outlined in this evaluation, the evaluation team is of the opinion that the FEE's Integrated Community Development Project is a worthwhile endeavor that has achieved considerable success. The management problems can be corrected; its staff is experienced, energetic and dedicated; and the project has the potential to achieve its purpose as described in the project paper. Any additional mission support should be provided in combination with technical assistance in the areas outlined in this evaluation to improve the project's efficiency and efficacy.

## Footnotes

1. The higher elevations tend to hold the most recent and hence poorest inhabitants. These are also the poorest sections of Mapasingue from the standpoint of public resources. The socioeconomic study carried out by the foundation revealed that there were few businesses at the higher elevations mainly because the hilly and steep terrain, without paved roads, made delivery of raw materials and goods difficult. When the credit program was initiated in a subsequent phase of the project, it was decided to target the better established microempresarios at the lower elevations of the cerro in Mapasingue.

## Annex 1

The contractor will assist the Mission to conduct a midterm evaluation of OPG 518-0021 (Integrated Community Development) in accordance with the attached Scope of Work.

### SCOPE OF WORK

The contractor will be responsible for conducting, together with USAID/Ecuador and Fundacion Eugenio Espejo (FEE), a summative evaluation of Project OPG-518-0021, Integrated Community Development. A final report in English will be submitted by the Contractor to both USAID and FEE. Such an evaluation report would include the following:

1. A comprehensive analysis of progress to date on the achievement of project objectives under the different components of the project, i.e., social component, economic component and production and credit component, in both the rural and urban areas.
2. A determination as to what degree the project has been implemented, its originally conceived methodology, implementation mechanisms and overall philosophy.
3. An analysis of the efficacy of implementation activities and the relevance of such activities vis-a-vis the general objectives of the project.
4. An analysis of the relevance and impact of community organization activities during project implementation, as well as

of community leadership training and promotion.

5. A comprehensive analysis of the structure, relevance and social and economic impact of the credit component, as a major component of the project.

ANNEX 2

The First Three Months of the Credit Program

(May - August 1984)1

<u>General Information</u>	Cumulative (May-July)	August ( 1 - 15)	Cumulative (May August)
New Businesses	60	18	78
Number of Loans	98	37	135
Loan Amts.	1,365,000	680,000	2,045,000
Average Loan Amts.	13,928		15,148
Loans Due	49	22	71
Loans Refinanced	4	3	7
Loans Recovered	44	21	65
Amount Due	497,475	336,950	834,425
Amount Recovered	434,775	326,500	761,275
Families Benefitted			165

Small Businesses (by sex of owner)

Males	57	(73%)
Females	21	(27%)

Jobs Created

Full Time	55	(45%)
Part Time	68	(55%)

Service Charges Up to:

May	1,175
June	5,850
July	13,200
August	16,500

1. Information compiled by FEE.

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ANNEX 3

Small Businesses by Type of Economic Activity 1

Number of Businesses	Type of Activity
3	Bakery
1	Guaipe
1	Upholstery
7	Tailoring
15	Dress making
1	Pottery making
4	Shoemaking
10	Wood finishing
1	Mattress making
1	Mirror manufacturing
1	Metal handicrafts
1	Broom making
9	Merchants (comerciantes)
1	Watchmaking
1	Beauty salon
12	Mechanics/electrical works
5	Handicrafts
2	Furniture making
1	Construction
1	Radio

1. Data compiled by the FEE.

ANNEX 4

Credit Members and Loan Amounts (by Cooperative and Area) <sup>1</sup>

Cooperatives and Areas	Members (up to August 16)	Total Loan Amounts (sucres)
1. El Cerro	28	815,000
2. 24 de Octubre	9	200,000
3. Nueva Union	4	160,000
4. Mapasingue Oeste	7	150,000
5. Mirador de Mapasingue	3	50,000
6. Union Paz y Progreso	2	210,000
7. Luz de America	2	20,000
8. Mapasingue Este	8	110,000
9. Prosperina	1	60,000
10. Brisas de Mapasingue	3	55,000
11. 14 de Febrero	5	110,000
12. 27 de Enero	2	60,000
13. Vencedores	1	10,000
14. Antonio Bermudes	1	5,000
15. San Francisco Market	2	20,000
16. Antonio Andrade Fajardo	1	10,000
<b>TOTALS</b>	<b>78</b>	<b>2,045,000</b>

Note: US\$1.00 = 100 sucres

1. Data compiled by the FEE.

# Annex 5

## CUADROS DE FLUJ

### 1<sup>a</sup> Fase

DEFINICIÓN  
SUJETO DE CREDITO

Selección:  
EN BASE A DOCUMENTACIÓN  
PERSONAL  
(FINANCIERA)

Comprob.  
INSPECCION

### 2<sup>a</sup> Fase

DEFINICION  
SUJETO DE CREDITO

Selección:  
EN BASE A DOCUMENTACIÓN  
PERSONAL

Comprob.  
INSPECCION DE

### 3<sup>a</sup> Fase

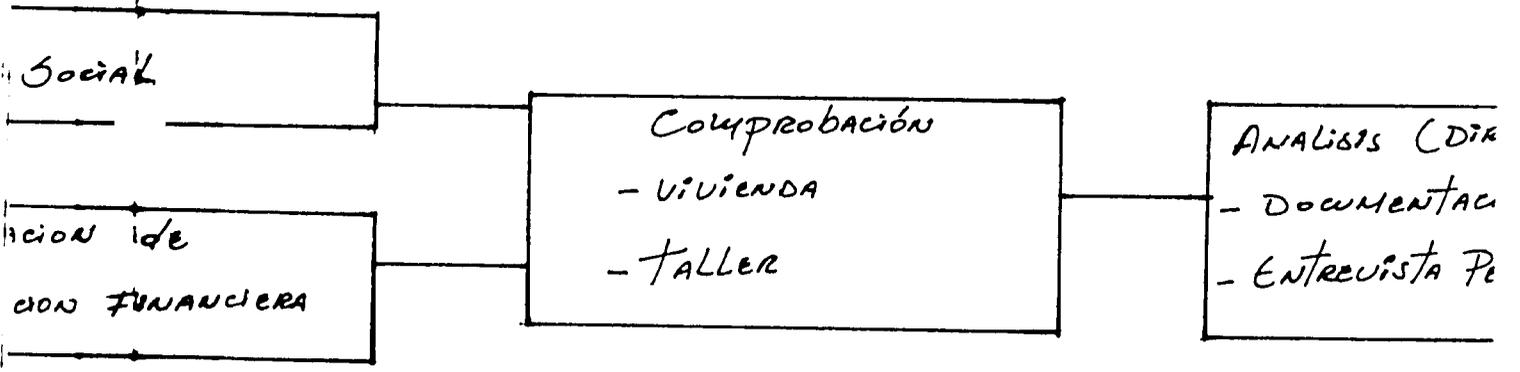
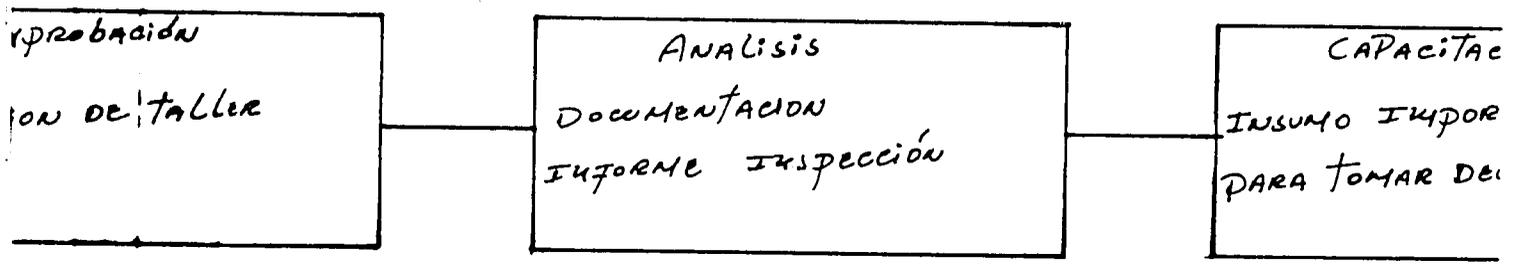
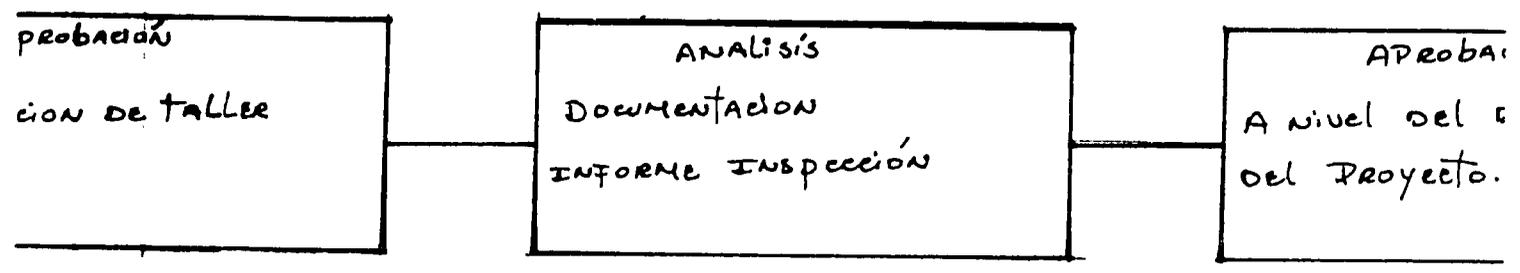
DEFINICIÓN  
SUJETO DE CREDITO

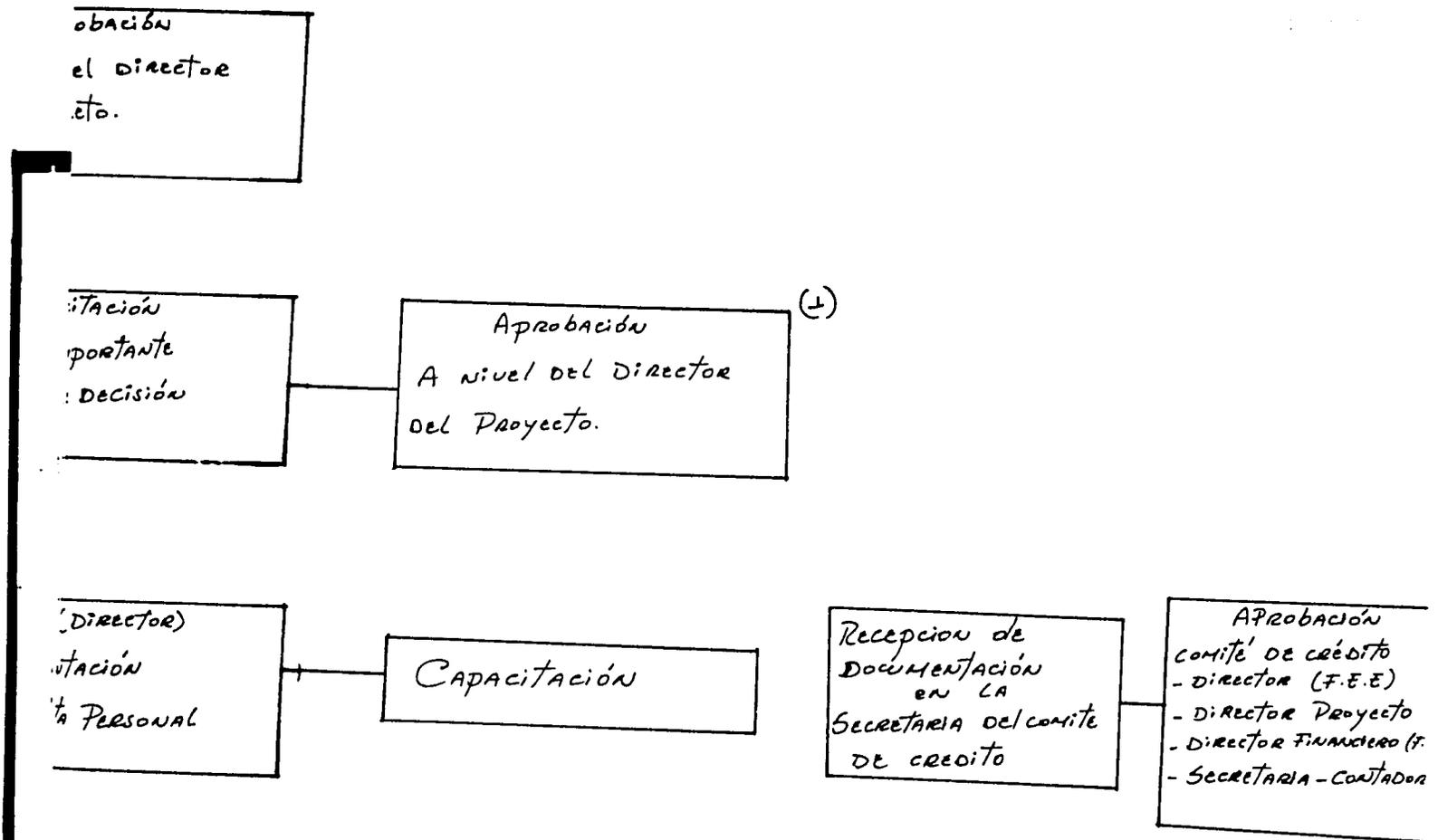
Selección:

ENCUESTA SOCI.

RECOPILACION  
INFORMACIÓN

# FLUJOS Y PROCEDIMIENTOS DE OTORGAMIENTO DE CREDITO.





XAVIER DUES  
14/08/05.

Annex 6

ORGANIGRAMA DEL PROYECTO

