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**Evaluation of the
Micro and Small
Enterprise
Development
Project in Bolivia**

GEMINI Technical Report No. 42

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**GROWTH and EQUITY through MICROCENTERPRISE INVESTMENTS and INSTITUTIONS
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**Evaluation of the Micro and Small
Enterprise Development Project
in Bolivia**

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by

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PLS

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PREFACE

This evaluation was carried out in Bolivia by a three-person team from Development Alternatives, Inc. (DAI) between April 6 and April 25, 1992. The report is based on interviews with officials and members of the three institutions selected to implement the Micro and Small Enterprise Development Project — the Bolivian National Federation of Credit Unions, the Foundation for the Development of the Micro-enterprise Sector, and the Bolivian National Federation of Small and Micro Enterprises. The team also interviewed representatives of the Departmental (Regional) Associations of Small and Micro Industrialists and other knowledgeable officials, and reviewed project and related documentation. The team wishes to express its appreciation to the many people who gave so generously of their time, their experience, and their insights to assist us in our work.

Like all evaluations, this one refers to the Project Paper on which the Micro and Small Enterprise Development Project was based. However, since its inception, the project has undergone significant change and evolution. This has made moot some of the original parameters for measuring achievement. For this reason, this evaluation focuses less on the strict outputs contemplated in the Project Paper, and more on what has actually been and is being done, its impact, and the evaluators' recommendations for improving the program in the future.

Each of the team members participated in the evaluation as a whole. However, because three distinct institutions were involved, it was possible to divide responsibilities according to each evaluator's background and experience. Thus, the section on FENACRE was prepared by Jeffrey Poyo and the section on PRODEM by Anne Beasley. William Fisher was responsible for the section on FEBOPI and for the balance of the report.

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ACRONYMS AND ABBREVIATIONS

ACCION	ACCION International
ADEPI	Departmental (Regional) Associations of Small and Micro Industrialists
AITEC	Accion International Technical Assistance
APIMEC	Foundation for the Development of Small and Micro Enterprise Industry of Bolivia
ASPIPAC	Association of the Small Industry and Artisan Producers of Cochabamba
AUDICOOP	Auditing cooperative
COLAC	Latin American Conferation of Credit Unions
SWISS	
CONTACT	Swiss Foundation for Cooperation for Technical Development
CU	Credit Union
FAT	Technical Assistance Fund, World Bank
FEBOPI	Bolivian National Federation of Small and Micro Enterprises
FENACRE	Bolivian National Federation of Credit Unions
GOB	Government of Bolivia
INASET	Institute for Social, Economic and Technical Assistance
INPEX	National Institute for the Promotion of Exports
M&E	Monitoring and Evaluation
MSED	Micro and Small Enterprise Development Project
PRODEM	Foundation for the Development of the Micro-enterprise Sector.
SOW	Scope of Work
TPM	Team Planning Meeting
UNDESCOOP	Unidad de Deserrollo Cooperativo
USAID	U.S. Agency for International Development
WOCCU	World Council of Credit Unions

EXECUTIVE SUMMARY

This report is a midterm evaluation of the Micro and Small Enterprise Development (MSED) Project, which was authorized in 1988 and began in 1989 as part of the U.S. Agency for International Development program in Bolivia. The goals of the project are to promote rapid and sustained economic growth and to bring about a more equitable distribution of income in Bolivia. The purpose of the project is to stimulate the long-term, stable growth and development of Bolivia's small-scale enterprise sector.

The project works with three Bolivian implementing organizations: the Bolivian National Federation of Credit Unions (FENACRE), the Bolivian Foundation for the Development of the Micro-enterprise Sector (PRODEM), and the Bolivian National Federation of Small and Micro Enterprises (FEBOPI). Technical assistance is provided by ACCION International and the World Council of Credit Unions.

The MSED project seeks to strengthen these three Bolivian organizations and to improve their ability to provide services to their members and clientele in training, technical assistance, and credit.

ORGANIZATION OF THE EVALUATION

The main body of the report is organized in three sections, which deal with findings, conclusions, and recommendations concerning each of the implementing organizations. These sections are followed by a section setting out lessons learned in the project. A summary of recommendations is found in Appendix E.

FENACRE

The FENACRE component of the MSED project suffered from design problems that undermined the ability to implement the project as described in the Project Paper. The institutional analysis carried out in the design stage was inadequate, and thus represented distorted conclusions about the organization's financial health. FENACRE's insolvency surfaced in the external audit conducted in fiscal 1989.

The purpose of supporting credit unions associated with Departmental Associations of Small and Micro Industrialists (ADEPI) was to strengthen these business associations through access to credit. By distorting the incentives of credit union membership, it undermined their viability (the only purpose for joining was to obtain credit). All ADEPI credit unions continue to remain delinquent with FENACRE and all assistance stopped at the beginning of the project.

As a result of FENACRE's financial crisis, the external technical assistance has been concentrated at the Federation level. This assistance has concentrated on directing the dismantling of the deposit mobilization program with the public, and organizing trips to convince the credit unions of the benefits of state regulation.

This component of the project must be redesigned to become an institutional strengthening program, rather than a credit project. However, the technical assistance effort must be directed toward the credit unions rather than the Federation. The Federation must be significantly downsized to become a simple representational and lobbying institution, stripped of its intermediation functions. The project should seek to coordinate activities with German Technical Assistance to maximize the efficient use of resources in order to strengthen the credit union system.

PRODEM

PRODEM's transfer of its offices to BancoSol is progressing smoothly. Conversion by stages has permitted the development of a positive consensus by all levels of PRODEM personnel towards the formation of a new for-profit bank. The transfer of managers, staff and offices from PRODEM to BancoSol should not adversely affect the USAID project over the next 15 months because the day-to-day business of making loans is a decentralized process and a tested system of procedures and controls is in place.

BancoSol needs to focus immediately on developing its plan to mobilize voluntary savings. It should begin by designing a simple, brief marketing study to collect uniform information on current savings patterns of prospective clients. This survey should be administered soon so that a savings promotion campaign can be well under way before the compulsory savings/compensating balance program is phased out next year.

ACCION International Technical Assistance has contributed to the development of PRODEM's institutional culture, in which the development of interpersonal skills and personnel motivation are key. This assistance has contributed to PRODEM's ability to provide credit to increasing numbers of people while maintaining almost negligible delinquency.

The project evaluation and monitoring system should include regular analysis of PRODEM/BancoSol financial statements to assess the health of the organization. It is recommended that PRODEM/BancoSol proceed with the design and implementation of a computerized system for tracking over time certain financial/economic indicators to measure the progress of micro enterprises receiving credit. Much of this information is already recorded on loan application forms and it would be useful for donors, investors, and PRODEM/BancoSol to be able to follow the progress of businesses they are supporting. The design of this system has already begun and is being financed by Catholic Relief Services under an A.I.D./Washington matching grant.

FEBOPI

FEBOPI's achievements include raising government and public awareness of the problems faced by the small and micro business sector; becoming the recognized spokesman for this constituency; designing and implementing a training program in basic business skills through its eight affiliated ADEPIs; completing research into policy constraints facing the sector, and participating in the policy dialogue with the government to ameliorate these constraints; helping to organize two national trade fairs to exhibit small business and micro industrial products; and providing technical assistance to help make the ADEPIs institutionally stronger.

On the negative side, membership represents only a fraction of the potential constituency, and has recently declined to approximately 1,100 small businesses, and no substantial policy reforms have

taken place. Also, the organization has not yet developed services that address the two most pressing needs of the small and micro industrial sector: (1) in-shop technical assistance, including technology assessments, preparation of business plans, and help with arranging credit; and (2) direct intervention to help member companies make contact with prospective customers and close sales.¹

Although FEBOPI has made progress, it is not yet an "established" institution. To achieve this status, it will have to build a solid menu of services that members and prospective members will perceive to be relevant to their most pressing needs. It will then have to aggressively market these services to its constituency. The two strategic legs upon which this reorientation of mission stands are helping members to upgrade and to sell their products.

This report outlines several ways in which existing services could be expanded or their impact maximized. It also recommends study of four new services: (1) Pooled Production and Sales Service, in which groups of 15-20 small entrepreneurs form companies to obtain contracts they are unable to obtain as small individual operators; (2) Domestic Backward Linkages Program, in which FEBOPI plays the role of sales agent or "honest broker" between its members and larger Bolivian companies to help create commercial relationships; (3) an International Subcontracting Program, designed to create sales by small and micro enterprises in selected sectors to overseas buyers or manufacturers; and (4) creation of a Buyers Guide and Buyers Referral Service, designed to bring small and micro enterprises to the attention of both domestic and overseas buyers, with FEBOPI providing hands-on assistance in sample preparation, price quotations, and so forth.

FEBOPI does not have an adequate management information system, which is probably why its reports to USAID are often incomplete and late. The Evaluation Team recommends a series of performance indicators, which could be of value to FEBOPI and from which information required by USAID could be extrapolated more easily.

FEBOPI has prepared a Self-Sufficiency Plan for presentation to USAID. It includes creation of an export promotion organization, establishment of a "raw materials bank," staging two trade fairs annually, and introduction of a "credit card" for members and a "discount card" for members to use in purchasing raw materials. The evaluators find some of these ideas worth studying, but are concerned about identifying the human resources requirements for implementation, and about overoptimistic projections of the amount and timing of revenue generation.

Attracting and retaining members is the key to the survival of any membership organization. To achieve this, the organization needs to develop a menu of services that prospective members will perceive as responsive to their most pressing concerns. That is Job One for FEBOPI in the future. The Evaluation Team recommends such a service menu, accompanied by an intensive campaign to recruit new members.

FEBOPI's funding from USAID is due to end in December 1992. The report sets out several future options for USAID's consideration.

¹ These needs were identified by informants during the interviews made by the team in Bolivia.

SECTION ONE

PRINCIPAL FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This report is a midterm evaluation of the Micro and Small Enterprise Development (MSED) Project, which was authorized in 1988 and began in 1989 as part of the U.S. Agency for International Development program in Bolivia. The project completion date is August 1993.¹ The goals of the project are to promote rapid and sustained economic growth and to bring about a more equitable distribution of income in Bolivia. The purpose of the project is to stimulate the long-term, stable growth and development of Bolivia's small-scale enterprise sector.

The project works with three Bolivian implementing organizations: the Bolivian National Federation of Credit Unions (FENACRE), the Bolivian Foundation for the Development of the Micro-enterprise Sector (PRODEM), and the Bolivian National Federation of Small and Micro Enterprises (FEBOPI). Technical assistance is provided by ACCION International and the World Council of Credit Unions.

The MSED project seeks to strengthen these three Bolivian organizations and to improve their ability to provide services to their members and clientele in training, technical assistance, and credit. The first section of this report assesses the impact of project activity on each of the three implementing organizations. Section Two discusses lessons learned in the project.

THE BOLIVIAN NATIONAL FEDERATION OF CREDIT UNIONS (FENACRE)

The active participation of the credit union system is vital in any project designed to strengthen the reach of financial services to urban and, particularly, to rural populations in Bolivia. The economic instability of the first half of the last decade and the subsequent stabilization program and structural adjustment of the Bolivian economy (and the effects of hyperinflation, closure of state banking, and stringent regulation of the banking system) have led to a severe retrenchment of the reach of the financial system in Bolivia. Access to stable and permanent sources of financial services has been severely reduced for large segments of the population. In recognition of the potential of the credit union system to serve micro and small entrepreneurs, the largest component of the MSED project was designed to be channeled through that system.

Credit unions in Bolivia have been providing financial services to primarily medium and low income segments of society since the 1960s. The credit unions are multipurpose financial institutions, financing everything from consumer, commercial, and industrial loans, to housing and agricultural production loans. However, the experience of credit unions with externally subsidized and targeted credit programs has been extremely poor. Also, recent experience in Latin American countries (Colombia, Dominican Republic, Honduras, Costa Rica, and Bolivia) demonstrates that rational development of the credit union system can be achieved only when based upon domestic deposit mobilization.

¹ The FEBOPI component will end in December 1992.

Design of FENACRE Project Component

The design of this component of the MSED project suffers from serious flaws that have undermined the ability for implementation as proposed in the Project Paper. The most serious of the design problems have to do with (1) the institutional analysis of the organization, (2) the undue emphasis placed on the liquidity constraint as the most significant problem facing member credit unions, and (3) the primary emphasis on the formation of new credit unions linked to regional Associations of Small and Micro Industrialists (ADEPIs).

The institutional analysis of FENACRE that served as the basis for the development of the Project Paper is contained in the document: "Proposed Design USAID/Bolivia Small Scale Enterprise Project," which was produced by Development Alternatives, Inc. in 1988. This document states that "FENACRE has been successful in channelling development funds" and furthermore that it is a "financially sound institution with an effective accounting and financial management system" According to this analysis, delinquency in the Federation's externally financed loan portfolio was only 4 percent whereas the delinquency on its portfolio financed with resources mobilized from the public was 22 percent. FENACRE's financial ratios were considered to be "reasonably strong," although the paper pointed out that its bad debt reserve ratio was too low. This document concludes that "FENACRE has the capability of channelling program funds efficiently and effectively."²

In fact, the Federation was in serious financial difficulties at the time of this analysis and less than a year later this would surface in a relatively dramatic fashion. The delinquency figures presented on the externally financed resources were a fiction. The 1987 balance sheet presented in this report shows that 83 percent of the loan portfolio was "Refinanced Loans." Because accounting procedures are on an accrual basis, by continually refinancing its bad debt, FENACRE was able to report low delinquency and interest income on loans that were completely uncollectible. Past experience with highly subsidized, paternalistic agricultural credit programs such as those funded by PL-480 in FENACRE would lead the observer to conclude that a delinquency figure of 4 percent was wholly unrealistic. A closer analysis of this situation a year later by external auditors demonstrated that this delinquency figure was pure fiction.

The targeting requirements and paternalistic nature of the major external credit programs within FENACRE at the time undermined its evaluation and risk-taking functions as a financial intermediary. Intolerably high delinquency in this type of program is not surprising. Of greater concern, however, was that FENACRE reported a 22 percent delinquency ratio on its portfolio funded with savings mobilized from the public — Programa Movilización de Ahorros (PMA), for which there were no external targeting requirements. This finding should have placed its capability as a financial intermediary in serious doubt.

According to a study carried out a year later by PADCO/INC. for the Banking Superintendency, the major problems facing viable credit unions were problems of profitability derived from balance sheets weighted with unproductive assets (fixed assets, school and health services, and so on). As a result of

² It is important to note that the 1985-1988 period had virtually eliminated every financial institution in Bolivia. In that period, the peso boliviano went from 6,000 to the dollar to 1,500,000 to the dollar. Savings disappeared; all banking transactions moved onto the street corners, and the formal financial sector ceased to exist. The credit union system dropped from over 300 credit unions to around 30. Although the project designers and USAID were aware that these were very weak institutions, it was impressive that any of them (and the federation) survived at all without external donations or subsidies. The savings and loan system, for example, was rescued by a grant/loan program from USAID that rebuilt a loan portfolio and subsidized operating expenses. The credit unions received no such assistance.

the hyperinflationary experience, many credit unions protected their members' savings by investing in fixed assets. Although this strategy was undoubtedly correct as financial intermediation became increasingly impossible to carry out under unfavorable macroeconomic circumstances, with a return of price stability, they should have redirected their assets once again toward financial intermediation.

The study carried out by PADCO/INC. demonstrated the ease with which the credit union system was able to mobilize domestic savings. Unlike PRODEM, the credit unions have the ability to mobilize their own resources through deposit mobilization. Some of the more dynamic credit unions began mobilizing savings from the public at competitive rates of interest in response to FENACRE's entrance into this market in 1986. However, this study highlights serious deficiencies in the administration of these funds, placing depositors' resources at risk. The need for the transfer of banking technology to the system as a whole was emphasized.

The ability of the credit unions to become once again profitable and dynamic financial intermediaries requires technical assistance and training rather than external credit. Their ability to carry out this financial intermediation function efficiently is based on their technical capacity. One of the important outputs to be achieved by the project was improvement of the quality of FENACRE's services in technical assistance to its member credit unions. But no analysis was carried out regarding how the project was to achieve this; also, another project in technical assistance was being financed and carried out by the German Cooperative Confederation (DGRV) at the same time as the MSED project.

The major focus of the project design concentrated on the formation and strengthening of five credit unions affiliated with ADEPIs throughout the country. One of the underlying motives for this design was to increase membership in the ADEPIs (attracted by access to credit) and provide another source of income for these organizations. The major deficiency of this design was with the incentives for participation in these institutions. The members' only incentive for participation was access to USAID resources. Furthermore, the credit funds would be provided to the credit union in the form of a grant, further distorting the incentives to these intermediaries. With a general overexpansion in the number of credit unions in Bolivia (numbers range from 130 to 310), especially in the larger cities, it did not seem logical to create yet more such institutions.

Objectives and Results

Objectives

To achieve project objectives, the following outputs were to be achieved for FENACRE under the institutional development component of the project:

- 2,000 additional micro- and small-scale enterprises would develop regular (nonsubsidized or concessionary) savings and borrowing relationships with the national credit union system;
- A permanent capital base of at least \$5.4 million (in the credit union system) would be developed for small-scale enterprise lending;
- FENACRE's services would be expanded in scope and quality. This entailed a specially managed small-enterprise loan fund; trained personnel; well-established operating procedures; effective technical assistance to member credit unions in accounting, loan

servicing, business plan analysis, financial analysis, and collections and delinquency control; good accounting, delinquency control, and statistical reporting systems; and a functioning computer system to manage the funds and statistical reporting systems; and

- Five ADEPI-associated credit unions would be staffed with trained, paid personnel, and have functioning accounting, delinquency control, collection, statistical reporting, and other operational systems.

Results to Date

No appreciable progress has been achieved toward the realization of outputs set forth in the Project Paper for the FENACRE component. Because of the tenuous financial position of the Federation and the credit union system in general, the Mission has delayed disbursement of these funds. The technical assistance provided by the World Council of Credit Unions (WOCCU) and the Latin American Confederation of Credit Unions (COLAC) has been reoriented toward other activities, which are reported on below.

The Federation has implemented the necessary policies and procedures to efficiently channel resources to its credit unions under the micro and small enterprise borrowers program. It has established a system to prequalify the participating credit unions, and has in place the necessary procedures to administer these loans. The maximum loan size (\$10,000) is sufficiently high to allow credit unions adequate flexibility under this program. The interest rates charged from the Federation to the individual credit unions are determined by negotiation.

Interest rates in the credit union system tend to be somewhat above those in the commercial banking system. Some divergence can be justified on credit union loans because of the higher-risk clientele that makes up their membership, and on the deposit side by the need for a risk premium. The larger credit unions with a more solid presence in the market will be forced by competition to remain very close to the prevailing market rates. The marginal credit unions will tend to diverge more because their members tend to have less of an option to borrow from commercial banks, and, because of their poor image, the "hot" deposit money will not be attracted despite their higher rates. The Federation does not provide any guidance to the credit unions with respect to pricing policy. Pricing theory is an area where the credit unions desperately need guidance.

Institutional Strengthening

The Federation is in a tenuous financial position because of defaults and operational losses incurred in the agricultural credit programs (PL-480). In addition, over the years it has diversified its investments into unproductive activities (farm, bakery, sausage factory, and a printing shop). These unproductive activities not only immobilize the Federation's asset base and create operating losses, but — in the case of the sausage factory — create contingent liabilities as a guarantor of bank loans. Although the decision to divest these activities has been taken, there appears to be some reluctance to divest because their sale will generate a capital loss. The Federation needs to restructure its balance sheet, and divest itself of its nonproductive assets to become profitable once again. In spite of this need, the Federation recently received a disbursement of \$450,000 from an approved line of credit of \$1,300,000 from the Latin American Confederation of Credit Unions (COLAC) for working capital, which is being invested in the construction of a building in Santa Cruz.

At the beginning of 1990, the financial insolvency of the Federation came to light during an external audit. FENACRE was presented with the prospect of financial insolvency as a result of very large write-offs of its delinquent portfolio (primarily PL-480) as recommended by the external auditors. Both the WOCCU Coordinator and COLAC's long-term advisor helped the Federation in its discussions with USAID and PL-480 to move the liabilities off the balance sheet and thus avoid immediate insolvency.

The operational losses, however, created a political crisis within the Federation, and to deal with the operational losses, personnel cuts were instituted. During 1990, the project financed a series of nationwide strategic planning seminars to help the credit union system redefine the role of the Federation. As expected, the credit unions voted to dismantle the savings mobilization activities within the Federation (PMA). The idea of setting up a "holding" company structure was proposed in which different services would be run as independent profit centers: technical assistance, UNDESCOOP or Unidad de Desarrollo Cooperativo; auditing, AUDICOOP; a financial intermediation operation within the Federation; and other services.

At this time, the Banking Superintendency would no longer permit the auditing function to remain under the control of FENACRE because of the lack of independence, and, with the help of DGRV, AUDICOOP was formed as an independent organization. The technical assistance unit has not yet been spun off into a separate foundation. However, its costs are being covered by the German project. The COLAC technical advisor has been assigned to work exclusively with dismantling the financial intermediation services within the Federation (PMA), and the project is now paying the salaries of 12 employees of this unit.

The agreement to take the PL-480 liability off the balance sheet played a major role in avoiding the Federation's immediate demise. However, its viability continues to remain in question. The strategic plan that resulted from the regional seminars is a general document that does not contain any projections or convincing strategy on how viability is to be achieved. The credit union base is very weak, and the structure of quota contributions to support FENACRE is inoperative. UNDESCOOP is a "profit center" that must be supported with outside subsidies. Financial intermediation with the public was an intelligent strategy to overcome lack of viability and the intrinsic weakness of the credit union base. However, when the final evaluation is made, FENACRE will probably have lost a significant amount of money in this activity because of a lack of expertise in financial intermediation.

FENACRE continues to mobilize time deposits from the public. The immediate justification for continuing this activity, according to its written strategy, was to build up liquidity to be able to repay the holders of savings accounts. If the cash flow problem is primarily due to delinquency in the loan portfolio, this only postpones the day of reckoning. If FENACRE's operations continue to lose money (despite the project paying part of the Federation's operational costs), then its positive cash flow generated by this deposit mobilization is financial, operational costs.

The apparent strategy is that FENACRE will continue to mobilize time deposits from the public to provide loans to its credit unions. These funds would complement deposits by the credit unions into the Federation. The problem with this theory is that FENACRE will have to pay above-market rates to mobilize deposits from the public. Once it adds on its marginal costs it will price itself out of the market, because the credit unions can mobilize these funds themselves. Those credit unions that cannot mobilize their own resources, and are willing to borrow these funds, are probably not very good credit risks.

The external technical assistance has been effective in helping FENACRE eliminate the PL-480 funds from its balance sheet. However, this does not resolve the more basic strategic problem of its

future viability. Everyone is counting on the \$5-million donation to resolve the Federation's problems, and it would certainly shore up its balance sheet. The future viability of the Federation appears to be based on the intermediation of credit union liquid reserves, together with deposit mobilization from the public. Given the Federation's track record with the PMA, and the conflicts of interest of combining political control with financial intermediation, the Evaluation Team is hesitant to propose such an arrangement.

WOCCU/COLAC Technical Assistance

At the beginning of the project, the WOCCU Coordinator provided training seminars on micro and small enterprise lending to the credit unions. However, there are no obstacles to credit unions serving the microentrepreneurs, and the unions have been regularly serving this segment of the market — although not exclusively. Among those credit unions that have turned their attention towards competing for savings in the market, the major problem is not a lack of loanable funds, but technical assistance and training to improve their financial management and help them comply with the requirements of the Banking Superintendency. Further, the credit unions require assistance in setting up systems to manage their credit risks more effectively.

During 1991/92, the technical assistance provided by WOCCU has been almost exclusively centered on convincing the credit unions within the system that outside supervision and inspection is important. The project has paid for trips to countries in Latin America and the United States so that participants can see what is done in those countries. In addition, the project is financing another round of regional seminars to discuss the need for external supervision as well as to discuss topics related to savings mobilization.

In addition to assistance in writing-off the delinquency portfolio, the external technical assistance has concentrated on two areas: dismantling the PMA and developing prudent supervision of the credit union system. Assistance has been effective and helpful in these two areas. Although one of the most important outputs was supposed to be institutional strengthening of member credit unions through highly specialized technical assistance, this has not occurred. This is partly because the financial crisis of the Federation has distracted project attention, but also because the issue of coordinating technical assistance and training functions to credit unions with the DGRV group was not discussed either in the preliminary project design documents or in the Project Paper itself. Aside from the recent regional seminars discussed above, the project does not have any direct presence at the credit union level.

The technical assistance being provided by German cooperation appears to be fulfilling some important needs in information management (for which the credit unions are willing to pay). However, the training component of UNDESCOOP is highly academic and its impact has not been that effective on a practical level. The training program needs a more practical approach designed to resolve the particular problems facing the credit unions. At this point there appears to be little possibility of cooperation between the DGRV and WOCCU.

FENACRE Services

The project has had no impact on improving FENACRE's services, particularly its technical assistance services to its credit unions. German technical assistance to the Federation is financing at least 75 percent of UNDESCOOP, which provides technical assistance to the member credit unions.

Small Enterprise Credit

Before implementation of the project, and with the expectation of obtaining project credit resources, FENACRE loaned \$210,000 to six ADEPI credit unions using PL 480 resources. The results have been disastrous: all participating credit unions remain delinquent with FENACRE to this day. No further activity toward the development of the credit unions has been carried out since this experience.

ADEPI Credit Unions	Original Loan Disbursed	Delinquent Balance
Cochabamba	50,000	17,019
Tarija	39,000	14,887
Oruro	30,000	2,000
Potosí	19,000	3,896
La Paz	50,000	8,085
Sucre	22,000	9,924
Total:	210,000	55,811

USAID has disbursed only \$100,000 dollars to FENACRE of the original \$5.4 million slated for small-enterprise credit through the credit union system. These funds have financed 23 loans to two participating credit unions (\$60,000 to Catedral, LTDA. in Tarija and \$40,000 to San José Obrero, LTDA., in Santa Cruz).

No impact indicators have been established because the credit component of the project has not been implemented. Impact indicators should not focus on micro and small entrepreneurs, but on the strengthening of credit unions.

Conclusions and Recommendations

The main reason this component has not achieved appreciable progress on projected outputs is due to deficiencies in design. The most significant of these has to do with the institutional analysis carried out of the implementing institution, FENACRE. Contrary to the assertions presented in the background document, FENACRE was a financial house of cards that came crashing down once the "refinancing" veil of its highly delinquent loan portfolio was lifted as a result of an external audit. For this reason, USAID was forced to delay disbursement of credit funds and the project team focused on strengthening FENACRE as an institution.

Also, the emphasis on supporting the creation of new credit unions affiliated to regional ADEPIs in a marketplace already overcrowded by an unsustainable number of institutions did not make much sense. The primary objective of supporting these credit unions was to strengthen the ADEPIs, and not the strengthening of financial intermediation in its own right. This introduced serious distortions in the incentives for member participation, undermining their viability as financial intermediaries from the start.

The credit union structure is adequate for servicing the financial needs (credit and deposit) of micro and small enterprises. However, the unions could benefit from specialized technical assistance in banking to help them improve the efficiency of their portfolio administration and credit evaluation systems.

Recommendations

1. External technical assistance must work with credit unions on a detailed strategic plan for FENACRE. Financial intermediation must be separated from the political structure. A business plan must demonstrate the feasibility of a down-sized Federation supported through sale of services (other than financial intermediation) and direct budgetary contributions (quotas) by credit unions. This will assure democratic control and avoid conflicts of interest implicit in financial intermediation.
2. Donation of credit funds to "recapitalize" FENACRE should be used only in support of the process to drastically reduce its size and avoid a financial collapse that could adversely affect confidence in credit unions. FENACRE is supposed to be a service organization — its future existence should be dependent on its ability to provide the required cost-recoverable services to its membership. FENACRE must divest itself of all collateral activities.
3. Detailed plans must be drawn up by WOCCU to coordinate with DGRV to provide technical assistance and training to member credit unions through UNDESCOOP. The major thrust of external technical assistance should be concentrated on strengthening financial intermediation of member unions, not on recapitalizing FENACRE.
4. External technical assistance should be focussed on helping credit unions comply with the requirements of the Banking Superintendency. No new or parallel supervision structure, such as NCUA, should be set up in Bolivia.
5. A Central Liquidity Facility should be instituted in two stages. In the first stage, it should serve merely as an "information" center providing specialized financial information on member credit unions in support of inter-credit union lending (for which a commission should be charged). The second stage would incorporate the management of assets and liabilities. Its administrator should be independent of the political structure governing the Federation.
6. Impact indicators that measure the financial viability of the credit union system should be implemented. As this system is strengthened, access to financial services by micro and small entrepreneurs is improved. Indicators that keep track of numbers of members, loans (volume and number), liquidity, profitability, capital adequacy, and growth should be incorporated.
7. All deposit mobilization from the public (nonmembers) at the credit union level should be strictly prohibited. Likewise, all deposit-taking by the Central Liquidity Facility from individuals or noncredit union institutions should be prohibited.

THE BOLIVIAN FOUNDATION FOR THE DEVELOPMENT OF THE MICRO-ENTERPRISE SECTOR (PRODEM)

The USAID Mission in LaPaz posed specific questions regarding PRODEM to the Evaluation Team. The following are the answers to those questions.

Transfer of Lending to BancoSol

Describe and Evaluate the Strategy to Transfer Lending Activities to BancoSol.

BancoSol became a legally established bank recognized by the Banking Superintendency on February 1, 1992. At that time, the transfer of PRODEM's portfolio to BancoSol began. The transfer strategy consists of transferring the portfolio of each major regional office of PRODEM over a period of approximately 15 months. The proposed schedule for the transfer is as follows:

Office	Opened	Conversion
La Paz	1987	February 1992
El Alto	1988	June 1992
Santa Cruz	1990	September 1992
Cochabamba	1991	April 1993

One advantage of selecting a transfer by stages as described above is that it permits adequate training of the personnel in each office. The conversion of PRODEM to BancoSol requires the installation of a new accounting system and procedures in accordance with requirements of the Banking Superintendency; the staged conversion allows each office to test these systems adequately before they are put into use. The conversion plan itself for each office consists of a series of steps that include a transition seminar, specialized banking courses for personnel of each department, and the introduction, one month before conversion, of BancoSol accounting software to run concurrently with that of PRODEM.

The first step is a transition seminar for all the personnel of each office five or six months before the office is converted. The purpose of the seminar is to build consensus on the part of PRODEM employees for its conversion to a bank. Several the original PRODEM employees had academic backgrounds in such areas as sociology and anthropology rather than business administration and had chosen to work in a nongovernmental organization (NGO) with social objectives of helping the microentrepreneurial sector. The attitude of many employees has ranged from uncertainty to hostility at becoming employees of a for-profit bank and, accordingly, the challenge has been to explain the decision and to ultimately create the same commitment on the part of the employees towards BancoSol as there has been for PRODEM.

The seminar is conducted by a facilitator from outside of PRODEM and it is usual for senior staff members of both PRODEM and BancoSol to attend these sessions and be available to answer any questions. The seminar opens with a written diagnostic of PRODEM in which employees are asked to define an NGO and to identify its strengths and weaknesses. Later the discussion progresses to what it will mean to be a bank. The discussion focuses not only on the profitability issue, but on practical issues such as changes in operational work hours as required by the Superintendency. Many of the field advisors have expressed fear that, in a bank, personnel might become so concerned with the profitability

issue that they would forget client service and lose the *mística*. However, most have concluded that PRODEM's primary weakness has been a shortage of capital, which has impeded its service to the microenterprise sector. They realize that the formation of BancoSol would provide increased capital and lead to the development of more credit products such as loans for fixed assets.

Two to three months before a conversion, personnel in specific departments begin taking specialized banking courses. These courses are especially oriented toward auditors, people in the accounting department, and those who will be working as cashiers. Courses such as financial institution accounting are typically intensive, four-to-five-day courses offered by instructors supplied by the Superintendency. They focus on the difference between bank accounting where, for example, books must be closed daily and that of NGOs, which is less restrictive. Courses for cashiers or tellers focus on the development of human relations skills.

Finally, one month before conversion, the new BancoSol accounting software is introduced. During this trial month, the new bank software system runs concurrently with that of PRODEM so that any error can be caught and corrected before the new system is substituted.

Is the Strategy Selected the Most Appropriate?

One major assumption underlying the selection of the staged transfer is that it is much more feasible to implement a complicated conversion process, with all the steps previously described, for smaller groups of people and with fewer transactions than would be the case if all offices were converted at once. For example, the transition seminars can be organized for smaller numbers of people and it is easier to develop their commitment to a new organization. Perhaps more important, software can be tested with fewer transactions and glitches removed at an earlier stage. In addition, because PRODEM offices are widely disbursed throughout the country, a staged conversion makes it easier for management to focus on one geographical area at a time.

Another reason for the staggered conversion is related to regulations of the Superintendency, which ordinarily limits a bank from opening more than one new branch a year. In the case of BancoSol, the Superintendency was willing to be more flexible and allow the conversion of both the El Alto and Santa Cruz offices in addition to the La Paz office during one 12-month period. However, the Superintendency did not look favorably on the simultaneous conversion of four offices.

The original plan had scheduled conversion of the Santa Cruz office before El Alto, but this schedule has been reversed. The primary reason for this decision was financial impact. Because the loan portfolio of the El Alto office is almost twice as large as that of Santa Cruz (Bs5.6 million versus Bs2.9), it was decided that the earlier conversion of the El Alto office should generate more income on the financial statements.

Will the Early Transfer of the Executive Director and General Manager of the LaPaz Office Leave a Vacuum Within PRODEM that Could Affect the USAID Project?

On February 1, 1992 both the Executive Director of PRODEM and the Manager of the La Paz office became staff of BancoSol. PRODEM was left with two management units in its La Paz office: Operations and Finance and Research and Development. Many of the management functions that had been carried out by the Manager of the La Paz Office were transferred to the Manager of Operations and Finance. The Executive Director of BancoSol concurrently serves as the Executive Director of

PRODEM. Functions of the Manager of the La Paz office have been assumed by the PRODEM Manager of Operations and Finance.

To determine whether or not a management vacuum has been created in PRODEM that could affect the USAID project, this evaluation looked at how smoothly operations were running in two PRODEM lending offices, El Alto and Santa Cruz. The field advisors are the key personnel in the PRODEM lending operations. The advisors are carefully selected by a committee on the basis of education, experience, human relations skills, age, linguistic ability, and maturity. There are approximately 20 initial applications for each position available and extensive training after selection. Advisors ordinarily visit clients twice during a loan cycle. Delinquency is identified within two days of nonpayment, and the following day it is customary for the client group to receive a visit from the advisor.

PRODEM has a well-established system of controls that permits the organization to make many loans while maintaining the quality of the portfolio. Prospective clients themselves form solidarity groups of four or five individuals and the group makes a loan request to the field advisor who makes a recommendation to the credit committee. The credit committee is formed of all the field advisors in a specific regional office and they, in turn, vote on the terms (amount and payback period) of the loan. Other PRODEM employees may have a voice, but no vote on the committee. The field advisor disburses the check (signed by the Resident Advisor) and the book of payback coupons. Subsequently, the field advisor is absolutely responsible for the repayment of the loan. This decentralized system for approving and disbursing loans means that even when the institution is going through a major reorganization such as a conversion, business in the regional offices can continue as usual.

PRODEM's management is well trained, dedicated, and shows a high level of interpersonal skills. Regional managers run their offices without direct supervision (this is referred to as *autogerencia*). Furthermore, there is a cohesiveness in PRODEM/BancoSol management. For example, in 1991, five PRODEM managers visited the Grameen Bank in Bangladesh and the BRI in Indonesia, and this group included the managers of the El Alto and Santa Cruz offices. BancoSol management continues to be accessible to PRODEM management. Evidence that the Santa Cruz and El Alto offices continue to run efficiently is found in the delinquency rates for the month of March 1992 of .66 percent and .57 percent respectively.

Conclusions

- The strategy selected for conversion seems to have been not only appropriate, but the most logical and feasible strategy, given regulations of the Banking Superintendency, the geographical dispersion of the PRODEM regional offices, and the complexity of testing and implementing new accounting software and training large numbers of staff in new banking procedures.
- Conversion by stages has permitted the development of a positive consensus at all levels of PRODEM personnel toward the formation of a new for-profit institution.
- The transfer of managers, staff, and offices from PRODEM to BancoSol should not adversely affect the USAID project over the next 15 months because the day-to-day business of making loans is a decentralized process and a tested system of procedures and controls is in place.

- The management of BancoSol and PRODEM functions as a close cohesive team and the team observed that managers are accessible to each other and to staff.

BancoSol's Savings Mobilization Strategy

The management of BancoSol recognizes that the capture of savings is an integral part of its financial plan and an important source of funds for its lending program. The goal of management is for the bank to capture the equivalent of approximately US\$3.5 million (Bs13.6 million) in savings by the end of 1992. Current projected sources of these funds include voluntary savings in small passbook accounts (boliviano equivalent of US\$159,000), compensating balance savings accumulated in the PRODEM lending program and expected to be transferred to BancoSol (boliviano equivalent of US\$1,851,000), and large time deposits from directors and others connected to the bank (US\$1,587,000).

Savings as a Percentage of Loan Portfolio (bolivianos)

Year	Savings	Loan Portfolio	Savings/Portfolio
1988	183,986	1,017,684	.18
1989	9634,629	2,778,995	.23
1990	1,880,545	8,307,670	.23
1991	4,098,050	17,061,042	.24
1992 proj	13,600,000	34,384,000	.39
1993 proj	27,553,000	47,331,000	.58

BancoSol currently pays simple interest of 20.04 percent on passbook accounts in bolivianos compared to 20.87 percent average for all commercial banks (the equivalent of roughly 8 percent for passbook accounts in US dollars). It anticipates paying a rate on time deposits that is .5 to 1 percent more than the published commercial bank average currently at 11.15 percent (in US\$). Passbook accounts in Bolivia tend to provide a more stable long-term source of funds than do fixed-term (usually 1-3 months) accounts because depositors frequently withdraw these funds at the end of the term.

PRODEM has a compulsory savings program for loan clients that BancoSol hopes to phase out by February of 1993. Under PRODEM's Capitalization Plan program, credit clients are required to deposit 5 percent of the value of the loan in PRODEM's account at the Banco Boliviano Americano. They receive a deposit receipt for the amount, but no passbook, and in the past were not allowed to withdraw their savings while still in the program. These funds served as a guarantee for the credit. Recently, with the opening of BancoSol, this policy has changed so that clients need only maintain a compensating balance of 20 percent of their current loan. As regional PRODEM offices are transferred to BancoSol, clients' savings from the Banco Boliviano Americano are also transferred to the new bank, which issues them each a passbook when it opens their new account.

Both the Executive Director and Financial Manager of BancoSol have expressed a desire to eliminate compulsory savings at BancoSol because they feel that credit and savings programs should be independent of each other. However, they feel that the elimination of compulsory savings should go hand-in-hand with a promotion program to educate clients on the value of voluntary savings.

Compensating balances would no longer be used as a guarantee for solidarity group loans, although they could be used to guarantee individual loans.

The strategy to mobilize savings consists of having surveyors go from house to house in areas where BancoSol clients live and gather information on current savings patterns. Subsequently, this information would be analyzed and new products developed. BancoSol has not yet designed a survey or other instrument to gather uniform information.

The Banking Superintendency reported that 1991 year-end savings deposit accounts of less than US\$500 totalled Bs62,079,000 and that these accounts represented 233,529 people. A survey carried out by Muller and Associates of 500 informal enterprises in La Paz in April and July of 1991 reports that 64 percent of the enterprise owners had used their savings for the start-up of their businesses. BancoSol management would like to mobilize savings from people who may or may not be currently using its credit services. They are optimistic about attracting savings clients because BancoSol requires no minimum to open an account whereas in many commercial banks the minimum is Bs50-100, and people will save where they can receive credit. Management is contemplating the development of a system to pay scaled interest rates on savings depending on the size of the deposit.

Conclusion

The management of BancoSol recognizes the importance of mobilizing savings and has set targets by year. They also have a scheme for a marketing plan although this has not yet been specified.

Recommendation

BancoSol should design a simple, brief, marketing survey that can be easily administered and tabulated. This will ensure that uniform information on current savings patterns is collected in an efficient and valid manner. This survey should be administered by September so that new products can be introduced and a savings promotion campaign well under way before the compulsory savings/compensating balance program is phased out next year.

ACCION AITEC Technical Assistance

How Effective has ACCION/International's Technical Assistance Been?

Accion Aitec's first contribution to PRODEM was one of credit methodology. Characteristics of this methodology include scaled loans, short-turn-around time from loan application until disbursement, formation and use of solidarity groups, quick loan renewals so that loans act as a line of credit, client follow-up to maintain low delinquency, field advisors to promote and process loans, and computerized accounting.

In addition to the credit methodology, AITEC management has designed a series of management and communication seminars designed for all staff members of its affiliated organizations in Latin America. The emphasis of these seminars is on developing interpersonal skills and teaching members of an organization to work as a team. During 1988-1991, 15 of these seminars were presented at PRODEM and all personnel were required to participate twice a year in the seminars. Frequently the facilitator was from the AITEC home office in Cambridge. The seminars were participatory and

incorporated organizational psychology, motivation theory, and leadership and team roles. The management of BancoSol has found these seminars so effective that it plans to continue them as part of its human resources management program.

Several specialized seminars have also been offered by AITEC to PRODEM personnel. Three financial management seminars were offered from 1989 to 1991 in which the facilitator was Robert Peck Christen, a well-known author on credit systems for microenterprise lending organizations. One of these was offered in Santa Cruz, and the others were in Chile and Paraguay. The number of PRODEM participants in these seminars totalled 18 (10 different individuals). The seminars applied finance and accounting concepts to the management of microenterprise credit organizations. Participants said that these courses were most useful to individuals who already had a finance or accounting background. Other seminars included Training for Trainers, which was designed to teach individuals to become facilitators for the Management and Communications seminars, and Strategic Planning seminars. When these seminars were held in other countries, participants also had an opportunity to visit other AITEC programs so there was a cross-fertilization effect. Finally, members of the PRODEM staff have visited other AITEC-supported organizations to study specific programmatic aspects. For example, four staff members visited an AITEC-assisted institution in Ecuador in 1991 to observe and study its policies and procedures for credit for fixed assets.

As a Result of This Assistance, is PRODEM Institutionally Stronger?

The Executive Director of PRODEM/BancoSol credits the AITEC assistance with having developed the institutional culture of the organization. PRODEM has the structure of an organic rather than mechanistic organization — that is, its structure is more horizontal than vertical. Decisions are made at various levels in the organization rather than at the top, and policies are formed by consensus whenever possible. The Executive Director spends approximately 40 percent of his time in the field offices so that he can keep in touch with daily operations.

Organically structured organizations tend to be decentralized and allow staff and management to make spontaneous decisions. The autonomy of the credit committee is an example of how this system functions. The ability of regional office managers, for example, to make day-to-day decisions without consulting the home office results in more efficient operations.

Another characteristic of the PRODEM institutional culture is its highly motivated staff. One of the objectives of the Management and Communications seminar is to develop *mística* on the part of all the staff members, and this is a word that is used frequently in conversations, especially by the field advisors. High motivation results in excellent client service and low staff turnover.

What Achievements can be Attributed to This Assistance?

The success with which PRODEM has been able to accomplish its mission of bringing financial services to microentrepreneurs is a direct tribute to this assistance. PRODEM has been managed as a well organized business with clear goals and objectives. The AITEC methodology, which has been refined to suit the cultural and programmatic needs of a micro credit organization in Bolivia, has contributed to a low delinquency rate, emphasis on customer service, and growth. From 1988 through 1991, the portfolio more than doubled each year in real terms. The efficiency with which the organization has been run has attracted investment funds that have allowed PRODEM to convert to BancoSol.

Conclusions

ATEC's technical assistance has contributed to the development of PRODEM's institutional culture, in which the development of interpersonal skills and personnel motivation are key. The result has been the development of a horizontal management team, accessibility of management to all levels of personnel, decentralization and delegation of authority, participatory decision making whenever possible, and a strong orientation towards client service. All of these organizational characteristics have contributed to PRODEM's ability to provide credit to increasing numbers of people while maintaining almost negligible delinquency.

Recommendation

PRODEM/BancoSol should continue the Management and Communication Seminars. These seminars should include visits by office staff personnel to microenterprises so that they will be motivated by seeing the growth and progress of clients receiving credit.

Evaluation and Monitoring

Is the Monitoring and Evaluation System for the PRODEM Component Adequate?

The monitoring and evaluation system focuses on several indicators including the number of new clients (both groups and individuals) receiving loans by month, as well as the total number of individuals by gender with active loans from USAID funds. It also tracks the current USAID portfolio, amount of USAID credit funds disbursed, delinquency by both USAID and the global portfolio (delinquency includes any late payments of more than two days), savings of USAID-financed clients, self-sufficiency, maintenance of value of the portfolio, number of training courses, and the number of people attending these courses. A final indicator is employment generated.

Because this is an institution-building project, and PRODEM is a financial institution with several sources of financing in addition to USAID, the evaluation system should include global financial and statistical data as well as data segregated by USAID financing. Balance sheets and income statements provided on a regular basis will assist the USAID Project Manager in evaluating the overall health of the organization and assessing key issues such as its self-sufficiency and its cost structure by office. This type of assessment will allow USAID to be a more useful advisor to PRODEM.

Does it Provide Reliable and Useful Data?

Two indicators could be improved to provide more reliable data. One refers to the number of new individual program participants per month. This figure is currently calculated by taking the number of new group members and multiplying it by the number of new groups. Included in the "new groups" category are groups that have been restructured as well as groups entering the program for the first time. A restructured group may include some previous members who have already participated in the program, but they are counted as if they were new members. A more reliable method to count new members would be to enter individual codes (for each group member) into the computer and count the codes to

determine total numbers rather than simply multiplying the number of groups times the number of individuals listed in that group.

The second indicator that is unreliable is that used to measure employment generation. PRODEM currently does not track actual employment generated by microenterprises receiving credit. It uses a methodology based on the amount of credit disbursed and counts one new job for each US\$1,000 of disbursed credit. Because microenterprises engaged in commerce tend to generate less employment than those in production, and commercial enterprises represent a large proportion of those receiving credit from PRODEM, USAID counts one new job for each US\$2,000 disbursed in credit. It would be more accurate to track actual jobs created over time. This could easily be done on the loan application forms filled out by the field advisors during each loan cycle (approximately 18 weeks) and then entered into a database, which would track the economic progress of each individual microenterprise.

Recommendations

It is recommended that PRODEM set up a database system for tracking over time certain financial/economic indicators to measure the progress of microenterprises receiving credit. Many of these indicators such as the value of fixed assets, sales, costs including employee salaries, and income are currently recorded by the field advisors on the loan application forms. Other indicators such as the number and gender of employees currently working at the enterprise could easily be incorporated into the loan application form. Field advisors could then enter this information into a computerized database. The application form itself could be organized so that data could be transferred easily into the computer. Several advisors interviewed by this evaluator indicated they would like to take computer courses and would welcome the opportunity to regularly use computers. This system functions in other AITEC-affiliated organizations.

Although it would be inappropriate to say that changes in economic/financial indicators were due exclusively to the impact of credit, nevertheless tracking these indicators is a valid way to follow the progress of PRODEM/BancoSol clients over time. It can be useful for organizational planning and useful to donors and investors to measure the economic impact of a sector they are supporting. Because most of these micro businesses are informal and accordingly not tracked in official statistics, it is also useful to look for convenient ways to measure their impact on the economy as a whole. In addition, tracking the progress of microenterprise clients would be useful for advisors who are making credit decisions. The design of this system is already under way and is being financed by Catholic Relief Services.

THE BOLIVIAN FEDERATION OF SMALL INDUSTRY AND PRODUCTIVE ARTISANRY (FEBOPI)

Findings and Conclusions

Three years after USAID's decision to support FEBOPI, the organization's track record presents a mixed picture of pluses and minuses.

On the plus side:

- FEBOPI has raised awareness of the problems facing the small and micro industry sector.
- It has become the recognized spokesman for this sector, enabling small and micro industries to speak with a single voice.
- It has designed and implemented a training program in basic business skills.
- It has carried out valuable research into the policy constraints facing the sector, and has become a player in the policy dialogue with the Government of Bolivia (GOB) and other segments of the private sector.
- It has played an important role in organizing national and departmental trade fairs to exhibit the products of the small and micro business sector; these events generated some sales for exhibitors.
- It has provided technical assistance to help make its eight ADEPIs institutionally stronger.
- It has created systems for accounting and other businesses functions for itself and its associated ADEPIs.
- It has attracted an intelligent and dedicated staff.
- It has created a participative, bottom-up decision process largely driven by the ADEPIs.

On the minus side:

- Memberships have not kept pace with expectations — they declined during the past six months—reportedly due to an increase in dues — and today represent only about a third of EOP outputs, and a tiny fraction of the potential constituency.
- No substantial policy reforms have taken place, and the policy dialogue is now effectively on hold.
- Small and micro entrepreneurs find it difficult to attribute any sales increases to FEBOPI services, other than sales generated by trade fairs.
- There has been relatively little hands-on, in-shop technical assistance, despite funds that the World Bank made available for this purpose.

- The organization has not helped exhibitors to pursue sales leads generated through its trade fairs, nor has it followed up with prospective buyers.
- The management information system appears to be unable to generate key performance indicators in a timely manner.
- There is no long-term strategic, marketing, or membership-building plan.
- FEBOPI and its ADEPIs appear to have done little to help members to develop business plans, assist them with loan applications, and provide other direct services envisioned in the project design.
- Because the five ADEPI credit unions were never established, the income expected from these unions was never realized, and this affected the self-sustainability goals.

On balance, therefore, USAID's assistance has helped FEBOPI and its ADEPIs to begin to build a foundation. FEBOPI has correctly recognized the need for policy reform, technical assistance, product promotion, and a menu of member services, and has made starts in many of these areas. But the "rapid and sustained growth" of the small and micro industrial sectors envisioned in the project design simply has not happened.

Perhaps this should not be surprising — the project design itself recognizes that development of Bolivia's small-scale enterprises requires long-term commitment. On the other hand, perhaps the institution building process has not been managed as well as it might have been. FEBOPI's reach may have exceeded its grasp. USAID and FEBOPI may have had conflicting visions of what "institution building" means. And the overoptimistic language of the Project Paper may have contributed to the creation of unrealistic expectations.

Whatever the reasons, USAID is now faced with questions about the future of FEBOPI. Based on the present schedule, FEBOPI's funding is due to end in December 1992. Should the organization continue to receive support beyond that date? If so, what type and magnitude of support offer the best possibilities for success? Would continuing underwriting of office and overhead expenses help get the job done? Should USAID fund the just-developed Self-Sufficiency Plan? Or would some other approach be more promising? How might FEBOPI best use the remaining nine months of USAID funding to demonstrate its viability?

To begin to answer these questions, the Evaluation Team examined (1) the needs of FEBOPI/ADEPI's small business constituencies, (2) the effectiveness of the activities carried out thus far in meeting these needs, (3) the possible need for new strategic and programmatic approaches, (4) the pool of skills residing in (or available to) FEBOPI/ADEPI to implement such new initiatives, (5) how these skills might be more effectively applied in the future, and (6) whether additional skills are required. In the course of examining these questions, the Evaluation Team responded to the specific questions raised in the Scope of Work. (The role of some ADEPIs as credit providers has been covered earlier in this report.)

The Critical Issues

Five clusters of fundamental and related issues must be addressed by Bolivia's small and micro enterprises:

- **Management Issues:** Administration, planning, cost accounting, cash management, business planning, human resources development, and so on.
- **Technical Issues:** Technology, industrial engineering, production efficiency, quality assurance, and so on.
- **Fiscal and Financial Issues:** Access to credit, procurement of raw materials, the heavy burden of taxation, and its associated paperwork.
- **Sales and Marketing Issues:** Customer identification and access, product presentation, pricing, negotiation, delivery, and so on.
- **Legitimacy/Credibility Issues:** The absence of positive reputation as bona fide commercial enterprises as a barrier to customers, credit, raw materials, and so on, and as a cause of negative self-confidence and low self-esteem.

FEBOPI's responses to these issues since its inception are described below:

Training

From the beginning of 1990 through March 1992, FEBOPI had sponsored 243 training courses (some 58 percent of the number envisioned for LOP). Training courses were held in classroom settings, and much of the classroom training material was designed by the WOCCU Advisor. It appears to be appropriate for small and micro business audiences.

Management, marketing and other "soft" technology issues lend themselves to classroom settings, and this category has indeed comprised most of the courses given thus far. Technical training has not been ignored, but is sometimes given without benefit of actual equipment. More importantly, technical training is best given in an in-shop setting, and this is perhaps the area in which the FEBOPI/ADEPI training program is most critically in need of revision. There is a significant need for hands-on, in-shop technical assistance; moreover, there are World Bank and Swiss funds available for this purpose. Yet, from the commencement of this segment of the training program in November 1991, only some 30 percent of the total training/technical assistance effort has been devoted to in-shop technical assistance. Financed by the Fondo para Asistencia Tecnica (FAT) of the World Bank, this hands-on component has benefited some 50 FEBOPI member companies.

Financial and Fiscal Activities

FEBOPI has taken some first steps in this area. Its Policy Reform Unit completed a study of the taxes and other levies imposed on small and micro business. On the strength of the data presented in this study, FEBOPI approached the GOB and was instrumental in effecting the creation of a public-private commission to study possible solutions to the problem. However, for reasons that remain vague, FEBOPI was unhappy with the commission's approach and eventually withdrew the two staff persons who had been assigned to this project. According to FEBOPI, it will attempt to "start all over again" next year.

The existence of the Policy Reform Unit has doubtless been an asset to the project as a whole. For example, with hard information on the tax structure and percentages levied, and information on the duplication among agencies with taxing powers, the ADEPIs (and PRODEM and FENACRE) can address

this issue with far more confidence. But the bottom line is that there have been no tangible achievements in the policy reform area and the so-called policy dialogue is now on hold.

The organization also has tabled several ideas to ease the financial burdens on small and micro enterprises: a trading scheme, a raw materials bank, and a discount card. These ideas are part of FEBOPI's Self-Sufficiency Plan, which is discussed later in this evaluation.

Sales and Marketing Activities

FEBOPI has played an important role in helping to realize two national trade fairs — and the ADEPIs have organized regional trade fairs — to exhibit the products of its members and other small and micro businesses. These national exhibitions were officially sponsored under a GOB decree by the Ministry of Industry, Commerce and Tourism, in cooperation with the World Bank, the Central Bank of Bolivia, and several NGOs. The World Bank provided funding and production for an attractive catalogue. In 1991, some 266 companies participated, of which 234 were FEBOPI members. Exhibiting companies reportedly invested \$3.6 million. The show resulted in \$400,000 in contracts negotiated at the event, and some \$1.5 million in follow-on contracts signed later. Another national exhibition is now in the planning stage and, as part of its new Self-Sufficiency Plan, FEBOPI anticipates organizing two such fairs annually.

Aside from the obvious benefits of real sales, the principal benefit of these trade fairs to FEBOPI and their ADEPIs was in the credibility and legitimacy they bestowed on the small and micro industrial sector in general.

However, FEBOPI failed to fully exploit the show's success. For example, the organization did not see its role as honest broker between its member companies and their prospective customers, and therefore did not follow up possible buyers' leads. Furthermore, nothing was done to merchandise the catalog to likely buyers who did not attend (the key role of buyers is discussed later in this paper). Finally, as the event was sponsored by the GOB, the effort could not have been a source of revenue for FEBOPI. At the same time, a revenue-producing opportunity was lost in that no effort was made to sell advertising in the catalog. FEBOPI is now in the process of organizing a third trade fair, and believes it will show a profit of approximately Bs.100,000 this time.

FEBOPI has also arranged for its General Manager to attend the upcoming Seville Expo 92 to exhibit the products of ADEPI member companies in a GOB pavilion. GOB sponsorship will minimize FEBOPI money costs associated with this effort, but the cost of scarce time and energy resources must also be considered. The Seville event is a world's fair, not a trade fair. Although FEBOPI participation may well produce positive results for member companies, experience suggests that sector-specific events are by far the most productive in terms of meeting targeted buyers and making sales.

It is in direct services to members that the FEBOPI program most needs strengthening. The project design envisioned that:

Technical assistance for small-scale entrepreneurs will cover: business analysis, assistance in preparation of business plans and loan applications, technical supervision (monitoring) of production and marketing . . . to assure that the business plans are being executed properly, and particular technical assistance as requested by the individual entrepreneurs. Each of the ADEPIs will be encouraged to provide a technical services capability to perform these functions . . . The ADEPIs will be responsible for (a)

identifying, selecting and supporting local beneficiaries, (b) providing technical assistance for operational and financial analysis for their members, and for preparing business plans in support of loan applications, and (c) coordinating other training, technical assistance and technical loan servicing support.

It is fair to conclude that these kinds of direct services to member companies have not been given top priority within FEBOPI and their ADEPIs. This is perhaps understandable in view of the many demands placed on relatively new organizations with small staffs, and never a shortage of things to do. But institutions do not grow in a vacuum. The closer they get to their members' perceived needs, the stronger they become institutionally.

Market Research

FEBOPI's Policy Reform Unit has demonstrated a professional market research capability. An example is its recent study of investment opportunities in the camelid field. FEBOPI's plan is to circulate this study to a variety of organizations.³ The in-house skills required to complete this study can now be applied to other types of similar market, sectoral and product studies — and may well be commercially salable. FEBOPI should consider incorporating this asset into its self-sustainability strategy.

Assistance to the ADEPIs

According to the ADEPIs interviewed in La Paz and Cochabamba, FEBOPI's principal contributions have been (a) training materials; (b) the work of the Policy Reform Unit in its study of taxation; and (c) the opportunity to work with like-minded men and women, for example, on the Self-Sufficiency Plan. Both these ADEPIs felt the need for more guidance in building membership, a more entrepreneurial approach to helping members' sales, and a more one-on-one orientation in the technical assistance area. Although each of these ADEPIs to some extent has its own agenda, their perception is that affiliation with FEBOPI represents a net gain for them.

Institutional Strengthening

The activities cited above have obviously helped to strengthen the organization institutionally, make it more coherent, and give it a stronger sense of unity and purpose. This process has been enhanced via an interinstitutional structure (including ADEPIs, FENACRE, and PRODEM/BancoSol) that facilitates frequent exchanges of ideas and experience, both formal and informal. This process has also helped FEBOPI to become an active participant in leading international micro industry organizations like CLAMPI, thus contributing to FEBOPI's learning curve and lessening the sense of isolation experienced by so many small businesses. However, like all new institutions, FEBOPI has not always managed its time wisely. For example, it put considerable effort into arranging with a local bank to issue a credit card especially for FEBOPI members. But neither the bank nor FEBOPI had a clear idea or plan for

³ The Evaluation Team's experience suggests that it might be more time-efficient and productive to get the study into the hands of one or two people who are experienced in the camelid industry — the prospective investors or buyers. These people are identifiable, and are often happy to provide insights and guidance based on actual experience.

aggressively promoting the card and, in the end, only eight cards were ever issued. FEBOPI says it plans to revive the idea with another bank.

The WOCCU Advisor has played a meaningful counselling and conceptual role in numerous FEBOPI activities, as well as in specific technical areas such as the development of FEBOPI's accounting system. In the institution-building area, however, it is not possible to quantify or separate the WOCCU Advisor's contribution. For the future, the Evaluation Team suggests that the WOCCU Advisor's two top priorities should be (a) helping to build a menu of more direct membership-building services; and (b) facilitating in-shop technical assistance, including preparation and follow-through with business plan preparation, technology assessments, and similar in-shop concerns.

Although FEBOPI has made progress, it has not yet reached "critical mass" — it is not yet an "established" institution. Moreover, to achieve this status, it will have to direct more thought and energy into reordering priorities and rethinking its mission. Institutions like FEBOPI survive and become self-financing by providing a menu of services that members perceive to be responsive to their most pressing needs, reasonably priced, and not available elsewhere. Thus, while FEBOPI continues to strengthen itself as an institution, it will have to move more aggressively into developing services that will attract and retain members: more in-shop technical assistance and more direct interventions in helping member companies to sell their products.

Recommendations

The fuller realization of FEBOPI/ADEPI's potential will require reorienting the organizational mission, developing new strategic initiatives to build membership, expanding the service menu, adding human resources, and time.

What the evaluators feel needs to be done in the future is presented below.

Reorienting the Mission

If FEBOPI and the ADEPIs are to make a lasting contribution to the commercial health of their constituencies — without which they have no reason for existing — they need to do three things:

- They need to help their members to upgrade their products.
- They need to help members to sell those products.
- The need to use the above as the basis of a concerted and aggressive campaign to attract and retain members.

For an organization such as FEBOPI, membership is the key to institution-building. It is the foundation upon which everything else rests. Without a solid, consistently growing membership, FEBOPI will find it impossible to become financially self-sufficient. And without a compelling menu of services, it will find it equally difficult to attract and retain members. But ultimately, FEBOPI's power and influence will flow not from USAID or the World Bank but from its own loyal membership.

Upgrading products can only begin in a classroom. The key to bringing the process to fruition is one-on-one, in-shop, hands-on technical assistance.

Helping members to sell their products means more than merely showing them how; it means working with members to help them identify and approach their prospective customers, introducing one or more members who could be prospective vendors, and then staying actively in the loop until a sale is made or the possibility dies.

In both the areas mentioned above, FEBOPI and the ADEPIs need to play a more marketing-oriented, interventionist role. This change in strategy obviously has programmatic, organizational, financial, and human resources implications. Equally important, it has psychological implications: it requires a change in the institutional mind-set!

Expanding the Service Menu

Expanding the service menu simply means providing more relevant services to more members and hopefully increasing membership and revenue in the process. For FEBOPI, it means expanding, intensifying, modifying or changing the emphasis of member services that already exist (or are being planned), and introducing new services that will be more relevant to members' needs and generate income at the same time.

Existing Services:

Training: The need is for more in-shop technical assistance while continuing the current classroom instruction. This will mean preidentification of companies or sectors and subsectors that appear to have the highest potential, and working intensively with these companies even if it means excluding others.

Publications: The current newsletters could be made more interesting and more relevant by inclusion of more how-to-do it articles and more success stories.

Trade Fairs: There needs to be more aggressive and more systematic marketing and follow-up of FEBOPI/ADEPI trade fairs in Bolivia. This means aggressive prepromotion targeting buyers, exhibitors and attenders; a carefully planned campaign to sell revenue-producing advertising in the Fair's catalog (banks, airlines, shipping companies, manufacturers of production machinery and office equipment, and sellers of raw materials are traditionally the best advertising prospects for trade fair catalogs); and direct mail, fax, and telephone follow-up of buyers who did/did not attend — the objective being to help an ADEPI member company make a contact or negotiate a sale.

Business Planning: Small-scale producers and artisans have neither the time nor the knowledge to develop business plans, do technology assessments, increase production efficiency, deal with pricing problems, negotiate the best deals for raw materials, and so forth. They are intimidated by banks. FEBOPI and the ADEPIs can play a genuinely valuable role by helping their members, one-on-one, with these kinds of problems.

Policy Reform Unit: While continuing to carry out policy-oriented studies, the skills of this unit should be increasingly turned toward the commercialization of opportunities for members. This includes such services as sector and subsector studies, development of criteria for selection of companies for in-shop technical assistance, compilation of buyer lists for members, and market research available on a fees-for-service basis to Bolivian or foreign companies and financial institutions.

New Services:

We recommend consideration of four new service initiatives to support the reorientation of the mission and contribute to membership building:

Pooled Production and Sales Services (PPSS): Many small and micro business are simply too small to survive long enough to grow as individual entities. In the 1-10 employee enterprise, the chances are that the owner is too busy with production (and receivables) to chase new customers; and if he/she takes time to pursue sales, production and collections will suffer. Moreover, as a single tiny entity, access to credit, technology, raw materials, and — most important of all — buyers is extremely restricted by time and credibility. These are the perennial dilemmas facing all small businesses.

Fortunately, many of these companies are ADEPI members, in the same business, located close to one another geographically, and operating in industries that lend themselves to production sharing. Garments and furniture are two good examples.

We recommend that FEBOPI investigate the feasibility of the following initiative:

- The Policy Reform Unit carry out sectoral analyses to establish the sales potential of one or two sectors or subsectors;
- FEBOPI/ADEPI identify a maximum of 40 companies (the best companies) in each sector or subsector, each located in a single area;
- FEBOPI/ADEPI meet with these companies and get them to buy into the concept of Pooled Production and Sales;
- 15-20 of these companies incorporate themselves under a common name. Each participating company would be an equal shareholder in the new company. Each agrees to make its equipment, know-how, counsel, and so on available to fellow shareholders. In exchange, contracts obtained by the new company are shared equally among the shareholders. However, each participant remains free to carry on his/her own business, providing this is not in competition with group contracts. Dividends, voted by the new company's board, are used to purchase company-owned equipment, and so on; and
- The new company, in concert with FEBOPI/ADEPI, aggressively seek sales, both domestically and abroad. FEBOPI/ADEPI receives a commission on each sale for which it has been responsible, contributing over time to the self-sustainability goals of the organizations.

There are several models that provide a basis for optimism about this type of arrangement. Perhaps the most outstanding is Union Textil in Costa Rica, which brought together 15 small garment manufacturers (defined as having 3 to 50 machines) who individually were largely unsuccessful in getting piecework contracts from overseas manufacturers, despite the minimal wage structure prevailing in rural Costa Rica. Three months after incorporation, Union Textil won a US\$ 1 million contract from India (part of which it later lost because the banking system in rural Costa Rica could not handle the necessary letters of credit). It has won other contracts since then, and USAID has provided modest funding to construct a common cutting room so that patterns could be laid out and cut more efficiently to allow the company to increase its productivity.

Garments are a particularly good prospect for subcontracting and production-sharing, due to their piece-work orientation. Furniture and other types of woodworking also have high potential, because many larger manufacturers routinely farm out production of, for example, legs and drawers.

Domestic Backward Linkages: Larger companies in Bolivia purchase hundreds of items used in their production processes or to run their office operations. At this time, FEBOPI/ADEPI does not know from whom they are buying (though it is likely that much of their purchases are imports). Small and micro enterprises certainly cannot provide everything these larger companies require, but it is altogether possible that local manufacturers are or could be capable of capturing a proportion of this local market.

This market would be approached by companies participating in the Pooled Production and Sales Initiative, with FEBOPI/ADEPI taking a leadership role in opening the doors. However, before that occurs, the Policy Reform Unit should conduct a buyer survey to determine what local companies are buying, from whom, at what approximate price and quantity, and whether they would be willing to meet with an FEBOPI/ADEPI consortium member to discuss vendor requirements. The next step is a producer survey to determine which small and micro enterprises would be capable of meeting the needs of larger companies.

Once the matchmaking process is completed, FEBOPI/ADEPI's role would be to put the parties together to work out their own arrangements, but to stay in the information loop as a helpful facilitator if required.

There are several models on which a pilot project of this nature could be based. Singapore and Korea began their backward linkage programs many years ago, and they still continue to be successful. More recently, the Dominican Republic created its Enlaces Industriales program, designed to create buyer-seller relationships between local Dominican producers and companies located in the country's Free Zones. The Free Zones were selected because they require world-class vendors; the rationale is that if Dominican producers can deliver to these high standards, they are one small step from becoming exporters in their own right. This program is only about a year old operationally and is beginning to meet with some success.

Although these types of programs are sometimes regarded merely as import substitution mechanisms, they can help local producers to upgrade their product quality, pricing, delivery, and so on. Companies that are successful in achieving this are of great interest to incoming foreign investors who, among other things, look for an industrial and commercial infrastructure that will help them succeed. Reliable suppliers are an important part of that infrastructure.

This will not be an easy sell. FEBOPI members may be reluctant to give up perceived autonomy. And prospective customers with established commercial relationships will be chary of risking change. But the potential opportunity is so great that FEBOPI/ADEPI should be willing to take on the challenge on an experimental basis.

Buyers Guide and Referral Service: As the skills of small and micro businesses are upgraded through classroom training, in-house technical assistance, and exposure to new markets, FEBOPI should undertake a major initiative to let both domestic and overseas buyers know what is available here. One way of achieving this objective is through an *Annual Buyers Guide* to be distributed in Bolivia and abroad based on the most thorough list research.

The *Guide* should be accompanied by an invitation to buyers to come to Bolivia or to outline their needs. FEBOPI should simultaneously establish a Buyers' Referral Service for its members. This service would stimulate buyer enquiries, alert qualified prospective vendors, and help member companies with correspondence, preparation of samples, and calculation of price and delivery quotations.

These two services to members can be income generating in two ways. First, the *Buyers Guide* should carry advertising and should eventually be profitable. Second, FEBOPI/ADEPI should receive a commission on any sale effected through the *Guide* or the Buyers Referral Service.

International Subcontracting: Bolivian companies of all sizes face great difficulties in obtaining sub-contracts from foreign manufacturers or distributors. The reason is that Bolivia is not Costa Rica or Salvador or Jamaica; in other words, it is not on the established buyers' route. Small and micro industries in Bolivia face an additional problem in that, having never produced to world-class standards, their ability to deliver quality products, in large quantities, on time, and at the right price, may be severely constrained.

Once the recommended in-shop technical assistance begins to markedly improve the quality of FEBOPI members' products, there may well be foreign subcontracting worth pursuing, albeit on a highly selective basis. Three industries in Bolivia would seem to be eventual candidates for overseas subcontracts: giftware (handicrafts, for example); garments (both ethnic and commercial); and furniture pieces (legs and drawers, for example). If buyers in these industries don't come to Bolivia, then Bolivia will have to go to the buyers.

The giftware industry gathers annually at the Giftware Show in Atlanta. Every subsector of the garment industry comes together once a year at the Bobbin Show, also in Atlanta. FEBOPI should consider "walking" these shows or mounting booths. Garment manufacturers may only be interested in sleeves or collars or in having parts sewn together. Smaller giftware buyers are not necessarily looking for large quantities. Much of the U.S. furniture industry is concentrated in North Carolina, is accustomed to offshore production-sharing, and is usually receptive to exploring new sources of supply. Furthermore, the search for new markets should not be limited to the United States; some of Bolivia's neighbors are active in these and other industries that regularly seek reliable subcontractors.

The reason for making these types of contacts is not necessarily to make immediate sales. It is to meet and learn from buyers and to give them a sense that there are possibilities in Bolivia. The ultimate objective is to cause the buyers to come to Bolivia. Until that happens, it is virtually impossible to do international subcontract work.

Moreover, the importance of the buyer as teacher can not be overstated. In a recent survey carried out for USAID in Thailand, more than 80 percent of successful exporters interviewed said they received most of their technical assistance from buyers — their customers. In Singapore, Japanese companies signed long-term contracts with hundreds of tiny and unsophisticated machine shops and tool and die makers, brought in leading-edge technology, trained the personnel in its use — and ergo had a lifetime source of relatively low-cost and reliable supply.

This is what most offshore manufacturers are after. And if they can find it among affiliated groups of tiny companies in Bolivia, they will descend like locusts, and begin to supply the most valuable technical assistance possible: producing products they can sell profitably.

This activity could one day become a revenue generator for FEBOPI, in other words, it could receive a commission on sales made directly or indirectly through overseas trade fair participation for

which it is responsible. This approach is now being taken with some success by the Industrial Development Program of CINDE in Costa Rica, which has launched a major effort to secure international subcontract work for smaller companies.

However, the Evaluation Team does not see this type of activity as being of immediate relevance to FEBOPI (and we have the same reservation about the Export Promotion Organization recommended in the Self-Sufficiency Plan). Domestic sales will be infinitely easier. But unless product quality is improved, even domestic sales may be difficult.⁴

Human Resource Requirements

The expanded service menu recommended here will require additional specialized personnel in the FEBOPI organization. Specifically:

- **A Technical/Production Manager** (probably an industrial engineer) to develop, coordinate and monitor in-plant technical assistance;
- **A Marketing Manager**, with sales experience, to spearhead the various efforts described here to identify and open doors to new customers and new markets for FEBOPI/ADEPI member companies; and
- **A pool of Technical Assistance Resources** to conduct in-plant technical assistance. The specific skills required will depend upon the sectors and subsectors selected for pilot programs. Technical assistance assignments will range from a few weeks to a few months. Each technical assistance specialist will work with a group of companies located in close proximity to one another.

All of the above additional personnel must be experienced people. They can be from anywhere, including Bolivia. To establish the technical assistance pool, FEBOPI should discuss requirements and cost with the local representative of the International Executive Service Corps (IESC) as well as other similar organizations and individuals. In approaching IESC, however, great care must be taken to specify exactly the job an IESC volunteer will be asked to do, so that skills can better be matched with needs.

The WOCCU Advisor, who has made many valuable contributions to FEBOPI's progress, has an equally pivotal role to play in the organization's new orientation. Advisors always have to walk a very fine line between providing counsel and implementation. We are not suggesting that the WOCCU Advisor run programs, but we believe that FEBOPI and the ADEPIs would respond favorably to a more directive approach.

Organizational Implications

The recommended change of emphasis from institution-building to a marketing and member services orientation has organizational implications for FEBOPI. The evaluators recommend that this new strategy be made explicit by the creation of three new divisions: Membership Services,

⁴ Obviously, any international trade initiatives launched by FEBOPI would need to be closely coordinated with the Mission's Investment Promotion Program.

Promotion/Publicity, and Marketing Support. The organization of these resources is illustrated on the next page. It is anticipated that each of the ADEPIs will have a "mirror image" of the FEBOPI structure. At FEBOPI the Promotion/Publicity Unit (or person) would support both Membership Services and Marketing. Similarly the Policy Reform Unit would fulfill its original role, but take on an additional market research role.

Monitoring and Evaluation

This subject has been a source of frustration and concern since the inception of the project. The original benchmarks were numerous and complicated; they overestimated the sophistication of the reporting constituency to comply. Many reports contained discursive and time-consuming qualitative information in narrative form. Quantitative reports were often received with more than half the information missing. Over time, fewer and fewer benchmarks were required; however, quarterly reports still appear to be late and at times incomplete.

There are several possible reasons. First, FEBOPI does not really have a management information system. Second, reporting may enjoy a low priority. Third, even given a total willingness to comply in a timely fashion and a system to facilitate reporting, quantitative reporting in this type of project will continue to be problematic. For example, how do we measure the impact of training? Given the constituency being monitored — many family-owned enterprises that do not necessarily add one job per \$1,000 of investment — how do we accurately measure the employment creation achievements of the project? Moreover, if USAID and FEBOPI decide to implement the enhanced service menu recommended in this report, reporting is likely to get more, rather than less, complicated.

That USAID has a need to know is a given. The more important point is that FEBOPI has a need to know. The information required by USAID should be part of FEBOPI's own management information system. Quarterly reports to USAID should be as useful as an internal management tool as they are to the donor organization. The ideal situation would be if the content of the reports to USAID were identical to, or extrapolations from, information compiled by FEBOPI/ADEPI for their own use. Developing a management information system that is responsive both to FEBOPI's and USAID's needs should be a priority activity for the near term.

The impact indicators contained in Appendix D attempt to illustrate some of the key elements of a management information system designed to track project progress. Not all of these benchmarks will be required by USAID, but would be useful to FEBOPI and available to USAID if the FEBOPI MIS generates the data.

This form, however, does not solve the job creation problem. In the opinion of the evaluators, the formulas now being used may not accurately reflect reality. We suggest therefore that FEBOPI staff and the WOCCU advisor design a simple and brief survey instrument and apply it to a small but representative sample of members participating in training courses. The survey instrument should be one that can be distributed to (and collected from) training course participants at the time of the course.

Another instrument should be developed to provide a profile of training participants. It should be completed by participants before they begin a course, and should indicate, inter alia, whether this is their first, second, or third course, as well as their business type, size, number of employees, and other such information. (One way of judging whether training is useful is the number of people who sign up for multiple courses.)

Finally, whatever type of form is developed, there needs to be a better understanding of why the information is needed, and a more aggressive approach to ensuring that it is completed and distributed on time. The original project design contemplated that this would be one of the roles of the WOCCU Advisor, and the Evaluation Team believes that this was correct.

Self-sufficiency Plans

FEBOPI's Self-Sufficiency Plan — Plan de Autofinanciamiento — was delivered to the Evaluation Team late in their stay in Bolivia. However, it is possible to make some general observations on the plan.

The plan has four elements:

1. Establishment of an organization to promote exports (Empresa de Comercio Internacional);
2. A raw materials bank to carry out group purchasing of raw materials for a group of industrial sectors to be determined through market studies;
3. Two national trade fairs annually, one for small businesses, the other for artisans; and
4. Introduction (or, as noted earlier, reintroduction) of a Credit Card for FEBOPI/ADEPI members and a Discount Card for members to use in purchasing materials for their products.

About the Plan in General

While the document contains several intriguing ideas, it is not so much a plan as it is a proposal to conduct a series of feasibility studies on which a plan could be based. The document is somewhat confusing in that it presents budgets, financial projections, and break-even analyses as if the feasibility studies had already been completed and viability and income/expense projections confirmed.

Our assumption is that the extensive financial projections are intended to be hypothetical. Even so, they lack sufficient detail to enable the reader to make a judgement about their conceptual validity. Moreover, an important element of any business plan — the sensitivity analysis — has not been included. Therefore, it is not possible to understand what the effect would be if everything does not go exactly according to plan: what if the revenue declines by 50 percent and the expenses increase by 50 percent? Finally, the timing of revenue streams in some of the projects does not seem reasonable. For example, the export promotion project shows income of US\$1.55 million in 1993. It does not seem reasonable that arrangements for all the pre-start-up activities — for example, market and feasibility studies to determine if the project should go ahead, plus personnel, offices, vehicles, equipment, and other organizational infrastructure — could possibly be completed and in place by the end of 1992.

Finally, we have some concern about FEBOPI entering into areas of business in which it has little or no experience. In some of the proposed projects, one could expect a very long learning curve. And being in an unfamiliar business, there is an almost universal tendency to reinvent the wheel. All of which adds up to greater cost and more time.

Banco de Materias Primas

This is an interesting and novel idea. Implementation, however, would be complex and not inexpensive. Prior to implementation, a feasibility study is proposed, but the Evaluation Team feels that the projected cost of the study — US\$ 5,000 — underestimates the magnitude of the work to be done. This study must involve not only identifying the materials needed by various subsectors, the quantities they are now using, and the prices they are paying; it also involves extensive discussions with vendors of these materials, most of whom are overseas. The study must also analyze historic price fluctuations in the types of materials to be purchased and the likely effects of such price movements on profitability. The study will also involve discussions with a variety of vendors to establish group-purchase prices for various quantities of various raw materials.

Finally, should the study indicate that the project is viable, this would nonetheless be an extremely complex business operationally. It requires extensive finger-tip knowledge of multiple sources of supply and up-to-the-minute price information that is usually available only to people who have spent years in procurement or in a major trading company.

The Evaluation Team would feel far more comfortable if the lead person had already been identified and was prepared to take on the project. But the General Manager of FEBOPI indicates that no such senior executive has yet been identified. Good ideas get destroyed by poor implementation!

Trade Fairs

FEBOPI has already had experience in mounting domestic trade fairs, and this should provide USAID with some level of comfort. However, the Evaluation Team has no basis for commenting on the accuracy of the financial projections, though we assume they are based on the organization's prior experience (which have not been profitable). Also, the proposal provides no rationale for separating "small industries" from artisans, and FEBOPI should be asked to explain this further.

Export Promotion

The Evaluation Team has several questions about this very traditional approach to the creation of an export promotion organization.

First, we wonder if a new organization is really necessary. Is this not a situation in which FEBOPI would be better advised to try to work with, for example, an organization such as the Instituto Nacional de Promocion de Exportaciones (INPEX)? We are not in a position to make a judgement about the quality of INPEX, but, where human and financial resources are scarce, one should try to avoid redundancy.

Second, as noted earlier, we wonder whether FEBOPI's first priority should not be upgrading members' products for domestic sales, before taking on the far more complex export area.

Beyond this point, however, we have some concern about the proposed methodology and sequencing of the operation. There is a kind of folklore (perhaps invented by consultants) in export promotion that says if you go through the prescribed steps in the prescribed sequence — voilà!, you're in the export business. Consequently, everyone does endless sector and subsector studies, comparative advantage studies, or overseas market studies. Then they open sales offices abroad, sponsor incoming

and outgoing trade missions, and so forth. Developing countries persist in this approach, despite the fact that the costs are usually far greater than the benefits.

There is, however, another approach. It is far less institutionalized and far less costly. It is known as "the buyer is king" approach. And it can be implemented by a few people who know how to listen and a little travel money to visit the people they need to listen to: buyers! Here is how it works:

1. Get a "gut feel" for sectors you think might have export possibilities – for example, the product groups cited by FEBOPI: pewter, clothing, wood, leather, and so forth.
2. Get hold of the relevant directories of manufacturers, independent buying offices, importers, manufacturers' representatives, and distributors (in the United States for convenience), and make a list of the top 20 (consultants to the USAID Mission can help here).
3. Make 20 phone calls and arrange to see these people. Let them know you are not selling anything; you want to pick their brains (but take some product samples with you anyway). It is surprising how people get flattered by this (honest) approach, and tell you everything they know about the structure of their industry, the key players, how business gets done, what buyers look for, how subcontracting works, how to get buyers to Bolivia, and so forth. They will often tell you who else you need to meet, and sometimes they will give you samples of their products or components so they can see what local companies are capable of producing.
4. (Or) commission American Business Linkage Enterprise (ABLE) studies from IESC on every sector and subsector you're interested in. These studies cost \$2,000 each, and they tell you not only about the U.S. market for, say, pewter or camelid products, but they also include up-to-date lists of the people they contacted to gather the information — who exactly the people are you want to talk with face-to-face. Then go back to Point 3 above.
5. When you return from three or four weeks in the United States, you will be armed with the kind of information you need to determine which Bolivian companies you can match with the requirements of the U.S. market. True, the U.S. market is not the world. But many of the people you will meet do business on a global basis; furthermore, the United States is an enormous and voracious market — the chances are good that if you have a saleable product, you can sell it in the United States.
6. When you have a feel for what is saleable, identify the sectoral trade show in the United States that corresponds to your products, walk the show, or take a booth — and meet more buyers.

In the end, you will have cut through all the bureaucratic folklore, and you will have spent a fraction of what it will cost to get all those studies done and then to set up yet another export promotion empire. (Incidentally, it should be noted that FEBOPI's plan for export promotion does not appear to include any budget for the proposed studies.)

What to Do Before the Money Runs Out

As presently planned, FEBOPI's PACD is December 31, 1992. Currently, USAID funding supports operating costs for ADEPIs — ranging from a high of 68.3 percent in La Paz to a low of 46.2 percent in Cochabamba. What can FEBOPI and the ADEPIs do between now and the PACD to reduce

its dependence on USAID funding and demonstrate that the organization is capable of sustaining itself in the future?

By combining some of the ideas proposed by the Evaluation Team, some of the ideas contained in the Self-Sufficiency Plan, and some of the activities in which FEBOPI is already engaged, the organization can package an attractive menu of services, and then market this package intensively in an effort to enroll new members.

There is a group of eight services that are both relevant and synergistic, and which FEBOPI is already delivering or has the capability to deliver in the short term. Many of these services are or could be revenue-generating. This is the proposed package:

- Domestic Backward Linkages;
- Pooled Production and Sales;
- Trade Fairs;
- Buyers Guide and Referral Service;
- Training;
- Technical Assistance;
- Policy Reform; and
- Discount Card.

Based on this package, FEBOPI and each of the ADEPIs should conduct an intensive outreach program to reach — and sign up — prospective new members. What are the elements of this program?

- Develop a brief plan, timetable, and budget.
- Produce a brief but attractive brochure describing each of the eight services for distribution to prospective members, media, organizations of small and micro businesses, and so forth (include an enrollment form in the brochure).
- Plan a series of ADEPI-level lunch or dinner meetings (free) to which members and prospective members and their families are invited.
- Use these meetings to outline and explain the new services package and how it can be of help to every small and micro business person. Have selected members tell how FEBOPI has already helped them. Also, perhaps a prominent guest speaker to get attendees' attention.
- Publicize the meetings through available media before and after.
- Try to sign up as many new members as possible at each of the meetings — and get cash! Try to get a year's dues up front.
- Repeat these meetings several times in each ADEPI region.

The service package outlined above should be virtually irresistible. If new members cannot be attracted by this kind of service package, they probably can't be attracted! But, to be effective, this has to be a "blitz-type" campaign: a great deal of activity and publicity concentrated into a very short period of time. Developing and presenting this new package of services should be FEBOPI's major

preoccupation over the next eight months. This type of campaign, however, is not a one-time effort; it should be repeated annually.

Basis for Future USAID Support

The Evaluation Team is concerned about FEBOPI's ability to muster the human resources to manage and sustain all of the elements in its ambitious Self-Sufficiency Plan. We are also concerned about the timing of the submission of this plan. Even if USAID said "go" this week, and every piece of the puzzle fell into place as planned, it would be at best sometime in mid-1993 before all the proposed feasibility studies could be completed, probably mid-1994 before the proposed projects would become operational, and perhaps mid-to-late 1995 before these projects could reach break-even (according to FEBOPI's own time estimates).

Therefore, in terms of future funding, USAID has several options:

1. It can do nothing, and simply let USAID support end in December 1992.
2. It can continue to fund office running costs, and encourage FEBOPI to obtain other sources of funding for any new program initiatives.
3. It can continue to fund office operating costs, plus the costs of new programs.
4. It can end support for office operating costs, and fund the feasibility study phases of new projects only, with the understanding that projects that were found to be feasible would be funded for pilot demonstration programs, and, if these were successful, further funding for expanding the pilots would be made available.
5. It can reprogram available funds so that they cover the balance of 1992 plus part of all of 1993.
6. It can continue to consider an endowment.

If the proposed membership blitz is professionally executed and produces a substantial number of new memberships, it would serve as a powerful demonstration, and we believe the result would be a renewed sense of confidence in FEBOPI. That being the case, we would recommend that USAID look carefully at continuing funding — of office running costs as it does now, of the costs associated with full development of the revenue-generating new projects contained in the package of eight, or of some other combination of the above options.

SECTION TWO

LESSONS LEARNED

FENACRE

Recent experience in Bolivia demonstrates that credit unions can be very successful in the mobilization of their own loanable funds. However, they require assistance in upgrading their financial intermediation technology. Greater emphasis should be placed on institutional strengthening based on deposit mobilization rather than on external credit.

Credit unions currently provide the micro and small enterprise sector with complete financial services (deposit and loans). However, the recent hyperinflationary experience has distorted the structure of their balance sheets toward investment in fixed assets that need to be liquidated.

Project design teams must be required to provide a high level of in-depth financial analysis of institutions such as FENACRE. Superficial analysis leads to serious misrepresentation of true financial health.

When a second-level representational organization such as FENACRE takes on functions of a financial intermediary, it develops objectives of its own, divorced from and often in conflict with its member institutions. The political structure of control creates serious conflicts of interest, undermining its role as a financial intermediary. Therefore, these functions should be separated from the political control structure.

PRODEM

The solidarity group methodology has worked well in PRODEM. It seems an appropriate methodology in Bolivia, especially for microentrepreneurs in commerce and very small producers. The key has been to permit the dynamics of organization to function freely without bureaucratic control or unwanted interference from the lending organization. Microentrepreneurs form their own groups. PRODEM's only requirement is that individuals in a group live close by, and that their production or credit needs be at a similar level. If conflict arises in a group, individuals are free to restructure their groups. The result has been low delinquency, and group members may pay the quota of a member who is unable to make payment. Nevertheless, as micro-producers grow and need larger loans, PRODEM/BancoSol may want to consider diversifying its methodology and giving individual loans.

PRODEM's institutional culture, which includes team management, has been a key factor in its ability to grow and evolve into a bank. This culture is characterized by teamwork, participatory decisions, development of interpersonal skills, and commitment to the organization's mission. The delegation of authority and the use of a credit committee formed entirely by field advisors to make loan decisions are reasons why the transition from an NGO to a bank has been smooth and business has been able to continue as usual during the transition period.

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USAID should take a flexible approach to institutional development in future projects, as it did in the case of PRODEM. Although the conversion of PRODEM to a bank regulated by the Banking Superintendency was not part of the original project design, USAID supported this decision of PRODEM's management and provided advice and assistance to facilitate the transition. The result is an organization that is stronger and has more resources to serve the microenterprise sector.

FEBOPI

Project designers should avoid using language that leads to unrealistic expectations. It is desirable to err on the side of conservatism, especially in particularly difficult subject areas such as microenterprise development. It should be a given in such areas that things are probably going to take longer than anyone anticipates. This fact of life should be built into the project design.

Beneficiary organizations should be encouraged to calibrate the number of new projects proposed or initiated to the availability of qualified staff to implement them. Incomplete projects do not enhance credibility.

Bottom-up decision making contributes to consensus-reaching and team-building. But there is a need to recognize that autocracy is faster.

Beneficiary organizations tend to put off development of self-sufficiency plans until they are faced with the imminent prospect of actually achieving self-sufficiency. At that point, they are likely to grasp at straws. A time-table and methodology for self-sufficiency planning should be part of every new project that contemplates self-sufficiency. Self-sufficiency programs should not be proposed only because they generate revenue; they should materially contribute to the achievement of the organization's mission and be responsive to members' perceived needs. Organizations should build their self-sufficiency strategies on these bases, rather than regarding self-sufficiency programs as necessarily something new, separate and apart from what is already being done. USAID and beneficiary organizations should allow more time for development and verification of self-sufficiency programs.

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ANNEX A
STATUS OF OUTPUTS

ANNEX A

STATUS OF OUTPUTS

As noted earlier in the section concerning FEBOPI, the performance indicators used to measure major outputs for the three components of the MSED project have been changed (and reduced in number) numerous times since the inception of the project.

Currently (as of 3/31/92) the project attempts to measure by organization: employment created, numbers of borrowers, number of members, number of training courses, and number of policy studies.

The degree of confidence with which one accepts these numbers is arguable. As noted earlier, FEBOPI does not appear to have a Management Information System that easily generates dependable numbers over time (for example, until recently it could not distinguish between paying and non-paying members, and has no firm criteria to determine when a non-paying member ceases to be reported as a member). Moreover, the employment generation figures are based on two formulas that are subject to verification via a survey to be undertaken. The following should be read with these caveats in mind.

With 71 percent of LOP elapsed, these are the most recent figures available (as of 3/31/92):

<u>EMPLOYMENT</u>	<u>PLANNED LOP</u>	<u>ACHIEVED</u>	<u>% LOP</u>
FENACRE	2160	40	0
PRODEM	1525	713	46.25%
TOTAL	3685	753	20.43%
MEMBERSHIPS			
FEBOPE	3000	1090	36.3%
BORROWERS			
PRODEM	5000	6082	121%
FENACRE	1800	41	2%
LOAN PORTFOLIO			
OUTSTANDING			
PRODEM	\$2,450,000	\$1,427,585	58%
FENACRE	5,450,000	100,000	0%
TRAINING			
COURSES			
FEBOPI	420	243	58%
POLICY			
STUDIES			
FEBOPI	6	2	33%

Source: USAID Project Status Report, Oct. 1, 1991 — March 31, 1992 and FEBOPI.

ANNEX B
METHODOLOGY

ANNEX B

METHODOLOGY

FENACRE

The Evaluator spent three days in Cochabamba, one in Santa Cruz, and six in La Paz. This evaluation is based primarily on interviews with persons listed in Appendix D, and review and analysis of pertinent documentation.

PRODEM

The methodology used for the PRODEM was to interview 18 members of the personnel in BancoSol, the PRODEM national office, as well as in three out of four principal regional PRODEM offices. In addition the Evaluator visited the workshops of nine microentrepreneurs in El Alto and Santa Cruz.

Most of the discussions with PRODEM/BancoSol personnel were focused on the issues identified for evaluation, that is transition of PRODEM to BancoSol, BancoSol's plan to mobilize savings, ACCION/AITEC technical assistance, and indicators used to evaluate and monitor the credit program. These interviews were carried out during a one week period from April 6 to 10, 1992. In addition, a number of documents, both current and historical were studied, including financial statements and projections, program statistics, and proposals to support investments in BancoSol. Persons contacted and documents reviewed are listed in the Appendices to this report.

FEBOPI/ADEPIs

The Evaluator held extensive discussions with FEBOPI management, the WOCCU Advisor, the Boards of Directors of ADEPIs in La Paz and Cochabamba, and officials of AID/Bolivia. In Cochabamba, the Evaluator visited the Central Furniture Market, displaying wood products created by ADEPI members, and a garment manufacturing operation owned by an ADEPI member, and held extensive discussions with both.

All documents relevant to FEBOPI, and the MSED project in general were reviewed by the Evaluator.

ANNEX C
PERSONS AND INSTITUTIONS CONTACTED

ANNEX C

PERSONS AND INSTITUTIONS CONTACTED

EEBOPI

Board of Directors

**Lic. Alfredo Pacheco M
President**

**Ing. Fedor Perez
Vice President**

**Lic. Hugo Bejarano
Auditor**

**Sra. Nancy Herrero
Secretary**

**Lic. Arturo Franco Soliz
General Manager**

**Lic. Gary Montano
Policy Reform Unit**

**Lic. Marcos Kucharski
Policy Reform Unit**

ADEPI/LA PAZ

**Roberto L. Tartarini D.
President**

**Luis Ortiz Epinoza
Vice President**

**Celia R. de Kucharsky
Director**

**Oscar Baldivieso
Director**

**Wilden Ovando M.
General Manager**

ASPIPAC/ADEPI/COCHABAMBA

**Lic. Jaime Veizaga Zanabria
President**

**Ricardo Perez
Vice President**

**Noel Orozco
General Secretary**

**Edward Lopez
Coordinator**

**Mario Encinas
Auditor**

**Sra. Juana Gonzales
Secretary**

**Sra. Celida de Camparo
Secretary**

Directors

**Hernan Campero
Jaime Aguilar D.
Sra. Lena Vega**

**Lic. Fernandno Gamboa
General Manager**

WOCCU

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Coordinator**

USAID/BOLIVIA

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Director, Trade and Investment**

**Liza Valenzuela
Deputy Director, Trade and Investment**

**Ernesto Garcia
Trade and Investment
Project Manager**

Elizabeth Stephens Visnic
Evaluation Specialist

PRODEM

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Manager of Research and Development PRODEM National Office

Eduardo Bazoberry Otero
Manager of Operations and Finance
PRODEM National Office

Mario Uznayo
Manager of the El Alto Regional PRODEM Office

Isabel Machaca
Resident Advisor in the EL ALTO Regional PRODEM Office

Luis Mujica
Administrator in the PRODEM National Office

Elvira Romero
Field Advisor in the El Alto Regional PRODEM Office

German Sanchez Rea
Manager of the Montero Office

Judith Fuentes
Resident Advisor Santa Cruz Regional PRODEM Office

Solomé García
Field Advisor, Santa Cruz Regional PRODEM Office

Ross Mary Pizarro F.
Auditor, Santa Cruz Regional PRODEM Office

Eva Patiño Rodríguez
Financial Auditor, Santa Cruz Regional PRODEM Office

Claudia Ordoñez Cuéllar
Administrator, Santa Cruz Regional PRODEM Office

Oscar Moreno
Manager, Santa Cruz Regional PRODEM Office

Mary Cespedes de Pedraza
Microentrepreneur who owns bakery in the 1° de Mayo, a satellite city of Santa Cruz

Francisco Otero
Executive Director, BancoSol and PRODEM

Sergio Ortiz
Manager of Operations, BancoSol

Manuel Cuevas
Manager of Human Resources, BancoSol

Miguel Taborga
Finance Manager, BancoSol

Maria Elena Querejazu de Azurdury
General Manager, BancoSol

COLAC

Javier Franco Aristizabal
Lawyer

FENACRE

Carlos Salinas Amezaga
Education Supervisor

Carlos Torres Bravo
Financial Director

Serafin García Mercado
President, Vigilance Committee

Alberto Montero Cossio
General Manager

Orlando Bravo Soruco
President, Board Directors

Jorge F. Vargas Ortega
Regional Manager, La Paz

Enrique Hoyos Hurtado
Regional Manager, Santa Cruz
Coordinator, UNDESCOOP

Cooperativa de Ahorro y Crédito, San Martín de Porres, LTDA

**Alfredo Vicenti Rivero
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Member Board of Directors**

German Technical Assistance, DGRV

**Helmut Pabst
Chief of Party**

Superintendencia de Bancos de Bolivia

**Rosendo Barbery Paz
Intendente**

Salomón Eid Rivero

ANNEX D
IMPACT INDICATORS

ANNEX D

IMPACT INDICATORS

Below are two examples of systems used for monitoring and evaluating the impact of organizational activities on the USAID MSED program. The first is recommended for FEBOPI; the second is in actual use by PRODEM. Since the FENACRE program was not implemented, no system for measuring impact was developed.

FEBOPI-ADEPIa

The following is an example of a set of impact indicators. These incorporate existing activities new possible new activities, should any of the latter be implemented. These impact indicators are suggested as part of the FEBOPI/ADEPI management information system, from which data for USAID purposes could be easily extrapolated. These indicators can be arranged on spreadsheet to measure performance against plan, performance for LOP, performance for period, etc.

TRAINING AND TECHNICAL ASSISTANCE

- Number of Courses
- Number of Participants
- Number of 1st Time Participants
- Number of Participants, 2 or More Courses
- % Men
- % Women
- Number In-Shop TA

MEMBERSHIP

- Total To Date
- % Men/Women
- New Members
- % Men/Women
- Discontinued
- Net Gain (Loss)

EMPLOYMENT

- Jobs Created
- % Men/Women

POLICY STUDIES

Completed
Work In Progress

MARKET STUDIES

Completed
Work in Progress

POOLED PRODUCTION & SALES

Number of Pools Created
Number of Companies Participating
Number of Appointments With Buyers
Sales

DOMESTIC LINKAGES

Number of Companies Contacted
Number of Local Companies Matched
Number of 1st Appointments with Buyers
Number of 2nd Appointments with Buyers
Sales

DOMESTIC TRADE FAIRS

Number of Fairs Organized
Number of Companies Participating
Number of Buyers Contacted
Number of Buyers to Follow Up
Sales

INTERNATIONAL TRADE FAIRS

Number of Fairs
Number of Participating Companies
Number of Buyers Contacted
Number of Buyers to Follow Up
Sales

FOREIGN BUYERS

Number Contacted
Number Visiting Bolivia
Number of Appointments Arranged
Sales

BUYERS GUIDE AND BUYERS REFERRAL SERVICE

Number Guides Distributed
Number Inquiries
Number Referrals to Local Companies
Number Responses
Number Quotations Submitted
Sales

REVENUE

ADVERTISING SALES

Trade Fair Catalogs
Buyers Guide

COMMISSIONS/FEES EARNED

Domestic Linkage Sales
Pooled Production Sales
Trade Fair Sales
Sales from Buyers Guide
Market Research

% SELF-SUFFICIENCY

PRODEM

PRODEM'S system for Monitoring and Evaluation for the USAID MSED program will be found on the following page.

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SISTEMA DE MONITOREO Y EVALUACION - U S A I D
 PRODEM - BOLIVIA
 (EN DOLARES)

1990

1991

	1990					1991				1991				1991			1991			
	SEPTIEMBRE	OCTUBRE	NOVIEMBRE	DECIEMBRE	TOTAL PERIODO	ENERO	FEBRERO	MARZO	TOTAL TRIMESTRE	ABRIL	MAYO	JUNIO	TOTAL TRIMESTRE	JULIO	AGOSTO	SEPTIEMBRE	TOTAL TRIMESTRE	OCTUBRE	NOVIEMBRE	DECIEMBRE
1.- PARTICIPANTES NUEVOS (MES)	83	21	23	67	194	280	370	280	930	62	216	129	407	88	184	237	510	442	141	249
2.- PARTICIPANTES DEL MES	201	54	228	984	1,473	254	223	256	734	414	1,369	848	2,631	954	785	1,234	2,973	1,782	1,187	2,551
3.- % DE MUJERES DEL TOTAL DE PRESTAMOS USAID	62%	76%	51%	67%	64%	74%	54%	84%	62%	71%	76%	70%	73%	71%	69%	67%		64%	62%	72%
4.- MICROEMPRESARIOS CON PRESTAMOS ACTIVOS DE USAID	237	273	273	643	643	2,090	2,345	2,774	2,774	2,903	3,244	3,348	3,348	3,472	3,862	4,131	4,131	8,230	4,257	8,248
7.- MONTO DE PRESTAMOS PROLEDO USAID	279	263	331	316	379	224	272	306	266	318	230	298	276	279	187	229	234	299	383	340
8.- MONTO DESEMBOLSADO/MES USAID	66,322	11,712	108,020	260,897	456,781	211,284	118,344	151,045	480,678	1,11,430	228,677	222,414	722,541	294,578	148,980	292,489	655,747	535,722	362,227	850,564
8.1 MONTO DESEMBOLSADO/ACUMULADO USAID	66,322	77,844	177,964	458,781	458,781	669,853	788,198	939,239	939,239	1,070,689	1,410,368	1,672,780	1,672,780	1,839,358	2,098,338	2,360,527	2,360,527	2,904,229	3,267,480	4,118,014
9.- AHORRO DEL MES (Por. USAID)	2,307	588	5,001	14,249	22,939	10,555	8,917	7,562	24,024	6,573	16,984	13,121	36,678	13,329	7,334	14,125	34,788	26,794	18,180	42,828
10.- AHORRO ACUMULADO (Por. USAID)	3,337	3,883	8,884	22,939	22,939	33,494	39,411	46,963	46,963	53,535	70,519	83,640	83,640	96,969	104,303	118,428	118,428	145,214	162,374	221,902
11.- CARTERA ACTIVA USAID	64,290	51,224	138,926	337,646	337,646	484,200	474,563	488,717	488,717	454,525	629,389	687,570	687,570	645,365	667,833	780,327	780,327	942,215	949,322	942,257
12.- CARTERA EN MORA USAID	0.00%	0.00%	0.00%	0.27%	0.25%	0.25%	0.48%	0.78%	0.81%	0.44%	0.09%	0.36%	0.14%	0.34%	0.56%	0.39%	0.43%	0.57%	0.80%	0.97%
13.- AUTOSUFICIENCIA (global)	77%	94%	99%	97%	92%	79%	84%	87%	83%	89%	80%	78%	87%	101%	101%	112%	104%	111%	128%	158%
14.- CARTERA POR MANT. DE VALOR	4,780	1,117	1,856	6,636	17,389	16,226	5,105	4,900	26,231	4,952	3,367	5,700	14,239	20,542	22,367	28,000	70,909	14,898	28,313	21,690
15.- No. CURSOS DE CAPACITACION	72	88	27	4	193	12	14	17	43	28	16	24	68	32	45	22	99	53	4	2
16.- No. DE ASISTENTES (global)	2,048	2,005	840	183	4,173	357	321	459	1,137	727	448	478	1,645	818	868	781	2,478	1,011	220	126
17.- TIPO DE CAMBIO BLS	2.27	3.28	3.35	3.48		3.48	3.49	3.51		3.54	3.58	3.59		3.61	3.63	3.68		3.69	3.78	3.74
18.- CARTERA EN MORA BLS	0	0	0	912		1,218	2,325	3,812		588	389	221		1,481	2,281	1,835		784	1,687	1,124
19.- EMPLEO GENERADO EN EL TRIMESTRE					58				183				238				278			
20.- EMPLEO GENERADO ACUMULADO					58				252				488				766			

PRODEM 22-Jun-92

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ANNEX E
SUMMARY OF RECOMMENDATIONS

ANNEX E

SUMMARY OF RECOMMENDATIONS

FENACRE

1. Strategic Planning

- External TA required to work with credit unions on a detailed strategic plan for FENACRE.

2. Down-Sizing

- FENACRE to divest itself of all activities not associated with a fees-for-services organization.

3. TA/Training

- WOCCU and DGRV to coordinate training for credit unions through UNDESCOOP. Major thrust on strengthening CU's financial intermediation skills.
- CUs to receive TA to help them comply with requirements of Banking Superintendency.

4. Central Liquidity Facility

- To be instituted in two stages: (1) information center; (2) asset/liability management.

5. Management

- CU system to develop impact indicators to track members, loans, liquidity, profitability, capital adequacy, etc.
- Prohibit deposit mobilization by CUs from non-CU members, and deposit taking by Central Liquidity Facility from individuals or non-CU institutions.

PRODEM

1. Marketing

- Design, administer and tabulate marketing survey.

2. Management and Communications

- Continue seminars; visit microenterprises.

3. Evaluation and Monitoring

- Use loan application forms to set up database to track microenterprise borrowers' progress.
- Consider providing computer training to advisors.

FEBOPI

- 1. Policy Dialogue**
 - Reinitiate policy dialogue with GOB.
- 2. Training and Technical Assistance**
 - Increase in-shop TA.
 - Assist individual members with business plan development, loan applications, technical/technology issues, pricing, etc.
 - Continue classroom training, but attempt to obtain demonstration equipment.
- 3. Special Events**
 - Trade fairs to be "merchandised" more carefully, i.e. ad sales, attention to "aftermarket" etc.
- 4. Market Research**
 - Contact manufacturers and buyers re casual study.
 - Consider marketing program to make market research function profitable.
- 5. Management and Organization**
 - Develop M.I.S.
 - Develop survey instruments for employment-generation and member profile data.
 - Consider suggested reorganization.
 - Discuss above with ADEPIs.
 - Prepare new Mission Statement reflecting re-orientation of goals.
- 6. Marketing**
 - Examine publications to attempt to make more relevant to members' concerns.

- **Develop intensive membership campaign based on a group of eight existing and new services, and conduct a tightly compressed outreach program to sign up new members.**

7. Member Services

- **Consider new services recommended by Evaluation.**

8. Self-Sufficiency Plan

- **Refine timing and outputs and discuss with USAID.**

ANNEX F
MEMBERS OF THE DAI TEAM

ANNEX F

MEMBERS OF THE DAI TEAM

WILLIAM FISHER (Team Leader) is a specialist in institution building in the fields of international, trade, investment and marketing. He has worked extensively in public and private sectors, and in industrialized and developing countries. He has carried out project design, management and evaluation assignments for USAID and similar organizations in Jamaica, Costa Rica, Guatemala, Belize, the Eastern Caribbean, Thailand and the other ASEAN countries.

JEFFREY POYO, Ph.D. As Senior Research Specialist in Ohio State University's Department of Agricultural Economics and Rural Sociology, Dr. Poyo is a long-term resident advisor to the Central Bank of the Dominican Republic in an A.I.D.-sponsored project to strengthen the financial viability of rural banking institutions. Previously, he was Director of the Banking and Finance Program at INCAE, the Central American Institute for Business Administration.

ANNE BEASLEY has had extensive experience in small business and micro enterprise financing and development as a Project Officer Contractor within A.I.D./Dominican Republic. Her responsibilities there included coordinating the Small Industry Development Project and the Micro and Small Enterprise Development Project to support the Fund for the Financing of Microenterprise (FONDOMICRO). She has also worked in the credit union and commercial banking fields.

ANNEX G
SCOPE OF WORK

STATEMENT OF WORK**I. BACKGROUND**

The Micro and Small Enterprise Development (MSED) project was authorized in 1988 and implementation began in 1989, following the signature of five Cooperative Agreements.

The goals of the project are to promote the rapid and sustained economic growth of Bolivia and to bring about a more equitable distribution of income. Its purpose is to stimulate the long-term, stable growth and development of Bolivia's small-scale enterprise sector.

The project works with three local implementing organizations: the Foundation for the Development of the Micro-enterprise Sector (PRODEM), the Bolivian National Federation of Small and Micro Enterprises (FEBOPI), and the Bolivian National Federation of Credit Unions (FENACRE). ACCION International was selected to provide technical assistance to PRODEM, and the World Council of Credit Unions (WOCCU) was selected to be the over-all Project Coordinator, as well as to provide technical assistance to FENACRE and FEBOPI. WOCCU signed a sub-agreement with the Latin American Confederation of Credit Unions (COLAC) to provide long-term technical assistance to FENACRE in specific areas.

The MSED project seeks to strengthen the three local implementing organizations and improve their ability to provide services to their members and clientele.

In a nutshell, the project finances the following:

- a) FENACRE: \$4.2 million of credit funds channelled through FENACRE to the credit unions, \$330,000 for training and commodities.
- b) PRODEM: \$1.8 million of credit funds; \$ 516,000 for training, commodities.
- c) FEBOPI: \$300,000 for operating expenses support; \$146,000 for training and commodities; and \$161,000 for policy research.
- d) Accion International: \$439,000 for technical assistance to PRODEM and staff training.
- e) WOCCU: \$1,899,000 for long-term technical assistance to FENACRE, FEBOPI and the project in general.

The Government of Bolivia is also providing \$1,850 in counterpart funds, most of which cover credit and operating expenses.

The project is generally on track. PRODEM is lending to about 20,000 micro-enterprises in La Paz, El Alto, Santa Cruz and Cochabamba; FEBOPI has experienced a remarkable increase in (paid and nonpaid) membership (from 540 to 3,600) and is now for the first time recognized by the GOB and other private sector associations as the representative of the small business sector; and, FENACRE, after a near bankruptcy and radical reorganization, is now showing signs of recovery.

The Monitoring and Evaluation system (*) of the project has been generally deficient. The original M&E system was drawn directly from a complex and detailed list of indicators from the Project Paper. Given the project's inability to generate data on those indicators and the fact that several of these indicators appeared superfluous, the system has been modified numerous times. Each modification has entailed a reduction in the number of indicators, but the difficulty of gathering reliable data has persisted. The last redefinition of indicators in September 1991 requires testing, but, for the first time, appears to be manageable.

II. OBJECTIVE

The main purpose of this mid-term evaluation is to explore key management questions which will permit, if necessary, adjustments in project implementation. A secondary purpose is to review the monitoring and evaluation system to ensure that it is able to provide USAID project managers with the information necessary to measure project progress. And a third purpose is to derive lessons learned from the project which might be useful for design and implementation of future similar projects.

III. SCOPE OF WORK

A Team Planning Meeting (TPM) will be held at the beginning of the in-country evaluation activities to review the SOW, define a work plan, and review the objectives and scheduling of meetings and interviews.

The evaluators are asked to answer the key management questions defined below for each of the local implementing organizations. In addition, for each of the entities, the evaluators will review the monitoring and evaluation system. The evaluators are asked to look critically at the system and determine whether or not it can produce reliable and useful data for USAID project management and to make relevant recommendations in this regard.

A. FENACRE

Credit: FENACRE received its first disbursement of credit funds from USAID in August of 1991. Does FENACRE have a viable plan for channelling the credit funds to the credit unions? Is the interest rate structure appropriate within the context of Bolivian financial markets? Are the eligible credit unions eager and prepared to participate in the program? Do they feel they have received sufficient training to undertake a micro and small enterprise lending program? Are there enough potentially eligible and interested credit unions to justify a credit infusion of \$5.4 million as planned? Is the credit union capitalization scheme (whereby credit funds will become part of the net worth of the credit unions when they comply with certain conditions) sound and workable?

(*) The M&E system is here defined as the information which the local implementing organizations generate to inform USAID project managers on project progress. It does not encompass all of the information which the implementing organization managers need on a daily basis for project management purposes.

Savings Mobilization: One of the objectives of the project is to promote savings among the FENACRE affiliated credit unions. What has FENACRE done to promote savings mobilization in the last two years? Does FENACRE have the capacity and skills necessary to develop an aggressive campaign? What has WOCCU done to assist FENACRE in this area? Are there any improvements which could be suggested to the savings mobilization campaign.

Institutional Strengthening: One of the main purposes of USAID's work with FENACRE is institutional strengthening. As a result of the project, is FENACRE "institutionally" stronger? What measures could be used to assess institutional self-sufficiency and what progress is FENACRE making in this regard? Can the reorganization of FENACRE be attributed to the AID project? What has been the role of the German cooperation and the Superintendency of Banks in this reorganization?

FENACRE Services: FENACRE once had a "technical assistance to cooperatives" department and an auditing department. With the recent reorganization of FENACRE, these two departments have been spun off from FENACRE and two independent foundations have been established. The audit foundation, supported by the Germans, has the approval and support of the Superintendency of Banks. What supervision functions will FENACRE maintain over its affiliated credit unions? Can FENACRE, as a second story organization, effectively supervise its loan portfolio to the credit unions, without an audit department and a technical assistance department? Can the technical assistance foundation support itself from the fees of the credit unions? Was it a good idea to take the technical assistance department out of FENACRE? What services should FENACRE be providing its members? Does it have the capacity and the financial wherewithall to do so?

WOCCU Technical Assistance: How effective has WOCCU's and COLAC's technical assistance been? What achievements can be attributed to this assistance? How can this technical assistance be improved? The COLAC advisor's scope of work has been modified; he is now assisting FENACRE with the dismantling of its savings program (the Programa de Mobilización de Ahorros). Is this the best use of the skills of this advisor?

Monitoring and Evaluation: Is the M&E system for the FENACRE component adequate? Does it provide reliable and useful data? Recommend alternative impact indicators, as appropriate.

B. PRODEM

Transfer of Lending to BancoSol: Evaluate the strategy to transfer lending activities to BancoSol. Is the strategy selected the most appropriate? Will the early transfer of the Executive Director and the General Manager of the La Paz office leave a management vacuum within PRODEM which could affect the USAID project?

BancoSol's Savings Mobilization Strategy: Is BancoSol focusing effectively on the savings mobilization side of its business?

Acción Technical Assistance: How effective has ACCION/International's technical assistance been? As a result of this assistance, is PRODEM institutionally stronger? What measures can be used to assess institutional self-sufficiency and what progress has PRODEM made in this regard? What achievements can be attributed to this assistance? How can this technical assistance be improved?

Monitoring and Evaluation: Is the M&E system for the PRODEM component adequate? Does it provide reliable and useful data? Recommend alternative impact indicators, as appropriate.

3. FEBOPI

Self-Sufficiency Strategy: FEBOPI, as an association of business persons, does not have a secure and steady source of income. The project, however, expects that FEBOPI will attain self-sufficiency by the PACD. How realistic is this expectation? The evaluators should review the self-sufficiency plan of FEBOPI and comment as to its realism. Evaluators should also propose, based on their experience with other such representational organizations, alternate strategies for self-sufficiency.

Policy Analysis Unit: The Policy Analysis Unit within FEBOPI is supposed to undertake policy research on the micro and small enterprise sector. Do the current unit staff have the capacity to select and undertake policy research and policy dialogue which will have a significant impact on reducing obstacles to micro and small enterprise growth? How effective has this Policy Unit been in promoting policy changes thus far? To what extent do the investigative activities of the Policy Unit benefit PRODEM and FENACRE? What general improvements can be made in this Unit?

ADEPIs: FEBOPI is composed of eight ADEPIs, departmental associations of small industrialists. FEBOPI is supposed to provide assistance to strengthen the ADEPIs capacity to provide training and technical assistance to their small business members. How effective has FEBOPI been in doing this? What support has WOCCU provided FEBOPI in this task? How effective have the training courses provided by FEBOPI been? What has their impact been? The ADEPIs are also supposed to be self-sufficient. What progress has been made in this regard? What is FEBOPIs and the ADEPIs vision for their system?

Future Project with FEBOPI: At present, USAID does not plan to develop a follow-on micro and small enterprise development project after the current project's August 1993 PACD. If this were the case, USAID funding for FEBOPI would terminate in FY 1993. Based on the evaluators impressions of FEBOPI's capacity, would they recommend that USAID continue financing for FEBOPI? Would FEBOPI have the capacity to implement sub-sector analysis work? Or would simple support for operating expenses until FEBOPI can establish itself on firmer ground be recommended?

WOCCU Technical Assistance: How effective has WOCCU's technical assistance been? What achievements can be attributed to this assistance? How can this technical assistance be improved?

Monitoring and Evaluation: Is the M&E system for the FEBOPI component adequate? Does it provide reliable and useful data? Recommend alternative indicators to assess project impact; as appropriate.

IV. REPORTS

A. Format

The contractor's written report should containing the following:

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- AID Evaluation Summary Form 1330-5 (see attached). Contractor should complete Section H, "Evaluation Abstract," and Section J, "Summary of Evaluation Findings, Conclusions, and Recommendations";
- The evaluation report should not exceed 50 pages and include the following sections:
 - an executive summary;
 - a discussion of findings, conclusions and recommendations for each implementing organization;
 - a discussion of lessons learned.
 - an Appendices section which will include, at a minimum, the following:
 - a brief summary of the current status of outputs;
 - a description of the methodology used in the evaluation;
 - a bibliography of documents consulted;
 - a list of the institutions and individuals consulted;
 - impact indicators for M&E systems within each organization, as relates to the purpose of this project;
 - summary of recommendations.

B. Submission of the Report

The contractor will make an oral presentation to USAID/Bolivia staff and representatives of the evaluated organizations, two days before the end of in-country work. In addition, a draft report will be submitted to USAID's Trade and Investment Office prior to departure from Bolivia. The Mission will review and comment on the draft report and return the document with comments no later than 2 weeks after the contractor's departure from Bolivia.

The final draft report will be presented to USAID/Bolivia no later than 2 weeks after the contractor's receipt of the draft with USAID comments.

The final report will be returned by USAID to the contractor within 10 days. Twenty five copies of the final report (10 copies in English and 15 in Spanish) will be submitted to USAID's Trade and Investment Office no later than three weeks following receipt of the final report.

V. STAFFING PATTERN AND QUALIFICATIONS

The following are regarded by the Mission as the required skills and experience ingredients for the evaluation team:

- * knowledge and experience with varieties of micro lending programs;
- * a strong credit union background, with special emphasis in the area of savings mobilization;
- * knowledge and experience with small business or industry representational organizations, particularly their programs, and strategies for financial self-sufficiency or self-sustainability;
- * ability to write coherent and concise evaluation reports; and
- * ability to work as part of a team.

66'

A two person team is recommended, such as described below, although the contractor is asked to make suggestions on the mix of skills of the actual team composition.

Team Leader/Micro Enterprise and Small Business Representational Organizations Specialist will have overall direction of the evaluation and will have primary responsibility for drafting the report. He or she will have had extensive (preferably AID) project evaluation experience in the area of micro and small enterprise development projects and must be fluent (S-4, R-4) in Spanish. This individual must have experience with small business representational organizations in Latin America.

The **Credit Union/Micro-enterprise Specialist** will have a strong background in savings mobilization for credit unions, banks, or non-governmental institutions. He or she will have experience and knowledge of AID or other donor credit union projects and more generally of micro and small business lending projects. Fluency (S-4, R-4) in Spanish is required.

VI. ESTIMATED LEVEL OF EFFORT

This contract will require the following level of effort, based on six-day work week:

Team Leader/Micro-enterprise and Small Business Representational Organizations Specialist: 22 work days

Credit Union/Micro-enterprise Specialist: 15 work days

The team will work closely with managers and staff of PRODEM, FEBOPI and FENACRE.

VII. CONTRACT PERIOD AND START-UP DATE

The contractor should commence work in La Paz, Bolivia on or around January 20, 1992. The estimated period of performance, including the submission of the final report, is approximately 7 weeks.

VIII. DISBURSEMENT PROCEDURES

This will be a cost-reimbursement contract. USAID/Bolivia reserves the right to approve the final voucher (representing 20% of the contract amount) before payment is made to the contractor by AID/W.

IX. LOCATION OF SERVICES

The primary location for consultants' services will be La Paz, Bolivia with visits to other Bolivian cities.

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ANNEX H
PRODEM/BANCOSOL LOAN APPLICATION

INFORMACION PERSONAL:

11-3

EVALUACION ECONOMICA - M. C.

Nombre del Grupo: Código:

Fecha: DIA MES AÑO Código:

Nombres: Apellido Paterno:

Apellido Materno o de Casada: Código:

Rama de Actividad: Código:

Sec. de Ptmo. K.O.: Código:

PRIMERA PARTE : CALCULO DEL PATRIMONIO O RIQUEZA DE LA MICROEMPRESA

1. Caja/Banco				
2. Puesto propio				
3. Casa/Terreno				
4. Muebles y enseres				
5. Existencia de mercancías				
6. Carritos/carretillas/triciclos				
7. Movilidades				
8. Otros				
TOTAL ACTIVO	Bs.			(A)
1. Cuotas por pagar a PRODEM (K.O.)	Nº Cuotas		(X)	(X x O)
2. Cuotas por pagar a PRODEM (K.I.)	Nº Cuotas		(Y)	(Y x I)
3. Préstamos de otras instituciones				
4. Otros por pagar				
TOTAL PASIVO	Bs.			(P)
TOTAL ACTIVO - PASIVO	Bs.			(A - P)

SEGUNDA PARTE : CALCULO DEL MOVIMIENTO ECONOMICO MENSUAL DE LA MICROEMPRESA
 (Por favor utilizar la página adjunta para calcular los ingresos por ventas (V) y las compras (C) mensuales.)

TOTAL INGRESOS POR VENTAS AL MES	Bs.				(V)
1. Total compras al mes					(C)
2. Gastos mensuales en personal					
3. Costo mensual en transporte					
4. Mantenimiento y Rep. de muebles y enseres					
TOTAL COSTOS VARIABLES AL MES	Bs.				(CV)
UTILIDAD BRUTA	Bs.				(UB = V - CV)
1. Alquiler Puesto					
2. Alquiler depósito					
3. IVA o Régimen Simplificado					
4. Impuesto municipal o Sentaje					
5. Cuota Sindicato					
6. Energía Eléctrica					
7. Agua					
TOTAL COSTOS FIJOS MENSUALES	Bs.				(CF)
TOTAL INGRESOS DISPONIBLES (Utilidad Neta)	Bs.				(UN = UB - CF)

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1. Consumo del hogar					(O)
2. Cuota PRODEM Bs. (K.O.)					(I)
3. Cuota PRODEM Bs. (K.I.)					
4. Compra de maquinaria y/o equipo					
5. Ahorro					
TOTAL ASIGNACION DE INGRESO DISPONIBLE	Bs.				(AD)

TOTAL SALDO DISPONIBLE (Utilidad Final)	Bs.				(UF=UN)
--	------------	--	--	--	---------

OTROS INGRESOS EN EL ULTIMO MES	Bs.				(N)
--	------------	--	--	--	-----

TOTAL PRESTAMO ANTERIOR	Bs.			
MONTO DE LA CUOTA	Bs.			
PLAZO EN SEMANAS				

RECOMENDACIONES ASESOR:

.....

.....

.....

TOTAL PRESTAMO RECOMENDADO	Bs.			
MONTO DE LA CUOTA	Bs.			
PLAZO EN SEMANAS				

OBSERVACIONES GENERALES:

NOMBRE DEL ASESOR:

NOMBRE DEL TRANSCRIPTOR:

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PRIMERA PARTE : CALCULO DE COMPRAS

1. Producto											(Ri)			
2. Código											(Qi)			
3. Ciclo											(Pi)			
4. Cantidad											$Ci = (Qi \times Pi) \times 7 / Ri$			
5. Unidad														
6. Precio Unidad														
7. Costo														
TOTAL COSTO SEMANAL										Bs.				ΣCi
TOTAL COSTO MENSUAL										Bs.				$(C = \Sigma Ci \times 4.2)$

SEGUNDA PARTE : CALCULO DE VENTAS

1. Ciclo											(Si)			
2. Cantidad											(Wi)			
3. Unidad											(Pi)			
4. Precio Unidad											$Vi = (Wi \times Pi) \times 7 / Si$			
5. Valor Ventas														
6. Tipo de Venta														
TOTAL VENTAS SEMANALES										Bs.				ΣVi
TOTAL VENTAS MENSUALES										Bs.				$(V = \Sigma Vi \times 4.2)$

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ANNEX I
BANCOSOL FINANCIAL PROJECTIONS

BANCO SOLIDARIO S.A.

BANCO SOL

RESUMEN DE FUENTES DE FINANCIAMIENTO 1992

FUENTES	MONEDA TIPO	MONTO (000 US\$)	MONTO (000 Bs.)	INT. US\$	INT. Bs.	MONTO INT. US\$	MONTO INT. Bs.
Captaciones del Publico:							
- Ahorros Voluntarios	(Bs.)	159	602	8%	20%	13	121
- Ahorros Compensatorios	(Bs.)	-1,851	6,998	8%	20%	148	1,402
Sub Total		2,011	7,600			161	1,523
Financiamientos a Comprometer:							
- PL - 480 (a Transferir)	(Bs.)	800	3,025	12%	24%	98	726
- ACCION/USAID	(US\$)	8,000	7,560	10%	22%	200	1,663
- DEG.	(US\$)	2,000	3,780	11%	23%	110	869
- DPF'S	(US\$)	1,587	6,000	14%	26%	222	1,560
- DEUDA INTERBANCARIA	(Bs.)	434	1,639	18%	30%	78	492
Sub Total:		5,821	22,004			708	5,310
TOTAL		7,832	29,604			867	6,833
Costo Promedio de Capital							
- En US\$				11%			
- En Bs.				23%			
Costo Promedio de Capital a Comprometer							
- En US\$				12%			
- En Bs.				24%			

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ESTADO DE RESULTADOS PROYECTADO

BS

DETALLE / MES	DICBRE (BASE)	ENERO	FEBRERO	MARZO	ABRIL	MAYO	JUNIO	JULIO	AGOSTO	SEPTBRE	OCTBRE	NOVBRE	DICBRE	TOTAL 1992
INGRESOS:														
Intereses Ganados:														
- Cartera de préstamos		0	151	307	323	347	478	657	676	1.041	1.143	1.318	1.424	8.125
- Encaje		0	1	3	3	3	4	5	7	8	8	10	12	65
- Certificados de depósito		0	19	19	0	0	0	0	0	0	0	0	0	31
Total intereses ganados		0	171	329	326	350	482	672	681	1.049	1.152	1.330	1.436	8.221
COSTO DE FONDOS:														
Ancos de depositarios		0	20	40	42	45	58	73	83	95	103	113	124	795
Otras deudas a corto plazo		0	0	11	12	9	19	50	99	124	150	205	250	929
Deuda multi-lateral		0	0	0	0	0	0	0	0	0	0	0	0	0
Deuda de PL-450		0	33	61	61	61	61	61	61	61	61	61	61	622
Depositos a Plazo Fijo		0	0	0	0	0	0	0	27	60	75	92	110	364
Total costo de fondos		0	53	111	115	115	137	183	269	340	389	470	544	2.724
MARGEN FINANCIERO		0	121	218	212	235	344	489	612	709	763	859	892	5.515
COSTOS DE OPERACION:														
Gastos de Administracion														
Gastos de Personal		0	89	89	81	104	154	173	263	259	264	260	292	2.031
Servicios contratados		0	3	3	3	4	5	8	11	11	11	11	13	82
Seguros		0	0	0	0	0	0	0	0	0	0	0	0	0
Comunicaciones y traslados		0	10	10	10	11	13	14	18	18	20	20	20	167
Mantenimiento y reparaciones		0	4	4	4	4	7	8	10	11	10	10	11	83
Otros gastos de adm.		0	16	16	16	21	25	33	40	40	40	40	42	330
Gastos Oficina Nacional/Suc.		0	223	292	279	271	287	275	254	263	277	238	236	2.896
Depreciaciones y Amortizac.		0	0	23	37	39	43	47	53	53	52	51	51	448
Total Gastos de administracion		0	345	437	440	452	535	557	650	657	675	633	665	6.046
Reservas Especiales														
Provision Prestamos Perdidos		0	2	2	2	2	4	5	8	8	10	11	12	64
Impuestos:														
Impuesto Patrimonio		0	18	17	23	22	47	50	70	89	88	88	69	523
Impuestos Transacciones		0	3	7	7	7	10	13	18	21	23	27	30	165
IVA		0	0	0	0	0	0	0	0	0	0	0	0	0
Impuesto SIB		0	1	1	1	1	2	3	5	5	6	6	7	38
Total Impuestos		0	22	25	31	30	59	66	93	95	97	101	105	726
Imprevistos														
		0	10	13	13	14	16	17	19	20	20	19	20	181
TOTAL GASTOS DE OPERACION		0	378	477	486	496	614	645	770	780	832	784	833	7.017
UTILIDAD NETA / PERDIDA		0	(257)	(259)	(274)	(263)	(270)	(156)	(158)	(71)	(39)	85	149	(1.502)

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BALANCE GENERAL PROYECTADO

DETALLE / MES	DICBRE (BASE)	ENERO	FEBRERO	MARZO	ABRIL	MAYO	JUNIO	JULIO	AGOSTO	SEPTBRE	OCTBRE	NOVBRE	DICBRE	TOTAL 1992
ACTIVOS:														
ACTIVO CORRIENTE:														
Encaje Legal		0	463	481	512	546	622	884	1,346	1,491	1,655	1,893	2,123	
Efectivo en bancos		0	134	139	148	160	265	328	449	476	540	653	616	
Certificados de deposito		0	2,309	0	0	0	0	0	0	0	0	0	0	
Total Activos Corrientes		0	2,903	620	661	706	1,088	1,212	1,795	1,967	2,226	2,525	2,737	
Cartera de Prestamos menos: Provision de perdidas		0	6,696	6,953	7,426	7,991	13,251	16,439	22,474	23,842	27,037	31,698	34,344	
Cartera Neta de Prestamos		0	6,694	6,950	7,421	7,985	13,241	16,424	22,451	23,811	26,995	31,657	34,302	
Activos Fijos (Neto)		0	0	3,565	4,844	5,180	6,598	7,433	8,764	8,737	8,695	8,634	8,593	
Cargos Diferidos (Neto)		0	2,192	2,169	2,125	2,092	2,059	2,025	1,992	1,959	1,926	1,892	1,859	
TOTAL ACTIVOS		0	11,789	13,293	15,051	15,963	22,976	27,095	35,003	36,474	39,833	44,689	47,569	
PASIVOS:														
PASIVOS CORRIENTES:														
Ahorros Voluntarios		0	0	0	40	84	133	186	255	327	408	502	602	
Ahorros Compensatorios		0	2,300	2,404	2,520	2,648	3,979	4,232	5,126	5,476	5,919	6,465	6,998	
Otras deudas a corto plazo		0	0	1,087	120	737	1,083	3,941	5,909	6,515	6,521	11,976	12,979	
Depositos a Plazo Fijo		0	0	0	0	0	0	0	2,700	3,300	4,200	5,000	6,000	
Total Pasivos Corrientes		0	2,300	3,491	2,680	3,529	5,195	8,352	13,990	15,618	19,048	23,943	26,579	
Pasivos a Largo Plazo:														
- Prestamos multilaterales		0	0	0	0	0	0	0	0	0	0	0	0	
- Deuda en PL-480 (transferida)		0	3,025	3,025	3,025	3,025	3,025	3,025	3,025	3,025	3,025	3,025	3,025	
Total Pasivos a Largo Plazo		0	3,025	3,025	3,025	3,025	3,025	3,025	3,025	3,025	3,025	3,025	3,025	
TOTAL PASIVOS		0	5,325	6,516	5,705	6,554	8,220	11,377	17,015	18,643	22,073	26,968	29,604	
PATRIMONIO:														
Capital Pagado		0	6,464	7,034	8,863	10,200	15,809	17,034	19,467	19,467	19,467	19,467	19,467	
Reservas		0	0	0	0	0	0	0	0	0	0	0	24	
Ganancias retenidas		0	0	(257)	(517)	(791)	(1,054)	(1,323)	(1,479)	(1,637)	(1,708)	(1,748)	(1,526)	
TOTAL PATRIMONIO		0	6,464	6,777	8,346	9,409	14,755	15,711	17,988	17,830	17,759	17,721	17,965	
TOTAL PASIVO Y PATRIMONIO		0	11,789	13,293	15,051	15,963	22,976	27,095	35,003	36,473	39,833	44,689	47,569	

BANCO SOLIDARIO S.A.

RESUMEN DE RESULTADOS OPERATIVOS
Y FINANCIEROS A DICIEMBRE 1992 (**)

OFICINAS	FECHA APERTURA	NO. CLIENTES	CARTERA	NUMERO ASESORES	DEUDA ADICIONAL	TOTAL AHORROS	TOTAL ACTIVOS	UTILIDAD (PERDIDA)	RSCP
San Pedro	10 de Feb	7,484	8,429	12		2658			
Garrta	10 de Feb	3,375	5,482	7		1472			
Vila Fatima	1 de Mayo	1,131	538	6		54			
El Cruce	1 de Julio	1,514	707	6		55			
Sub Total La Paz		13,484	15,136	32	8,994	4,437	21,940	(836)	-9%
Cap. Bolivan	1 de Junio	6,855	6,011	12		1568			
Vila Bolivar	1 de Julio	1,922	1,830	5		157			
Sub Total El Aho		7,777	7,841	17	2,028	1,725	10,115	(256)	-4%
Casco Viejo	1 de Agosto	6,151	9,553	21		1338			
La Ramada	1 de Agosto	1,365	1,854	3		128			
Sub Total Santa Cruz		7,516	11,407	24	10,982	1,436	15,514	(409)	-12%
TOTAL GENERAL (EN 000 Bs.)		29,777	34,385	73	22,004	7,598	47,569	(1,503)	-3%
TOTAL GENERAL (000 US\$)			8,097		5,821	2,018	12,584	(388)	

** Refleja Proyecciones regionales que incluyen la prestación de servicios de crédito para la inversión en activos fijos.

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PROYECCION DE OPERACIONES

CONCEPTO / MES		DIC / 81 (BASE)	ENERO	FEBRERO	MARZO	ABRIL	MAYO	JUNIO	JULIO	AGOSTO	SEPTBRE	OCTBRE	NOVBRE	DICBRE	TOTAL 1982
M	CIENTES NUEVOS (PERSONAS)		0	240	333	395	395	755	832	1,032	1,095	1,448	1,427	1,251	9,223
	% CRECIMIENTO				4%	4%	4%	8%	5%	8%	4%	6%	5%	5%	
E	CIENTES RETIRADOS (PERSONAS)		0	140	140	182	222	352	217	376	467	335	393	402	3,226
	% DESERCIÓN				2%	2%	3%	4%	1%	2%	1.8%	1.3%	1.5%	1.4%	
T	CIENTES (PTMO. ACTIVO)		0	8,500	8,690	8,893	8,397	15,265	16,260	25,115	25,743	26,854	27,888	25,777	
A	TOTAL DESEMBOLSADO (Bs. 000)		0.00	2,148.00	2,620.00	2,925.00	3,202.00	9,753.00	7,866.75	13,725.45	8,745.10	11,061.68	13,646.69	13,331.69	69,253.35
	TOTAL RECUPERACION (Bs. 000)		0.00	2,448.15	2,342.75	2,433.00	2,637.00	4,493.00	4,622.00	7,751.82	7,360.04	7,866.72	8,995.15	10,635.95	61,665.81
S	CARTERA ACTIVA (Bs. 000)		0.00	8,696.00	8,953.25	7,426.25	7,991.25	13,251.25	16,439.00	22,473.63	23,841.69	27,036.65	31,688.18	34,323.89	
	AHORRO VOLUNTARIO														
	No. DE CLIENTES (PERSONAS)		0	0	0	269	300	416	469	637	846	993	965	1,032	5,933
	AMORROS CAPTADOS EN EL MES (Bs. 000)		0.00	0.00	0.00	39.81	43.93	49.60	52.77	68.72	72.37	81.12	93.68	103.11	622.10
	AMORROS ACUMULADOS (Bs. 000)	0	0.00	0.00	39.81	83.74	133.34	186.11	254.83	327.19	408.32	502.00	622.10		
	AHORRO OBLIGATORIO														
	AMORROS CAPTADOS EN EL MES (Bs. 000)		0.00	2,300.00	104.00	116.00	128.00	1,331.00	253.00	854.00	350.00	443.00	546.00	533.00	6,993.00
	AMORROS ACUMULADOS (Bs. 000)	0.00	0.00	2,300.00	2,404.00	2,520.00	2,648.00	3,979.00	4,232.00	5,126.00	5,478.00	5,919.00	6,465.00	6,993.00	
	PERSONAL														
	# ASESORES	0	0	23	23	24	26	40	49	73	73	73	73	73	
	# OTROS EMPLEADOS	0	0	21	21	22	27	42	47	69	69	70	70	70	
	TOTAL PERSONAL	0	0	44	44	46	53	82	96	142	142	143	143	143	
Cartera Promedio/Ciente				0.79	0.80	0.84	0.85	0.87	0.90	0.89	0.93	1.01	1.14	1.19	
Clientes Activos / asesor de cred.				370	378	371	336	362	373	344	353	368	382	384	
Cartera Activa / asesor de cred.				291	302	309	285	331	335	308	327	370	434	471	

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