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**AN EVALUATION OF
THE
MICROBUSINESS PROMOTION PROJECT
IN GUATEMALA**

Prepared for the U.S. Agency for International Development, Guatemala

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1. PURPOSE, CONCLUSIONS AND RECOMMENDATIONS OF THE REPORT

1.1. Purpose

In august 1987 USAID / Guatemala signed a grant agreement with ACCION International to provide credit, technical assistance and training to microenterpreneurs around the country. ACCION signed subagreements with two local PVO's, FUNTEC, based in Guatemala City, and FUNDAP, with headquarters in Quetzaltenango. FUNTEC created the Genesis Empresarial (Genesis) project, and FUNDAP created PROSEM to implement project activities.

The original three year project, which targeted a client population of 11,000 microbusinesses, was extended for another year, partially due to a 10 month delay in start - up activities, and expires august 31, 1991. Funding has been \$ 2,050,000 plus Q. 5,755,507 in local currency.

Recently, ACCION has presented a proposal to USAID Guatemala to extend the the MPP for one more year; this is viewed necessary because of an expected considerable increase in fundings and activities for both programs, which would cause the need for adaptations in their organizational structure, personnel qualifications, information systems, and general and financial management capabilities.

The purpose of this evaluation is to provide USAID Guatemala with the basis to make a decision to extend the MPP, and to provide additional funding to support ACCION activities for one more year. Specifically, it will:

- Assess FUNTEC and FUNDAP's needs to improve its institutional effectiveness to manage the current and projected credit portfolio, and to achieve self-sufficiency over the next three to five years
- Indicate the required areas where support is needed with USAID funding,
- Ascertain ACCION's effectiveness during the MPP and its capability to effectively provide the needed assistance.

1.2. Conclusions and Recommendations

1.2.1. General:

CONCLUSION:

Even though the microenterprise sector in Guatemala has received considerable attention in recent years, both from the MPP, the government sponsored SIMME program, and various smaller projects, there is no imminent danger of the sector being saturated with credit, training and technical assistance services.

RECOMMENDATION:

Taking also into account, that program methodology is heavily based on attending the urban microenterprise sector, and that the MPP has already entered rural areas to a much higher degree than planned, the program should not further diversify its target-group in the near future.

1.2.2. FUNTEC / Genesis Empresarial

CONCLUSIONS:

Genesis has quickly expanded its activities, developing a highly regionalized organization structure and procedures that, by and large, are appropriate and effective. It has come to dominate the activities of its mother organization FUNTEC. Organizational independence of Genesis, its decentralization of decision-making processes and institutional support for field-level activities, however, appear to lag behind the high degree of geographical decentralization already achieved. At the same time, financial remunerations of personnel have decreased in real terms.

Genesis has in general reached project targets for total number of beneficiaries, and loan disbursement to specific groups, such as merchants and solidarity groups.

A problem of increasing delinquency rates in some areas during 1990 has been controlled by implementing policies of tight loan supervision and strict following of project procedures.

A short and basic obligatory training program has been established for first time borrowers, which is consistently implemented by staff of the training department and branch managers. Indications exist, that even such a rather limited program has a positive effect on loan-payment rates; management is considering to expand training activities by adding a consultant-trainer to each of its 15 branch-offices.

In the area of project development and studies, activities have been limited to the design of project proposals for external finance. However, Genesis avails of considerable statistical information and practical experience regarding the impact of its programs, the importance of the microenterprise sector in general, and the structure and perspectives of specific sectors, which could be utilised to a greater extent.

In the area of finance, Genesis appears healthy and well on its way to develop into a financially self-sufficient project. External finance has come from the AID donation and to a lesser but increasing extent, commercial bank loans; perspectives for additional funding from local banks and international organizations are bright.

Financial planning and management information systems had been centering very much around the provision of information regarding the achievement of goals related to the credit program; the recent establishment of a financial department has been a first step toward the establishment of a more complete financial planning and control system.

Still areas such as:

- integration of overall planning with financial plans and budgetary control, including short-term cash-flow planning
- determination and use of more specific indicators of loan defaults and bad debts
- separation of Genesis' finances from FUNTEC finances

continue to need specific attention and improvement

Related to the previous, a major and urgent need exists for an expansion of data processing capacity, since actual capacity is already stretched to the limit.

Genesis has shown considerable capacity for expansion of its activities, based on existing demand for its services, its coverage of 13 departments, ample potential sources of finance, and a well-established methodology to attend the (urban) microenterprise sector.

To realize such expansion, the major internal constraint will be the future needs for qualified personnel at the supervisory (branch manager) and field (credit officer) level, and the present lack of institutional capacity to develop such personnel systematically and in adequate numbers.

RECOMMENDATIONS:

Genesis should further develop a decentralized management by objectives system, whereby routine decisions on loan applications are gradually transferred to the level of branch office managers and consultants.

Genesis basic salary structure should be reviewed and updated; possibilities to initiate an incentive system should be carefully analyzed.

With the credit program well-established and basically under control, the time has come for Genesis to develop its activities in other areas as much as financial constraints permit:

Its potential to provide microbusinesses with practical on-the-spot advice through an action-learning approach should be developed by contracting and training consultant-trainers, who will be assigned to selected branch offices.

Impact and sector studies should also be given greater attention, and coordinated with other programs interested in this field.

Genesis should continue to actively pursue other financial sources, such as local banks and international organizations; private contributions, in the form of patrimonio-capital should also be encouraged, which will increase its credibility and capacity to absorb commercial bank loans.

An appropriate data processing system should be identified and installed soonest, with enough capacity to absorb a great amount of additional data, and to extend itself to branch offices.

At the same time, the capacity to design and implement an independent integrated financial planning and control system should be further developed.

As a basis for its expansion strategy, Genesis should aim at improving its services to urban microenterprises, without further incursions into new types of clients, such as small industries, or predominantly rural areas.

To realize this strategy, a permanent effort to keep present personnel and develop additional human resources at the supervisory and operating levels is a first priority.

1.2.3. FUNDAP / PROSEM

CONCLUSIONS:

FUNDAP support for PROSEM has been considerable and continuous.

Within the overall confines of FUNDAP, PROSEM has developed an organization structure and procedures that, by and large, have been independent, and appropriate. It's quick entry into rural areas has been accompanied by the establishment of branch offices in the capitals of all six departments where FUNDAP operates, and the creation of mini-offices in isolated rural municipalities. Branch-offices operate with reasonable efficiency. The effectiveness of the mini-offices is doubted.

The increase in delinquency rates since mid 1990, and the subsequent departure of it's top management, have been followed recently by a revision of PROSEM's organizational structures and an increased emphasis on administrative controls, which include a heavier emphasis on tangible loan guarantees, which are not in line with project philosophy; because of their recent imposition, it is not yet possible to measure the impact of these measures on loan disbursements and recuperations.

PROSEM has in general reached project targets for number of microbusinesses attended and loans disbursed; targets for specific groups, such as merchants and solidarity groups, have also been met, with the notable exception of lending to women, (24 % of loans were to women). It has been suggested, that cultural constraints in this respect have been considerable.

For first-time borrowers, a basic training program has been designed, which is obligatory, and consistently implemented by branch-office staff. A more extensive follow-up program has been designed with ACCION support; consultant-trainers, who have been assigned to various branch-offices will implement this program using a practical, small-group oriented method.

In the area of project development, PROSEM receives FUNDAP support in the design of proposals for external finance. PROSEM also considers the expansion of their so far limited activities in the field of financial analysis and other studies; this would increase it's capacity to absorb the considerable statistical information and practical experience FUNDAP has accumulated in areas such as the impact of its programs, the importance of the microenterprise sector in general, and the structure and perspectives of specific sectors.

In the area of finance, PROSEM has the capacity to develop into a financially self-sufficient organization. Although external finance has been limited almost exclusively to the AID donations, FUNDAP's directors have a proven track-record in capturing both short- and long-term funds from local banks and international organizations.

Management information systems have been adequate so far; at present, FUNDAP's computing system is older, slower and more general than that of Genesis, but just as overburdened, an incapable of handling significant amounts of new data.

The field of financial planning and control is less developed, probably due to the fact that financial control services are provided by FUNDAP personnel outside the PROSEM structure; additionally, the provided information concentrates on measuring compliance with the targets established by ACCION. Areas such as annual plans, budgets, and short-term cash planning, as well as more specific indicators of loan delinquency need to be developed. The establishment of the department of analysis and statistics is a first but small positive step in this direction.

PROSEM's long-term capacity for expansion is much more limited than that of Genesis, since it covers only six departments, which are mainly rural in nature, suffer armed conflict, and present a high degree of cultural diversification. Therefore, and in view of its present difficulties regarding loan-delinquency and unsettled top management situation, PROSEM's recently adopted strategy of consolidation in the short-term, followed by a cautious expansion oriented toward urban clients in areas presently attended by PROSEM, plus an additional few municipalities, is correct, even if funding for greater expansion is available.

RECOMMENDATIONS:

Reduction of delinquency rates should be a high short-term priority; the need for tighter supervision and control of lending policies and procedures is obvious. Still PROSEM should remain faithful to its original target group, the urban microenterprise, and the basic project philosophy and methodology, and rely on the implementation of stricter supervision of staff compliance with this methodology, and increased precredit training and field level supervision of beneficiaries, rather than on administrative controls and limiting access to credit through increased guarantee requirements, to reduce delinquency.

Once repayment rates improve, PROSEM should return to its long-term commitment to a decentralized management by objectives system, allowing effective branch-offices to make routine decisions on loan applications.

PROSEM should further expand its potential to provide microbusinesses with practical on-the-spot advice using an action-learning approach, and analyze the influence the impact of these programs on loan repayment and clients' performance. Inasmuch as financial considerations permit, impact and sector studies could be realized, in coordination with other institutions.

PROSEM should continue to pursue new financial sources carefully and selectively.

An appropriate data processing system should be identified and installed soonest, with enough capacity to absorb a great amount of additional data, and to extend itself to branch offices.

To improve financial information, the department of statistics and analysis should be reinforced. To improve financial planning, it is suggested that the vacant post of PROSEM operations manager be filled by a person with strong financial background. This person could then coordinate the activities of the various departments within PROSEM and FUNDAP that handle the financial aspects of its operations. The general manager to be named should supervise credit operations, training and the branch office coordination.

To realize short-term consolidation, PROSEM should urgently reestablish and reinforce its top-management and return to original project objectives and methodology. At a later stage, it will need to improve its capacity to develop qualified field personnel (branch managers, credit officers, trainers) that implements this methodology consistently. To do so, present field personnel needs reinforcement, and a personnel development section needs to be established within PROSEM.

1.2.4. ACCION / ALTEC

CONCLUSIONS:

The main quantitative objectives and targets of the program have been met. The basic ACCION methodology for attending the urban and semiurban microenterprise sector has proven effective in Guatemala; some minor adjustments have been necessary and incorporated into the program operations.

ACCION has complied with its major duties regarding the provision of project support services, especially in the area of staff training, credit methodology, exchanges of experiences, and control of progress toward project targets.

To a large degree, both FUNTEC and FUNDAP have now developed the institutional capacity to manage the Genesis and PROSEM programs without continuous ACCION support, and to carry part of the financial burden that further external support implies.

In areas where Genesis and PROSEM remain weak, such as institutional capacity to develop staff, financial planning and control, and computerized information systems, they have, in part, been victim of their own success in achieving fast expansion.

RECOMMENDATIONS:

A follow-up period of support for Genesis and PROSEM in order to consolidate achievements and remove still existing important weaknesses in both projects is needed.

Based on past performance, ACCION would appear to be the indicated agency to coordinate such further assistance; which should concentrate on:

a. Establishing a capacity within Genesis and FUNDAP / PROSEM to develop its own field personnel (credit-and training consultants, branch managers) who are the heart and soul of the program, whose qualifications cannot be found outside these organizations, and who will be needed if both projects are to continue their growth in the future.

This should be done by providing short-term ACCION consultants who will:

- continue the organization and execution of staff-seminars in credit methodology and technical assistance for branch managers, credit and training officers.
- organize staff exchanges with other ACCION supported programs for selected mid-level personnel in Genesis and top and mid level personnel of FUNDAP.
- assist Genesis' and PROSEM's general managers in designing a staff development plan, and allocating specific responsibilities for staff development to two persons within both organizations; these persons then should work closely together with ACCION's consultants, and take increasing responsibilities in executing training programs and implementing on-the-job advice. Basis for this, of course, should be a strict application of the project philosophy and methodology to its original target group.

b. Improving both programs' capacity in financial management, by:

- making available to Genesis and PROSEM, the data processing system used by ACCION affiliates in South American, who, it is understood, are willing to provide a new computerized information system, PICK, that would suit the needs of both organizations.
- providing Genesis and FUNDAP's management with the opportunity to acquaint themselves with the above mentioned information system abroad, installing it in Guatemala as soon as possible, and training their personnel in it's use.
- organize a short (two week) training program in financial planning and control, adapted to the specific situation of microenterprise financing, to be attended by two persons from both organizations.
- contracting a local consultant for each organizationsto provide assistance in designing and implementing an integrated financial management system; it is estimated that both Genesis and PROSEM would need one man-month of support, on an intermittent (retainer) basis.

c. Providing a short-term consultant to assist the general managers of both organizations in designing a decentralized decision-making system of loan approval and financial control, and implement this system in a few selected branch offices which have achieved above average results in terms of operating costs and recuperation rates.

2. THE MICROENTERPRISE SECTOR IN GUATEMALA

2.1. Basic data

Various studies of the microenterprise sector in Guatemala have been carried out since 1985, using different definitions and methodology, and reaching different conclusions regarding its size and importance. From these reports, however, the following estimates, which appear most reliable, can be summarized:

Definition / description of microbusiness:

A microbusiness is a unit that produces or trades goods or services, that employs not more than 10 persons including the owner, operates with very low amount of capital invested, basic rudimentary technology and virtually no administrative procedures; ownership is individual or family based; owners and their families belong to the poorer strata of the population; generally a microbusiness is part of the informal sector, meaning they are not inscribed in the Mercantile register of Guatemala, nor the Ministry of Finance, pay no taxes, and are not affiliated to the Institute for Social Security (IGGS).

Size of the sector:

It was estimated, that in 1987, some 356,000 microbusinesses existed in Guatemala, of which 125,000 in the industrial sector 186,000 in commerce, and 45,000 in the services sector (see appendix 1). 96,000 (27 %) of these are established near Guatemala City. 161,000 (45 %) are run by men, and 195,000 (55 %) by women. Women ownership is most predominant in the commercial sector (see appendix 1, table 2). The vast majority is established in urban areas.

On average, each unit employs almost 3 people (between 2.5 and 3.3); this average being slightly higher in industrial units, and lower in commercial businesses. The sector, therefore, provides opportunity for work to about 1,400,000 people.

Indications are, that the sector has grown considerably over recent years, due to high population growth (2.9 % annually), stagnation of the Gross National Product GNP in real terms, the inability of the formal private sector to absorb new job seekers in significant numbers and the Government's recent austerity measures.

2.2. Notable microbusiness development activities:

Apart from the ACCION / Genesis / PROSEM project, there is only one microbusiness development effort active in Guatemala that aims to provide technical and credit support to this sector on a massive scale.

This is the National Program for Micro and Small Business (SIMME). SIMME was initiated by the Vice-President of Guatemala in 1986, and aims at coordinating and directing the efforts of NGO's and banks in providing credit to industrial microenterprises. Since 1988, the 13 (mainly recently established) NGO's and 3 state owned or parastatal banks that operate under its flag, have provided credit to some 17,000 beneficiaries on a nationwide scale.

Funds and technical assistance have been provided by a variety of international organizations and donor agencies. Under the new government, which took over in January 1991, SIMME has suspended new credit operations and is concentrating on sanitizing its loan portfolio, and a revision of its objectives and procedures.

Apart from the NGO's affiliated with SIMME, at least 30 other NGO's operate some form of microbusiness credit activity; these activities usually take place within the broader setting of integrated rural development, housing or social programs, however, and do not aim at massification.

Another initiative worth noting is the pledge made in March 1991 by the Guatemala banks to reserve some Q. 50 million for credit to micro- small- and medium sized business; loans of up to Q. 40,000 are provided to businesses that mostly meet traditional bank criteria. Hence, it is not expected that a significant amount of these funds will be used for direct financing of microbusinesses.

Finally, the president of Guatemala established in April 1991 the Committee on Popular Credit, which is expected to certify and coordinate NGO's that wish to participate in government - sponsored programs that provide 'credito popular', and to supervise and control the use of the funds provided by the public sector to these NGO's. Titular Members of this committee for the period 1991-1993, are the Central Bank, Finance Ministry, Development Ministry, Bankers Association, FUNTEC, FUNDAP, and the Sugar Foundation FUNDAZUCAR. Supplementary members are the Association of Private Development Institutions (ASINDES-ONG) and KINAL Foundation (See appendix 2).

2.3. Absorption capacity:

The SIMME program so far has attended 17000 microbusinesses, and the MPP almost 11000. In view of the actual size and continuous increase of the sector, therefore, it appears that present efforts still only cover a very limited part of potential beneficiaries that fit the used definitions. Therefore a considerable potential need for future services still exist, creating potential for expansion for effective programs that attend the sector; this impression is confirmed by officials of the organizations active in the field, who feel that although occasionally the various programs actively compete for clients, actual programs are only a few drops of water in a still almost empty bucket.

3 THE MICROBUSINESS PROMOTION PROJECT:

3.1. Objective and Targets:

To improve living conditions of poor people in urban areas by means of a program of credit and managerial assistance.

More specifically:

- * To reach 10,578 program beneficiaries
(50 % of which to be women)
- * To disburse 22,824 credits,
for a total amount of Q. 28.9 million
- * To reach a loan portfolio of Q. 3.7 million
- * To establish 2 project HQ's and 12 branch offices
- * To reach operating selfsufficiency after 32 months, by
keeping operating costs at 6% of the amount loaned.
- * To create 2334 jobs and to reinforce 16,522 others
within a three year period from the start of the program

3.2. Program principles:

The methodology of the MPP is based on the basic ACCION principles (as stated in discussion papers by Maria Otero and Mirta Olivares) of:

- massification of activities
- efficient administration:
 - * clear policies
 - * adequate information and control systems
 - * decentralization and agility
- mix of credit and training activities
- loan conditions adapted to the situation of the target group,
i.e.:
 - * fast processing of requests and disbursements
 - * fiduciary and solidarity group loans
 - * heavy initial emphasis on short-term (up to 6 months)
working capital loans
 - * incremental lending: a business that has paid off initial
loans, can opt for subsequent loans for increasing amounts;
 - * no interest subsidies
 - * penalties in case of loan delinquency, and little
flexibility in renewing or renegotiating loans
- training and managerial assistance adapted to the client
groups needs and situation

3.3. ACCION responsibilities:

Apart from assisting Genesis and PROSEM in reaching the goals established in 3.1., ACCION's responsibilities are to:

1. establish methodologies that allow implementing agencies to learn from their experiences
2. establish budget and accounting systems
3. institute a client identification methodology
4. develop annual action plans
5. support FUNTEC and FUNDAP in promotion, loan policy and technology/managerial transfer
6. implement internal computerized control systems
7. train participating PVO personnel
8. advise on management issues and introduce .. a decision sharing approach
9. facilitate networking with microenterprise programs in other countries as well as Guatemala
10. organize a project advisory committee

3.4. Loan conditions in Guatemala:

In Guatemala, the target group of the program was defined as urban microenterprises in industry, commerce and the service sectors, who meet the following criteria:

- 1) legal minimum age;
- 2) permanent business site;
- 3) at least one year in operation;
- 4) willingness to receive technical assistance;
- 5) business growth potential based on small capital injections;
- 6) sound character references;
- 7) no access to the formal credit system
- 8) less than 10 salaried workers
- 9) low -income family.

Initial loans are small, but can be increased through incremental lending, whereby each subsequent loan can reach an amount of up to 130 % of the previous loan; the maximum initial amount for an individual loan to producers presently is Q. 3,000, and the maximum final amount Q. 12,000. For loans to members of solidarity groups (mostly very small sellers), these amounts are Q. 1,000 and Q. 4,000, respectively. The maximum repayment period is six months for producers, and 2 months for traders. For proven good clients, some exceptions can be made.

Interest rates have increased periodically during the project period; at present, Genesis charges 2.5 % per month, plus a flat fee of Q.10,- to cover training expenses; while PROSEM charges 3.0. % per month over the amount borrowed, which includes services.

These rates are above bank-rates, but far below rates charged by informal money-lenders.

4. FUNTEC / GENESIS EMPRESARIAL

4.1. Organizational Growth, Structure, Procedures

In its three years of operation, Genesis Empresarial has grown from a smallish project employing 5 people within FUNTEC, to a full-flown organization that has some 85 employees, dominates and practically determines the image of the mother organization, and occasionally even finances it. To do so without any major growing pains, such as procedural and structural problems is a great achievement:

- Branch offices have been created in 12 departments outside of the capital; this is a faster pace than foreseen in the project plan. Consequently, Genesis has attended more semi-urban and even rural enterprises than planned, which has not created major problems.
- Organization structure has been adapted often; at present, a new structure is being implemented, which incorporates and expands on recent ACCION recommendations (see appendix 2): Below the executive director, a financial and administrative sub-directorate has been created, as well as the post of technical sub-director, who will supervise the Training Department, and three branch-office coordinators. The 15 branch office heads (3 in the Metropolitan area, 12 in department capitals) supervise between 2 and 6 credit-consultants each; almost 40 such consultants are presently employed, providing the key link between microbusinesses and Genesis management.
- Manuals of procedures, job-descriptions, and other instructives have been created and adapted; by and large, these are appropriate for the size and type of organization Genesis has become.
- Recently, a planning system has been established, which consists of a broad annual plan and trimestral and monthly targets and goals, emphasizing loan related criteria (#, volume of loans and borrowers, repeaters), estimates of major budget items , and measures of financial and operational self-sufficiency.

- Employees, especially at the operating level (trainers, coordinators, credit-consultants) are generally very young (22-25), students who are in their second or third year of University (business or social sciences), have less than 2 years of experience within Genesis, and previous work experience which is both limited and unrelated to their activities in Genesis. Enthusiasm for the job, support for the basic methodology used, and appreciation for ACCION's support and training are extremely high.
- Management is carefully developing ideas about initiating an employee incentive scheme.

Some caution has to be expressed however, regarding observations made by various employees, expressing worries about:

- the impression that recent entrants in Genesis do not receive the appropriate amount of induction and practical preparation before starting their work
- diminishing institutional support for field activities
- resignations by valued personnel because of financial considerations
- increasing responsibilities (number of loans supervised, default rates) without a corresponding increase in authority, administrative and logistical support

Additionally, but related to the previous comment, an impression exists that planning and decision-making procedures are still not as decentralized as they could be:

- overall planning is mainly realized by the top management circle without major inputs from other levels
- procedures for loan approval still center around the Credit Committee, which formally reviews and approves each loan; this Committee consists of the Executive Director, the two subdirectors, the head of the studies and projects department, and the coordinators of branch offices. The committee however, rarely overturns suggestions made by the involved consultant or branch manager, although occasionally the proposed loan terms are revised. Informally, personnel of some branch offices have installed their own committee which reviews each case before submitting it to the Credit Committee.

4.2 RESULTS OF CREDIT PROGRAM

The Microbusiness Promotion Project was originally intended as three-year operation. However, due to funding delays and other difficulties, the initiation of the project resulted in a ten month set-back. The first loan was granted by Genesis in July 1988. In order to establish the compliance with the original targets, a three year period has been analyzed: July 1988 to June 1991. A summary of the comparative data is presented in Table I.

4.2.1 Number of Microenterprises assisted

The original goal was of 6880 microbusiness, 99% of it was achieved. The total coverage in the three years is that of 6813 beneficiaries.

A lack of funding was the main obstacle in not achieving and surpassing the targeted goal. Due to high demand around the Christmas season, there was a five month shortage, from October 1990 to March 1991. This contraction of the availability of funds has had a negative effect on the growth of the program. The natural flow of the lending activity was interrupted. Many new requests for loans had to be turned down, current users could not increase their loan values, and the perception that --there was no money--, gave the program an image of weakness. This perception not only resulted in a loss of credibility, but also in a good part of the terrain gained in the initial period was lost. According to the opinion of the *Comité Directivo*, it was one of the main causes in the delinquency rate increase.

There is a firm belief that the target on the number of microenterprises reached would have been more than surpassed, if this situation would have not occurred.

4.2.2 Number of Loans and Distribution by Individual and Solidarity Groups

The total number of loans placed were surpassed, for 106% of the target was accomplished in the first three years of operation. In reference to individual loans, the Genesis program fell short by 15%: the original estimation was of 5960, and only 5073 were made during the specific time period.

Table 1

FUNTEC-GENESIS

Comparison of Planned Targets and Actual Performance

July 1988 to June 1991

<i>Indicators</i>	<i>Three Year Target</i>	<i>Actual Performance</i>	<i>% of target</i>
No. of Microbusiness	6880	6813	99%
-Producers	2230	2579	116%
-Merchants	4650	4230	91%
% of women	50%	43%	86%
No. of Loans Placed	10396	10978	106%
-Individuals	5960	5073	85%
-Solidarity Groups	4436	5905	133%
Total Value of Loans (000's Q)	8032	27572	343%
-Individuals	4474	7087.00	158%
-Solidarity Groups	3558	20485.00	576%

Source: Revised Project Implementation Plan and Statistics from GENESIS

In the case of individual loans, the scheme has been adapted based on the experience of the program in Guatemala. When the program started, an individual borrower could access credit with a personal guarantee, or by being recommended as a solid person in the community. Now, the programs demands a co-signer with a steady job, and that makes the loan requests more complicated. This procedure was incorporated as a measure to keep delinquency rates down. The estimated average number of loans per credit adviser is that of 200, including group and individuals. It should be pointed out that attention to individual credit beneficiaries is more time consuming. Although it seem a rather high number, experience shows that in small towns, it can be covered effectively . In larger urban areas, when the beneficiaries are not concentrated in markets or other work places, the numbers are reduced due to time, distance and transportation factors.

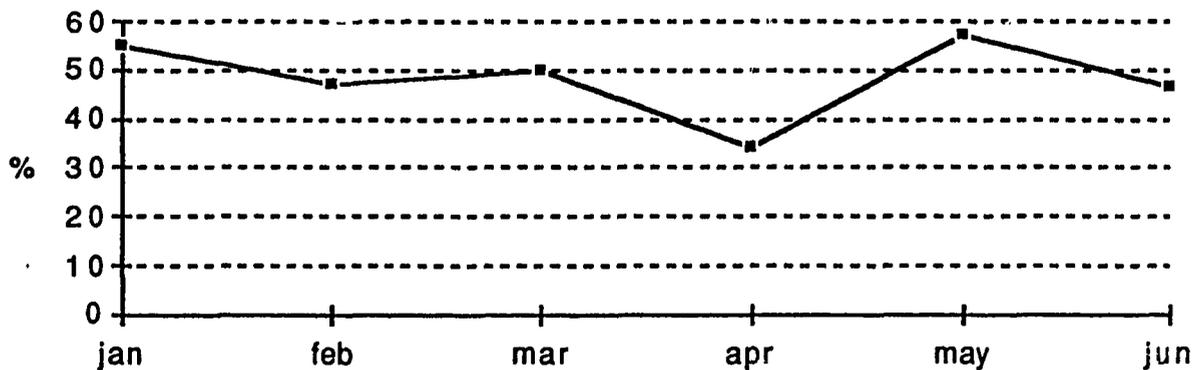
In the case of solidarity groups, there has been a 133% achievement. The group methodology has had excellent results, and new aspects developed in this experience. There is an interesting example of a group in a local market that incorporated 13 other groups from the same market to the program. They have 0% delinquency rate, and have organized themselves. The new organization has created an emergency fund by requesting a contribution of Q0.25 per participant per day. The fund pays the program when a group or individual from a group cannot comply with the scheduled payment. From their point of view, it is a savings scheme, but as far as GENESIS is concerned, it works as a guarantee fund. The organization in the market is in the process of establishing a health service for their members from the proceeds of the fund.

4.2.3. Percentage of Women in the GENESIS Program

GENESIS has achieved 86% of the original target for the number of women participants in the Program. The original target was to incorporate 50% of women and the average percentage is that of 43%. There is a trend to increase this number with time. In the last six months of the program, there have been months, such as January and May 91, where the percentage of women users is above 50%. A line graph follows:

Chart 1

Percentage of Women Participants Jan 91 to Jun 91 in the GENESIS Program



Source: GENESIS EMPRESARIAL

This up going trend will be complemented with the more strict payment policies, which point towards lending more to solidarity groups and less to individuals. Many of the groups are formed by women, and experience shows that women in groups pay much better than men or mixed groups.

4.2.4 New Loans and Repeat Loans:

During the three year period a total of 10,978 loans were granted, of which 7539 were repeat loans, a 68.7%.

This high percentage is the result of the ACTION/AITEC methodology, of giving escalating loans. When the microentrepreneur pays the first loan, he/she can receive a 30% increase in the subsequent loan. There are individuals and solidarity groups that have had their credit renewed 14 to 16 times since the program started.

4.2.5 Value of Loans

GENESIS made loans for a total of Q27,572,000 (equivalent to US\$5,514,400, at the actual exchange rate of Q5 for one US\$. The exchange rate has fluctuated since the start of the program, from Q2.50 per dollar at the beginning of the MPP, to the current exchange rate of Q5.00 per dollar. This amount represents a 343% of the original target of Q8,032,000. It has granted Q7,087,000 to individual borrowers and Q20,485,000 to solidarity groups. The amount given to solidarity groups has achieved a 576% of success rate.

4.2.6 Default Rate

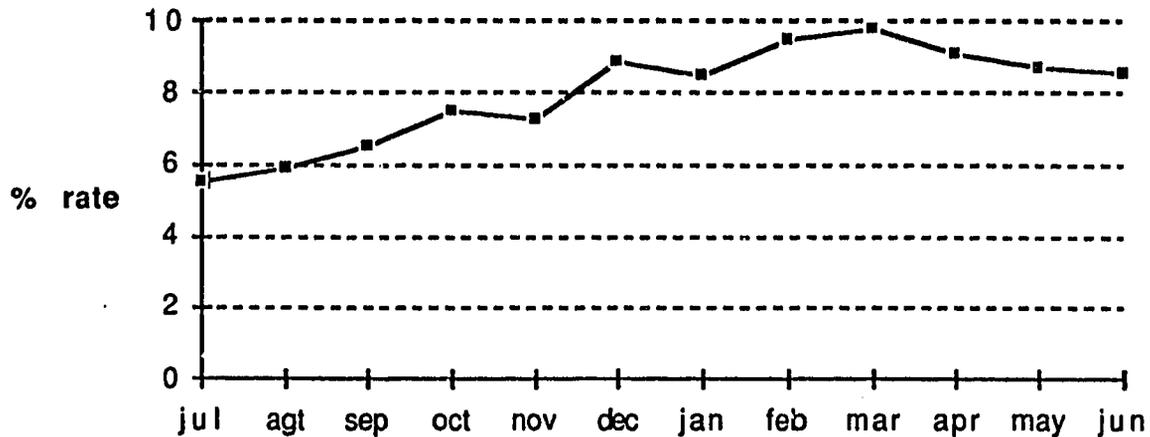
One of the main indicators of the success of a credit program is the default rate. The general criteria accepted by ACTION/AITEC defines default when the payment is 30 days late. There are many different ways to measure these rates (*El Enemigo Oculto* explains all the formulas used to estimate the rate of default, and the problems in comparisson) . Genesis uses the formula: amount overdue/current portfolio.

GENESIS has had a very good record, and when this indicator showed deviations from the set standards, the alert immediately generated actions to correct the cause.

In the past year, the default rate had been going up. Based on prompt information two of the offices, Guatemala City and Sacatepequez were identified as the cause of the increases. In November-December 90 the causes were looked into and corrective measures were placed in action. The rate peaked in March, and then there was a slow, but steady reduction. In Chart 2, a line graph is presented to illustrate the variations in the rate over the last year.

CHART 2

Default Rate, GENESIS Program July 90 to June 91



Source: ACTION/AITEC Publications

An overall average does not identify where the problems are, but when the information is presented by branch office, the picture is clear. In order to visualize the different performances in the field branches, Chart 3, "Default Rates by Branch Offices", was prepared based on data provided by GENESIS for the month of June 1991.

It can be observed that most of the offices have the rate under control, two of them under 1%. The problem of high default is concentrated in two offices, which are now under corrective measures.

In Antigua, Sacatepequez, the situation was investigated. The problem was that the head of the office and one credit adviser were not doing their work properly. These two employees amounted to 75% of the office personnel. To correct the problem, new personnel was hired and since, there has been a 50% recuperation of past due payments. It takes time to lower the rate. The new head of the office has been transferred from another location, and a new adviser also entered the program. The office staff is well adapted, motivated and satisfied with the results of their work. They know by first name all the entrepreneurs,

and visit them at least once a month. The solidarity groups that are in the near by *mercados* are visited almost daily, just to keep in touch, to be seen, to say hello. There has been a good staff effort, and the results have been rewarding.

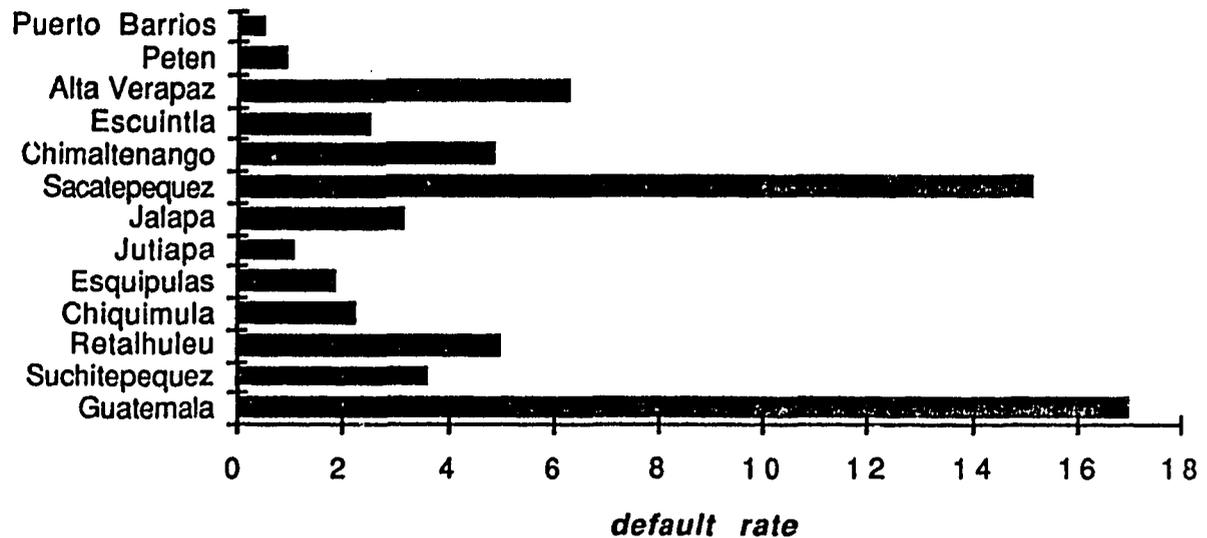
The main problem they encounter is that of transportation. There are several locations which are difficult to reach by bus (maybe one bus a day, with set schedules) , and by foot... it's very time consuming.

In the case of Guatemala City, when asked opinions on the reasons that could have caused the escalating rate of default, the perception of the group of credit advisers was that the methodology had not been faithfully followed. Any deviation translates into higher default rates. Also, non paid loans from 1988 are still included in the current percentage calculation.

The concentration for higher default is in *Mercado de la Terminal*. The main offenders are a groups of vegetable buyers: onion, tomatoes and garlic. These groups had a good track record, but changing market conditions, or miscalculations by the group made them fail. In the case of the onion group, normal operation is buying from trucks that sell directly to the market. The group was working very well, and in order to make more money,they went to the source and bought the crop (some kind of intuitive future market operation), and then, the crop was ruined by weather conditions, and they could not pay the loan.

Chart 3

Default Rates by Branch Office, June 1991



Source: GENESIS EMPRESARIAL

Efforts are being made to recuperate the money. As part of the normal procedure a lawyer initiates legal action against the offenders. The formal legal action has had limited results. Recently, a group of law students volunteered their services for recuperating unpaid loans. Their recuperation effort has had a considerable amount of success. They are using new methods in the *mercados*. In cooperation with the GENESIS office, they have contacted de Mayor's to ask for support in the collection. The Mayor's office is responsible for granting a spot in the market place. A place in the market is very desirable, and it will be used as a pressure point with the groups and individuals that have not paid. The possible agreement is that the users of credits that do not pay, can't have their space renewed. This presents a possibility of recuperating a good part of the money due.

4.3. Other activities:

4.3.1. Training of microentrepreneurs

Training activities consist of:

- 2 sessions of obligatory precredit training, emphasizing basic information on credit, responsibility, punctuality and group solidarity
- 5-7 sessions of obligatory training to be attended while repaying the first loan (first fase training).
For individual borrowers, emphasis is on administrative and market aspects; for solidarity groups, behavioural aspects are more prominent
- A second fase of slightly more advanced training is on the drawing board

During the initial stages of Genesis, control mechanisms were not strong enough to ascertain wether all loan applicants were fullfilling their training obligations; as a consequence, not all beneficiaries attended as they should have. At present however, no such holes in the net exist.

Most all the training is in a classroom setting, and executed by the two person training department and the heads of branch offices; specific contents and duration are constantly revised and adapted.

Regarding the effectiveness of the training opinions differ:

An early 1990 informal analysis indicates, that a positive correlation between training attendance and loan payments does exist; additionally, most beneficiaries expressed appreciation and willingness to voluntarily attend training sessions; on the other hand, various credit officers expressed doubts that training content are fully appropriate and widely implemented.

Problems cited in this respect were:

- high degree of illiteracy amongst solidarity group members
- heterogeneity of groups of individual beneficiaries
- the need to adapt programs in each region to the very specific cultural and educational situation of participants.

All in all, one cannot avoid an impression, that beneficiary training initially has not received the amount of attention given to the credit program, and that the apparent tendency to decrease the amount of time and personnel assigned to it is only recently being revised.

It is suggested, that a rigorous program of obligatory training before and during the first loan be maintained, and that a second, voluntary phase of activities, covering more managerial aspects, be designed, based on group participation and on the job - action - learning.

4.3.2. staff development:

ACCION has realized an extensive and continuous series of training and staff development programs covering a wide range of activities, promoted exchanges of ideas and experiences amongst Genesis staff as well as with other organizations in the ACCION network, etc. (These activities are well-documented in appendix 1 of the ACCION proposal for project extension of June 1991). The great success of this program is acknowledged by all participants, and widely cited as a or the fundamental reason for their capacity to handle the demands of their job.

Genesis however, right now lacks the internal capacity to continue these activities independently without external support, since :

- no personnel has been specifically assigned to the task of monitoring and reinforcing personnel performance in a systematic way, gradually taking over ACCION's activities in this area. Genesis management plans to establish a section dedicated to staff development in its revised organization structure.
- even Genesis' older personnel is still young and probably not experienced enough to handle a possible task of inducting new employees efficiently.

4.3.3. Projects and studies

The department of projects and studies is a small recently established one-person department; its main function, so far, has been to prepare project proposals to be presented to potential donors and lenders to Genesis.

The department has given little attention to possible other fields of analysis, such as :

- continuous evaluation of project impact
- macro analysis of the microbusiness sector, or studies of specific branches within the sector, such as risk studies.

It is felt that Genesis has acquired a great deal of information on this subject, both through its computerized information system and experiences of its consultant, which is currently being ignored or used only sporadically.

4.4. Financial Aspects:

4.4.1. Financial Situation:

On the basis of a summary of the annual financial statements over the past three years (see appendix), and monthly indicators provided by Genesis, it can be concluded that the financial situation of the project is quite healthy:

- * positive operating results are reported for each year, increasing from Q 54,000 in 1989 to Q. 277,000 in 1991
- * Capital has increased, although this is mainly due to AID donations
- * liquidity is extremely high, since cash and short-term bank deposits amount to 10 times short-term debts
- * the project is both highly solvent and solid, since bank-loans so far have been few.
- * in a short time span, Genesis appears to be reaching operational and financial self-sufficiency: operating income for 1990/91 was already 129.5 % of operating costs plus financing costs; enough for a positive cash-flow, if hardly adequate to cover inflation.

On the negative side:

- * a reserve for bad debts of 8.4 % of outstanding loans was written off in 1991; reflecting an increase in delinquency rates during 1990. This tendency appears to be under control, however.
- * 84 % of patrimonio-capital is still the result of AID donations.
- * the ratio of operating costs over outstanding loan portfolio, decreased from 33.6 % for 1988/89 to 17.2 % in 1989/90; but increased to 19.3 % for 1990/91 due to the bad-debts write-off.
This implies that operating efficiency increased during the first period, but has recently decreased. At the same time, the cost per Quetzal lent fluctuates between 5 and 8 centavos. This would indicate, that increases in positive net results are more due to an increase in volume of operations, than to increasing efficiency in handling loans.
- * Genesis is a project of FUNTEC, so officially all results and obligations are part of FUNTEC's accounts; in view of the relative size of it's operations, Genesis would not suffer if a more formal separation with FUNTEC were established, which would certainly increase transparency.

4.4.2. Financial Management and Information Systems

Financial and management information systems have been established, allowing a quick access to specific information; the system is capable of providing any relevant information that may be required, and the provided information is mostly relevant and complete.

Improvement, however is necessary in various areas:

Instead of using only one indicator for loan defaults (overdue loans over outstanding portfolio), Genesis should start using other indicators, such as monthly comparisons of actual payments and payments due, as well.

The periodic elaboration of realistic mid- and long-term financial projections, which are integrated with overall planning of the organization's activities, should also be a priority; the impending, increased use of one year bank loans implies the need for more rigorous short - term planning of cash-flows.

The recent establishment of the financial subdirectorato is starting to have a positive effect on processing and dissemination of data and the availability of sufficient human capacity to design, process and absorb financial information.

Another major problem, is again the impending lack of computer capacity to process increasing data, and the lacking linkage of branch offices to the central information system.

5. FUNDAP / PROSEM:

5.1. Organizational Growth, Structure, Procedures

FUNDAP was established in 1981, with the objective of providing social services and promoting development in the Guatemalan highlands. It's Headquarters are in Quetzaltenango, although all but one director live in Guatemala City. Directors are very active in areas such as public relations, obtaining resources, and overall financial planning.

Operational activities are supervised by the Regional Director; the highest paid position is Projects Coordinator. Apart for PROSEM, FUNDAP executes various projects, such as handicraft development, reforestation, efficient energy use, a handicraft marketing company, and sheep development. FUNDAP considers it's organizational structure to be of the matrix type; this means, that support activities for the various projects, such as accounting, internal auditing, computation, institutional & staff development, personnel administration, project analysis & formulation, and maintenance, are handled centrally by specific units that do not report to the projects coordinator or project managers. The costs of these services are allocated to each project. PROSEM absorbs a significant part of these services. Project managers normally are allowed to operate very independently in the execution of their activities.

Unfortunately, during the period this evaluation took place, the posts of PROSEM manager and operations manager were vacant; the projects coordinator was handling their duties on an interim base.

In it's three years of operation, PROSEM has grown to become one of FUNDAP's bigger projects, providing work to some 50 FUNDAP employees. PROSEM's organization has grown and kept up with the continuous increase in volume and regionalization of it's activities:

- 7 branch offices have been created in the 6 departments that FUNDAP attends, as was foreseen in the project plan. Each branch office consists of an administrative head, between 2 and 6 credit consultants, and administrative services; recently, in three branch-offices, posts of consultant-trainer have been created and filled.

To keep up with the quick initial expansion of PROSEM into rural areas, mini branch-offices have also been created in various smaller municipalities in rural regions. These are staffed on a one day per week basis, by personnel from the corresponding supervising branch-office. Whereas most branch-offices operate in a satisfactory manner, it is felt that the establishment of the part-time minioffices has added little in terms of operational efficiency of the project.

- Recently, a new organization structure has been established (see appendix 5):
The PROSEM manager oversees activities and coordinates with FUNDAP support departments and the projects coordinator; the director of operations oversees the branch office coordinator, training department, and 3 smaller departments (portfolio, collections, credit analysis & statistics).
The brach-office coordinator oversees branch offices.
- A complete package of job-descriptions, operating manuals, credit regulations an other instructives have been created and recently revised;
- A rudimentary planning and control system exists, consisting of broad long-term plans and annual and monthly plans and controls of targets and goals, emphasizing loan related criteria (number, value of loans and borrowers), and measures of operational self-sufficiency. This system basically follows established ACCION guidelines regarding the monitoring of established project targets. No integrated budgetary control system exists, yet. A recent plan established by the previous PROSEM manager was considered by both his successor and the consultants to be wildly optimistic.
- Credit committees have been established both at the branch office level and Headquarters, while coordinating committees have been established at the top levels of the organization.

- Employees, especially at the operating level (trainers, branch-managers, credit-consultants) are relatively young (25-28) students who have almost finished a University degree (business or social work); on average, they have 1 year experience within PROSEM, and previous work experience that has little relation to their present duties. Changes in personnel have been frequent at most levels in the organization. Amongst personnel, enthusiasm for the job, and appreciation for ACCION's support and training are extremely high. With a few notable exceptions, field staff supports the basic methodology used; high default rates are attributed more to failures in implementation than to deficient methodology or external factors (economic and social conditions, unfair competition from other programs).
- Salary levels are generally low.
- Management has recently established an employee incentive scheme, based on the level of loan delinquency amongst beneficiaries for whom branch-offices and individual credit-consultants are responsible.

In general, the actual organizational structure is an improvement over the previous situation; manuals of procedures are well-developed and appropriate; still, various recent measures, such as the predominant positions of control related mini-departments in the organization structure, the increased importance of tangible guarantees in approving credits, weekly loan-payment schedules , and the employee incentive scheme, appear to be have been implemented as a reaction to the recent increases in loan-delinquency the project has been suffering. The consultants feel, that some of these measures have been the result of a slight overreaction to the detected problem and should not be of a permanent nature; that the increased reliance on real guarantees is not in line with the basis philosophy of the program, which emphasizes group solidarity; and that other possible measures to reduce delinquency, such as stronger pre-credit training and loan-supervision, would be more effective.

5.2 RESULTS OF CREDIT PROGRAM

Characteristics from the FUNDAP-PROSEM from GENESIS in that the area of influence of the project is in the *Altiplano*, a western region of the highlands in Guatemala, where the population is composed of a high percentage of quiché-indians with a completely different cultural background than the urban population. The results are affected by this particular situation: a more rural group of beneficiaries, and a less urban content. The first loan was granted by PROSEM in July 1988. In order to establish the compliance with the original goals, a three year time period that will be analyzed: July 1988 to June 1991. A summary of the comparative data is found in Table 2.

5.2.1 Number of Microenterprises assisted

The original goal of 4075 microbusiness was achieved by 99%, with a coverage of 4028 beneficiaries. By coincidence, this is the same as in the Genesis Program. The producers had just nine individuals over the set target, and the merchants were 56 under the target. In general terms, it can be said that the quantitative targets were met.

The problem with funding that Genesis encountered was not present in PROSEM. When the delay in disbursement came, PROSEM directives aided the program with the *backing of a bridge loan with their personal guarantees*. The targets were right, because working with a large component of quiché-indians, adaptations had to be made. The basic methodology of ACTION/AITEC applies, but there are certain other considerations: in Totonicapán and Sololá, the credit advisers have to be bi-lingual in order to communicate with the beneficiaries, many of them do not speak Spanish. The high percentage of illiteracy is another obstacle. The characteristic of a rural credit program is different from an urban program, mainly in the distances the adviser have to cover in order to be able to -advise- and visit all beneficiaries at least once a month, and a different cultural background. When PROSEM starts preparing credit services for a rural community, the first action is the constitution of the *Comité*, which is integrated by the most respectable

members from the community. The members are elected by the community, and have the role of recommending possible candidates for the program, vouching for their credibility.

5.2.2 Number of Loans and Distribution by Individual and Solidarity Groups

The total number of loans placed achieved 96% of the original target. In reference to individual loans, the PROSEM program fell short by 2%: the original goal was of 4560, and only 4467 were made in the referred time period.

Individual loans were made initially with very low guarantees requirements, if any. The cost of learning had as a result a high delinquency rates. Now, the PROSEM Program has revised their credit policy and taken a *strict guarantee requirement* in order to lower their actual above 20% delinquency rate. The program demands a co-signer with a steady job, and/or a mortgage or to pawn a valued article that covers the amount of the loan. This will make the applications to credit more complicated, but PROSEM hopes to lower the default rate as soon as possible. Once the rate of delinquency is under control, they might reconsider changing to a more relaxed policy of guarantees. This procedure was incorporated in August 1991 as an emergency measure to control the escalating delinquency rates.

Upon the visit to Sololá, it was observed how an individual credit with a successful loan history of four loans, paid on time, was turned down by headquarters because the micro merchant could not provide the sufficient guarantees to cover a loan of Q1000. This has a human cost, both to the users and to the adviser. It has a negative impact on the image of the program. It seems to be contradictory: new strict rules to avoid default, but exclusion of the good microentrepreneurs that have been trained and advised successfully, using the credit as the original objectives intended. Another side effect is that of the partial loss of credibility of advisers who recruited them, trained them and guided them into new levels of productivity and success. This seems to contradict the very essence of the program: to provide credit and training to the micro business that have no access to the banking system due to lack of guarantees.

The estimated average number of loans per credit adviser is around 200. In the PROSEM experience, the advisers are divided, attending only solidarity group or individual loans. The group advisers that cover rural areas, have lower number of users, because of time, distance and transportation factors. In larger urban areas, the numbers of beneficiaries attended by a credit adviser are larger.

In the case of solidarity groups, there has been a 94% degree of achievement. The original target was of 2735, and the actual loans made of 2559. The number achieved is considered satisfactory. It is interesting to compare the solidarity groups that work in markets. In urban areas, the market place is a stationary place of work, beneficiaries attend the same stand or spot every day. In the case of the vast majority of the quiché-indians in solidarity groups, the situation is different: they change from market to market every day, depending which town has market day. This situation makes the work of the credit adviser more challenging, for the solidarity concept is based on knowledge of people in the same community or work place, that work together or near each other.

5.2.3. Percentage of Women in the PROSEM Program

PROSEM has achieved 48% of the original target for the number of women participants in the Program. The target was to incorporate 50% of women and the overall percentage has been 24%. Even though the percentage is low, there are certain factors worth mentioning. It has not been neglect, but a cultural factor that has delayed the incorporation of women into the program: in societies such as the ones integrated by quiché-indian population, women are still expected to remain at home, taking care of children, basic agriculture and the preparation of food. A man that cannot afford to keep his wife at home is seen as a loser, who cannot provide for his family.

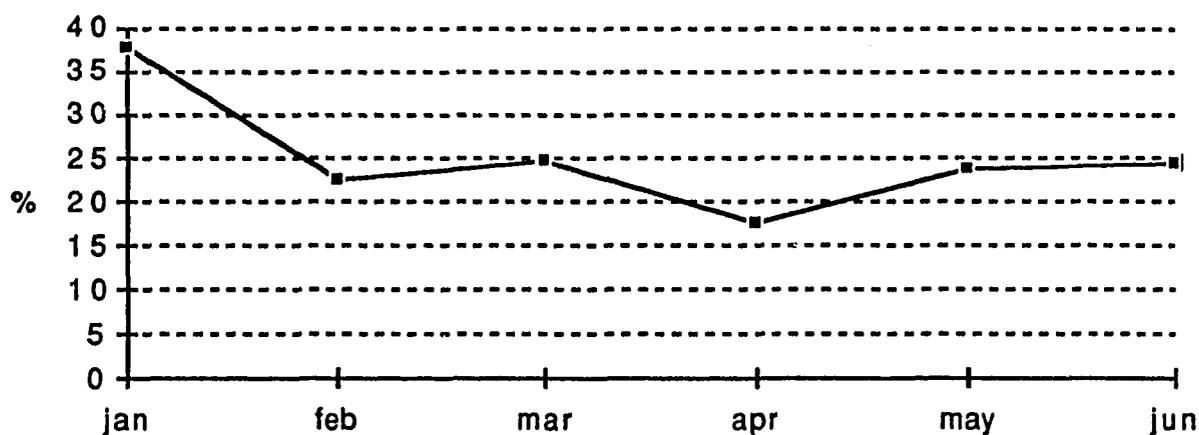
To further illustrate the situation, the consultants observed several women in solidarity groups in the markets, that do without the knowledge of their husbands, who would not permit their wives to acquire obligations. It should be noted that there are examples, for instance in San Juan La Laguna, of successful solidarity groups of women.

An interesting situation, is that in some communities, men act like legal representatives of families. When requesting a loan, the husband takes all the necessary steps, provides guarantees, gets the loan and the wife operates the business. Examples of this situation were found in Quetzaltenango and Sololá.

Chart 4, that follows, presents the actual trend.

Chart 4

Percentage of Women Participants, Jan 91 to Jun 91 in the PROSEM Program



Source: PROSEM

PROSEM's personnel presented a project, OEF (Organización Empresarial Femenina) to coordinate the introduction of women into the productive sector, that was submitted to ACTION/AITEC in June 1990. The objective of the program is to train and prepare women in productive activities, then to be absorbed by PROSEM's credit program. This proposal has not been implemented due to lack of appropriate financing.

5.2.4. Value of Loans

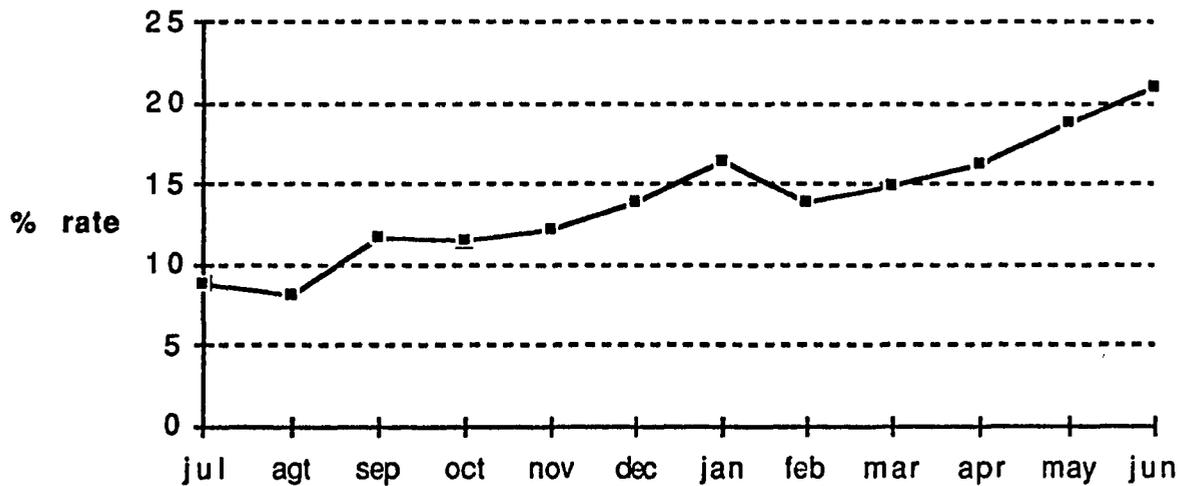
PROSEM made loans for a total of Q10,749,000 (equivalent to US\$2,150,00, at the actual exchange rate of Q5 for one US\$). This amount represents 177% of the original target of Q6,082000. It has granted Q5,214,000 to individual borrowers and Q5,535,000 to solidarity groups. The amount given to solidarity groups reached a 248% of the original target.

5.2.5 Default Rate

As mentioned before, one of the main indicators of the success of a credit program is the default rate. The criteria used to define a loan in default is when the payment is late one month. PROSEM uses the formula: amount overdue/current portfolio.

Chart 5

Default Rate, PROSEM Program, July 90 to June 91



Source: ACTION/AITEC Publications

During 1989, PROSEM had a very good record, but the rate of default started in a steep escalating trend, which led to emergency policy in August of 1991. The causes attributed to the problem are several: the time for schedule payments was too long, there were not enough guarantees, management did not follow up on procedures etc.; but the main reason is that the methodology from ACTION/AITEC was not being followed faithfully. This has been recognized at management as well as field level in PROSEM.

In order to correct the problem several measures have been put into place:

--in order to have a clear organization with defined obligations and responsibilities, manuals have been made at all levels so that the staff knows exactly what is expected of them. The consultants were able to have a first hand review, because they have just been printed.

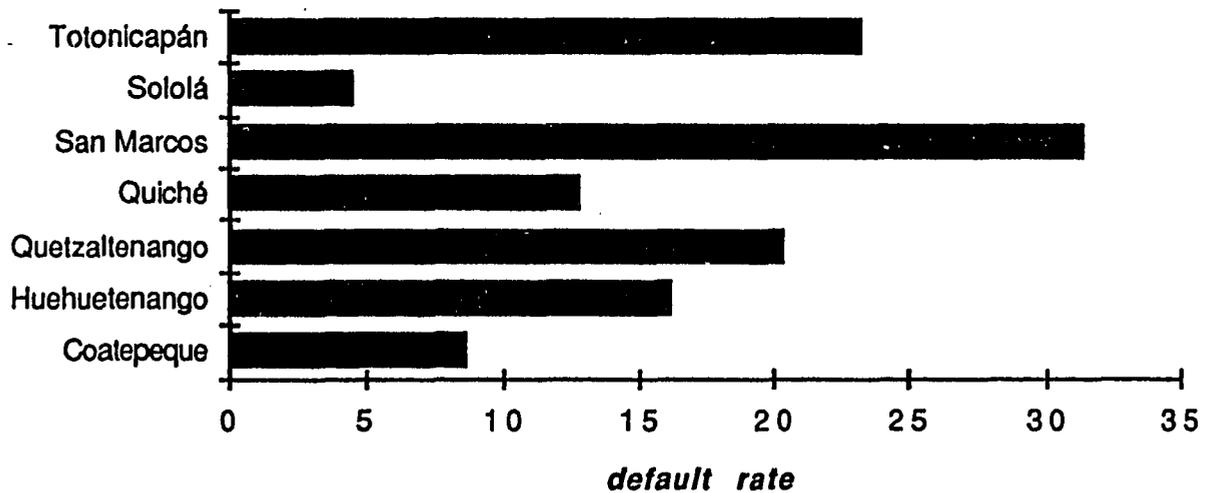
--a strict policy of guarantees for individual and solidarity groups that covers the value of the loan.

--shorter periods for payment.

Variations in the rate of default has been analyzed by field branch, and the results show no consistent external reasons. For example, Totonicapán and Sololá are quiché-indian populations. One has a rate of 23.3, and the other the lowest rate: 4.5. Urban or more rural components do not seem to have any significance either. No correlation has been found between type of population, urban or rural, individual or solidarity group etc. and the rate of default. Therefore, it seems the human factor is the key. It can be seen: some branch offices have a positive atmosphere, and a relationship of cooperation and friendliness, others, it can be sensed that there exists conflict among co-workers, or with the policies of PROSEM.

Chart 6

PROSEM Default Rate by Branch Office, June 91



Source: PROSEM computerized information

Additionally, in rural areas the distances from the branch office to the small rural communities make work harder, and visits and follow up of the beneficiaries becomes more troublesome, especially in the rainy season. This lessened attention may be an additional reason for higher default rates.

It's felt by the consultants and PROSEM's staff, that the most valued assistance that can be granted, is reenforcing the training of the credit advisers. They are the soul of the project, the link between the final users and PROSEM's.

5.3. Other activities:

5.3.1. Training of microentrepreneurs

Actual training activities consist of:

- 3 sessions of obligatory precredit training, emphasizing basic information on credit, motivation, responsibility, punctuality and group solidarity.
- some 5 sessions of obligatory training to be attended during the period of repayment of the first loan (first fase). For individual borrowers, emphasis is on administrative and market aspects; for solidarity groups, behavioural aspects are more prominent.

These training programs have been rigorously implemented; they were executed initially by the two person training department in a classroom setting , but recently the heads of branch offices have taken over these duties.

- A second fase of training has been developed, touching aspects of administration, selling, and costs in a slightly more advanced manner. Programs will consist of weekly sessions for a one-month period, brought to the client, and executed by the recently named trainer-consultant.

Regarding the effectiveness of past training efforts, opinions differ: problems cited in this respect (illiteracy, cultural differentiation, lack of practical application) were similar to those expressed by Genesis personnel.

All persons involved, including the consultants, feel that a rigorous program of obligatory training before and during the first loan be maintained and even reinforced; that the development of phase 2 materials and the naming of consultant-trainers will go a great way toward establishing a practical, group-oriented consultancy-training program; and that both programs will help considerably in reducing loan-delinquency.

5.3.2. Staff Development:

As stated before, ACCION has realized an extensive, continuous and succesful program of staff development.

The quality of this program is widely cited by all participants as a fundamental reason for their capacity to handle the demands of their job.

Unfortunately, PROSEM still lacks institutional capacity to continue these activities without external support, since :

- The training department, to a certain extent, handles staff development activities in coordination with the FUNDAP support organization. Still, nobody has been specifically assigned to the task of monitoring and reinforcing PROSEM personnel performance in a systematic way, and gradually taking over ACCION's activities in this area.
- Even PROSEM's more experienced consultants are still young and would find it hard to handle a possible task of inducting new employees efficiently, without disregard for their present duties.
- PROSEM top management is in a state of transition and can hardly be expected to take a major role in staff development any time soon.

5.3.3. Projects and studies

The support activities section within FUNDAP, prepares project proposals to be presented to potential donors and lenders; promotional activities are handled to a great extent by FUNDAP directors. PROSEM so far has given little attention to other possible fields of analysis, that can provide indirect support for its activities, such as:

- project impact evaluations
- analysis of the microbusiness sector, or branch related risk-studies.

It is foreseen, that the department of analysis and statistics will play an increased role in this area, using the significant amount of information PROSEM has acquired, both through its computerized information system and the experiences of its advisors, but which is being used only sporadically. Efforts to cooperate with other organizations in this area are under way.

5.4. Financial Aspects:

5.4.1. Financial Situation:

On the basis of a summary of the annual financial statements over the past three years (see appendix 6), and monthly indicators provided by ACCION and PROSEM, it can be concluded that the financial situation of the project is quite healthy:

- * positive operating results are reported for each year,
- * patrimonio / capital has increased, although this is mainly due to AID donations
- * since considerable cash and bank deposits have been maintained, while virtually no debt has been contracted, liquidity, solvency and solidity are extremely high,
- * PROSEM credit operations have reached financial self-sufficiency: income from interests for 1990 amounted to 103.4 % of administrative and financial costs;

On the negative side:

- * Training activities have not yet become self-sufficient: in 1990, training expenses stood at 120.4 % of incomes generated by training and consultancy.
- * so far, PROSEM has not yet made provisions for writing off bad debts, despite an increase in delinquency rates. Such a write-off will negatively influence results for 1991.
- * no depreciation on fixed assets has taken place.
- * 84 % of patrimonio-capital is still made up of AID donations.
- * the ratio of administrative costs over outstanding loan portfolio has remained constant at around 13.5 % during 1989 and 1990; while training costs remained at 6.7 % of outstanding loan-portfolio. Costs per Quetzal lent during 1989 and 1990 fluctuated between 5 and 7 centavos. All this indicates that operating efficiency has not increased significantly yet.

5.4.2. Financial Management and Information Systems

Basic financial and management information systems have been established, allowing access to specific information; the system is capable of providing most information that may be required, and the provided information is mostly relevant and complete. Since information systems are integrated into FUNDAP's system, which is also older than that of Genesis, speed and completeness are less than in Genesis' case. Financial planning has been given little attention so far: Information processing and analysis is dispersed amongst various departments within FUNDAP; the fact that both top posts within PROSEM are vacant, provides an opportunity to correct this situation, by contracting an official with ample financial background for one of these positions, who should be in charge coordinating financial activities with FUNDAP and supervising planning and control activities within PROSEM. Additionally, PROSEM should make periodic, realistic annual and longer-term projections; these should include targets and budgets for income generation as well as control of the various cost-categories.

Additionally, the possible use of short-term bank loans implies the need for more rigorous short - term planning of cash-flows. Finally, to improve control of loan payments, PROSEM should consider using more than one indicator for loan defaults (overdue loans over outstanding portfolio); for instance, a monthly comparison of actual payments and payments due.

The main problem here is not so much one of human capacity to design, process and absorb financial information, but rather one of dispersion of information amongst various areas, and the old age and saturation of the actual computing system.

6. ACCION / AITEC:

6.1. Basic Methodology:

The methodology applied by the MPP has followed the basic principles of ACCION successfully:

- massification of activities is taking place.
- a mix of credit and training activities has been developed, whereby especially Genesis has initially emphasized a fast expansion of credit programs over training. A second fase of training has been designed, which will help to correct this slight imbalance; both Genesis and FUNTEC plan to or already have appointed specific training-consultants in selected regions.
- loan conditions are adapted to the situation of the target group, i.e.:
 - * fast processing of requests and disbursements takes place: in most areas the goal of 15 days is reached, in rural areas this period is sometimes a little longer.
 - * fiduciary and solidarity group loans have been the norm, even if PROSEM has recently initiated measures that put more emphasis on real guarantees.
 - * heavy emphasis is given to short-term (up to 6 months) working capital loans, even if loans for the purchase of equipment and machinery are not uncommon.
 - * a business that has paid off a previous loan, can opt for a subsequent loan for up to 130 % of the value of the previous loan.
 - * no interest subsidies take place; present interest rates are above commercial bank rates.
 - * penalties for loan delinquents are strictly enforced; loans that have been disbursed, are rarely renegotiated.
- little by little, training and managerial assistance have been adapted to the client groups needs and situation

The major remaining problem lies in:

- efficient administration:

- * although clear policies have been established, they are not always implemented consistently.
- * the information planning and control systems necessary for organizations with the size and scope of Genesis and PROSEM are still incomplete.
- * physical decentralization has taken place (too) quickly, and agility in loan-processing has been more than adequate; decentralization of decision-making should be increased, once field level staff is consistently well-prepared and motivated, and once they can access to the central information processing unit of each program.

6.2. Project Targets and Actual Performance:

Direct targets for the credit program have basically been met: 10841 microbusinesses have been attended, which is 99 % of the original three year goal of 10995; the target for reaching producers has been slightly surpassed, but regarding merchants, both Genesis and PROSEM have fallen slightly behind.

The major defect in reaching targets was in attending women: both programs allocated 50 % of loans to women, but Genesis has disbursed 43 % of it's loans to women, and PROSEM only 24 % (Appendix 7, table 2). Genesis easily surpassed it's target for lending to solidarity groups, while PROSEM was only slightly below it's target.

It was obvious, that targets for loan volumes in Quetzales would easily be met due to inflation, which caused a need to increase average and maximum amounts per loan periodically ; still, it is notable, that in both organizations, the volume of loans to solidarity group surpassed targets to a much greater degree than individual loans. Since almost all credit beneficiaries, and quite some non -beneficiaries attended the training program, it can safely be assumed, that numerical goals in this area have been met.

It was noteworthy, that no specific norms or targets for lending costs and loan-delinquency rates were set initially.

In both areas, work is still to be done:

Both Genesis and PROSEM still have relatively high operating costs in relation to disbursed loans and loan portfolio; stricter budgetary control should help reducing them.

Genesis suffered an increase in loan delinquency during 1990, which has been brought under control by stricter application of project criteria and procedures.

PROSEM, which during 1989 reported lower delinquency rates than Genesis, has suffered a considerable increase since 1990.

The consultant's have tried to establish clear connections between delinquency rates in certain areas and external, uncontrollable factors such as competition from other programs, ethnic background of beneficiaries, predominance of certain risky industries, etc. that may be dominant in these areas. No such connection could be clearly established. Additionally, delinquency rates between individual consultants in the same branch office often differ greatly; changes in personnel in Antigua and San Marcos appear to have resulted in quick reductions of defaults.

All these considerations confirm the widely held conviction by Genesis and PROSEM that project ineffectiveness in this respect is mostly the result of human deficiency in implementing project policies and procedures. It was also commented, that a continuous availability of funds to attend loan requests is of paramount importance in maintaining program credibility and avoid defaults.

Still, the impression that implementation is most difficult and costly in the more remote rural areas of the country, persists.

6.3. Support Activities:

It can be summarized, that ACCION has complied to a high degree with the stated project support responsibilities; in most of the areas where these activities could be considered to be incomplete, ACCION has been the victim of its own success in helping Genesis and PROSEM to achieve fast expansion in terms of loans, employees and geographical coverage. Specifically:

1. ACCION has established methodologies that allow implementing agencies to learn from their experiences, by holding seminars, promoting interchanges, and establishing reporting systems that permit continuous evaluation. Still, no permanent mechanisms have been established within Genesis and PROSEM that can secure a continuation of these activities of staff development independently from ACCION.
2. ACCION has promoted the establishment of budget and accounting systems: periodic plans, as well as monthly statistical reviews of loan- results and financial performance.
3. The client identification and support methodology instituted by ACCION has been basically effective; some refinements in criteria and organization have been made according to experience gathered in Guatemala, and to adjust for the unforeseen expansion into rural areas; still, the basic methodology has been most effective in urban (market) areas.

4. Both FUNTEC and FUNDAP have developed annual action plans which follow ACCION guidelines for reaching targets in terms of loans, beneficiaries, employment created, and training. Progress towards the realization of these plans is not always monitored, however; additionally, these plans are not integrated with systematic budgetary control.
5. ACCION has actively supported FUNTEC and FUNDAP in promotion, loan policies and administration, and technology / managerial transfer: recently, both boards have become active and successful in obtaining funding from local banks, in a few cases with active ACCION guarantee fund backing. Loan policies have been established and are generally accepted as effective; a methodology for transferring managerial skills to micro-entrepreneurs has been developed but not yet implemented.
6. ACCION has implemented internal computerized control systems which are now fully operational, but again threaten to form an important potential bottleneck for future expansion: Genesis and PROSEM personnel appear to have some capacity (but not really the time) to adapt their present information systems to the specific needs of its management, by developing appropriate programs for the existing system; the capacity of hardware, however, is again stretched to the limit and needs to be expanded.
7. The training of participating PVO personnel has been one of ACCION's strongest suits, both quality and quantity -wise: over 40 staff development seminars have been held; most all credit consultants have participated in various of them and received considerable on the job advice and support;
8. Advice on management issues to both boards and directors has been a continuous process:
At the higher level of management in Genesis, a management by objectives and decision sharing approach is becoming a good working habit; possibly because of quick growth, Genesis has not yet established a decentralized decision-making system at field levels.
FUNDAP, because of recent changes in management and high default rates, appears to have taken a step back in implementing original plans for decentralized decision-making; appropriate mechanisms, such as local credit committees, are still in place, however.
9. As the long list of national and international seminars, workshops and interchanges presented by ACCION indicates, the program has been effective in facilitating networking with microenterprise programs in other countries as well as Guatemala.
10. A project advisory committee has been established and meets regularly.

7. PERSPECTIVES FOR FUTURE FUNDING

7.1. Identification of probable sources

7.1.1. Local banks

Recently, both FUNTEC and, to a lesser degree, FUNDAP have been able to acquire commercial bank loans; this is a considerable achievement which should be considered a breakthrough since no other OPD's have been able to do so. The role of the directors of both foundations in realizing this breakthrough has vital. Loans are contracted according to traditional banking criteria (solid guarantees) and conditions (commercial rates of around 26 % annually), often for a one year period .

It is expected, that if both foundations show solid payment capacity, loans from private banks can be renewed and increased without major difficulties; the main limitations being their absorption capacity and capacity to put up appropriate collateral.

The costs for the program, of course, will increase by the interest rates charged by the bank; to an important extent, these costs can be transferred to the microbusinesses attended, since these, within reasonable limits, could afford to pay slightly higher interest rates than the actual average of 3.0 % monthly. Still, for the foreseeable future, it is not advisable and unlikely, that more than 50 % of the outstanding loan portfolio be financed by commercial bank loans: a higher percentage would probably conflict with bank criteria regarding the Foundations' solidity, as well as oblige Genesis and PROSEM to increase their rates considerably.

7.1.2. Government agencies:

Both programs appear well-positioned to be recipients of government funding in the future, if they wish to do so.

However, due to the recent austerity measures, this type of funding is expected to be quite limited, and could be available mainly in the form of local counterpart contributions to credit lines or donations from international agencies.

7.1.3. International Sources

Of the potential international sources identified by Genesis, PROSEM and the consultants, the most likely source of funding for the near future seems to be a credit line that the Interamerican Development Bank, BID, plans to channel through the Bank of Guatemala and the National Banking System.

Negotiations are quite advanced, and funds should be available by mid 1992.

The credit line would amount to some \$ 10 million, plus \$ 2 million in non-reimbursable technical assistance.

Potential recipients are OPD's, cooperatives, and "financiadoras" attending the micro- and small business sector, including industry, commerce, services and agriculture. Interest rates for participating banks would equal to the interest rate for 1 month Central Bank certificates of deposit (CENIVACUS), which is 18 - 19 % actually. Since banks normally consume a 4 - 5 point spread, participating institutions would pay approximately 23 % annually, slightly below normal commercial bank rates.

Other sources of funds identified who have expressed an active interest in supporting the microsector, and to which FUNDAP and FUNTEC in principle could access, are:

the Netherlands / UNDP (Central American microbusiness), Germany (GTZ), EEC / Denmark (micro-small industries), China, Sweden and Norway.

Various of these organizations have had or have commitments to the SIMME project or other local initiatives; all appear open to broadening their scope of activities.

In these cases, however, the exact amount, destination, operating mechanisms and eligibility requirements are still very much a matter of speculation. Therefore, an inflow of funds from these sources cannot reasonably be expected before 1993. Contributions would almost certainly be in the form of donations or bland loans.

7.1.4. Local private funds

So far, both organizations have not yet made efforts to capture this type of funding, apart from a loan from FUNDAZUCAR to FUNTEC on quite commercial conditions.

7.1.5. Savings from program participants

A previous project evaluation by DAI (december 1989) cited the lack of capacity of the program to promote savings as a major weakness of the program. Since then, some initial efforts have been made in this respect, which are expected to continue and possibly expand. Even so, these savings would be organized through community banks or savings cooperatives, and therefore remain within the community of solidarity groups that generate them. As a potential source of funding for Genesis or PROSEM, these savings can be ignored.

7.2. The role of the popular credit committee

This committee, which was recently established, is expected to coordinate and supervise the use of funds provided by the Guatemalan Public Sector, or by international organizations, whose destination is the low - income sector of the population, and that are channelled through government agencies; Specifically, the CCP will:

- * certify PDO's which wish to utilize these funds
- * fiscalize the programs executed with these funds by PDO's and verify their compliance with the guidelines set by the Committee
- * provide orientation and support to the approved PDO's

It is beyond the scope of this report to assess the philosophical implications and potential technical problems of this task: the establishment of the Committee, however, does have some clear implications for FUNTEC and FUNDAP:

- * On the positive side, their predominant role in the Committee can be considered as an honor and recognition by the Government of their solid results and reputation.

Additionally, although the CCP will not negotiate or manage funds, it is likely that the presence of FUNTEC and FUNDAP in it will have a positive effect on their ability to capture funds channelled through government agencies at favorable conditions.

- * On the negative side, it is not yet clear whether most international agencies accept the role of CCP in controlling funds provided by them.

If the CCP is ineffective in channeling funds, or if for some reasons it will be accused of bias in their criteria for certification or supervision, favoritism, or being an extension of government policies, FUNTEC and FUNDAP are likely to suffer by implication.

In conclusion, then, although future external funding is not likely to be as huge and imminent as the ACCION proposal and FUNTEC and FUNDAP officials indicated, it is safe to predict, that in the near future a considerable and continuous inflow of funds from local banks (directly and / or with IDB funding) will take place at commercial bank rates, while in a more distant future (1993) perspectives for funding at more concessionary terms are ample and real.

In the meantime, it would be wise for FUNTEC and FUNDAP to increase their efforts to obtain funds (preferably in the form of patrimonio-capital) from local private sources, which would greatly increase their credibility in the eyes of local banks and international organizations.

B. POTENTIAL AND STRATEGY FOR FUTURE GROWTH

B.1. Genesis Strategy for future growth

Top and middle management are actively and aggressively pursuing a strategy of quick expansion, based on recently contracted resources, expectations of ample future funding from private banks, local foundations, and international organizations such as GTZ and EEC. No limits are seen regarding demand for services from:

- microbusinesses that are beneficiaries of the program
- microbusinesses that are potential entrants into the program
- the smaller of small businesses
- other potential target groups, such as street vendors, shoeshiners, etc

Within this strategy, no further regionalization is planned: no new branch offices will be established; an expansion of the client base will be realized by better penetration of areas where Genesis is present, and entering some new areas from existing bases.

The committee of directors, however was a little more cautious, expressing a preference for a more gradual expansion; At the field level, the great potential demand for services was confirmed. Some doubts were expressed, however, about the capacity of the microentrepreneurs to increase their client base so it can absorb increased quantities of produce sold by microbusinesses. This would result in stagnating demand, and create higher risks of competition between Genesis' group-borrowers, which in turn might disrupt established principles of solidarity.

With support from Genesis management, and based on their information and indicators, the consultants have established the following operating goals for Genesis for the period 1991/92 until 1995/96, based on the available financial resources, an aggressive expansion strategy, and expected costs and incomes as calculated in appendix 8:

**TABLE 3: GENESIS:
GOALS AND TARGETS 1991-1996**

Goal	1991/92	1995/96	Accumul. 5 Years
New businesses attended	6029	4962	27170
Active users	11663	22840	N.A.
# of loans	13995	27408	107117
In millions of Quetzales:			
Annual loan amount	31.5	61.7	241.0
Average Portfolio	5.6	34.6	N.A.
Income from services	2.2	13.8	37.8
Operating Costs	1.6	2.3	9.8
Financial Costs	1.0	2.1	8.4
Total Cash Flow			7.1

According to these projections, Genesis could reach financial selfsufficiency during 1992/1993.

Assuming that the rate of active users per consultant remains at 200, Genesis will have to increase it's number of credit consultants from the actual 40 to 58 by mid 1992, and to 110 by 1996.

8.2. PROSEM Strategy for future growth:

PROSEM's interim management has replaced previous management plans for fast expansion with a short-term strategy of consolidation and cleaning-up of the loan portfolio (1991), followed by careful expansion of activities (1992-1993); this can certainly be considered a correct decision. Best phases should be guided by a careful application of project principles and methodology; emphasis should be on reinforcing PROSEM's precredit training and loan supervision.

PROSEM's plans to concentrate on microenterprises in urban settings (municipal centers) during the expansion phase, by reinforcing existing branch offices and possibly (1992/93) establishing 2 more, also should be applauded, since past policies of establishing mini-offices and attending isolated rural areas have not proven to be effective in terms of operating costs and revenues.

The limitation to growth in PROSEM's case is not the availability of funds, since FUNDAP's director have been able to obtain short-term loans from local banks as well as international funding at concessionary terms for its projects, including PROSEM, when needed.

The most important short term limitation is the unsettled situation of PROSEM's top management, and resulting problems in designing and implementing a strategy for financial recovery that is consistent and supported by staff at all levels. If this problem is not solved shortly, PROSEM will not further develop into a financially sound and growing organization.

In cooperation with PROSEM interim-management and FUNDAP's accounts and computing departments, and based on their information, the consultants have established the following operating goals for the period 1991 until 1994; these goals are based on a prudent expansion strategy, the assumption that the above mentioned restriction is eliminated, and realistic estimates of projected costs and incomes (see appendix 9):

**TABLE 4: PROSEM:
GOALS AND TARGETS 1991-1994**

Goal:	1991	1994	Accumul. 4 Years
New businesses attended	1025	1750	8075
Active users	4200	7920	N.A.
In millions of Quetzales:			
Annual loan amount	8.0	16.0	49.5
Average Portfolio	2.0	8.0	N.A.
Income from services	1.0	3.6	9.2
Operating Costs	0.5	1.1	3.1
Financial Costs	0.1	0.8	2.0
Total Cash Flow			----- 3.1

According to these projections, PROSEM will have a difficult remainder of 1991, resulting in a negative cash-flow during the year, but recover during 1992 and be able to return to acceptable levels of operating efficiency and a situation of operational and financial selfsufficiency.

Actually, PROSEM avails of 18 credit and training consultants (7 more posts are budgeted but vacant). Assuming that the rate of active users per consultant remains at 200, PROSEM will need to increase this number to 40 by 1984.

9. RECOMMENDATIONS FOR FURTHER SUPPORT:

ACCION International proposes a one year extension of the MPP, which would have the following objective:

" to create in FUNTEC / Genesis and FUNDAP / PROSEM the necessary institutional capacity to massify their programs while maintaining the quality of their services "

A budget of some US \$ 180.000 is suggested for this extension.

Based on their findings, the consultants concur that:

- ACCION has been successful in implementing the MPP, and because of its involvement with the project and knowledge of its situation, is the indicated agency to coordinate further assistance to Genesis and PROSEM funded by AID.
- Genesis is basically healthy, and can remain so, and grow. PROSEM is smaller and going through a phase of reorganization which limits its growth potential, but can be expected to recover.
Both organizations appear to be sufficiently advanced in technical and financial terms to be able to go without continuous ACCION support in the future, and even absorb a small part of the costs of future assistance, if necessary.
- Still, considerable internal restrictions to realize such growth, remain, which do justify further external support. Since one year is a short period, and the proposed budget is modest, such support should be designed to eliminate the most important of these restrictions.

Therefore, support activities should concentrate on:

- a. Establishing and maintaining a capacity within Genesis and FUNDAP / PROSEM to develop and keep its field personnel (credit-and training consultants, branch managers), who are the heart and soul of the program, whose needed qualifications cannot be found outside these organizations, and who will be needed in considerable quantity if both institutions are to continue their growth.

This should be done by providing short-term ACCION consultants who will:

- continue the execution of staff-seminars in credit methodology and technical assistance for branch managers, credit and training officers; these seminars should both train new staff members, as well as (especially in the case of PROSEM) reinforce knowledge and commitment of existing personnel.
- organize staff exchanges with other ACCION supported programs for selected mid-level personnel in Genesis and top and mid level personnel of FUNDAP, and promote the dissemination of international experiences gained by this personnel, to fellow staff-members.
- assist Genesis' and PROSEM's general managers in designing a staff development plan, and allocating specific responsibilities for staff development to two persons within both organizations; these persons then should work closely together with ACCION's consultants, and take increasing responsibilities in executing training programs and implementing on-the-job advice. Basis for this, of course, should be a strict application of the project philosophy and methodology to it's original target group.

b. Improving the capacity of FUNTEC and FUNDAP in financial planning, analysis and control, by:

- making available to Genesis and PROSEM, the data processing system, which, is highly recommended by ACCION and used by it's affiliates in South America; the consultants understand these affiliates are willing to provide this information system, PICK.
- providing Genesis and FUNDAP's management with the opportunity to acquaint themselves with the above mentioned information system abroad, installing it in Guatemala, and training their personnel in it's use.
- organizing a short (two week) training program in financial planning and control, adapted to the specific situation of microenterprise financing to be attended by two persons from both organizations; this program should cover areas such as:

- * design of management information systems, including specific indicators to monitor credit performance and financial situation,
 - * analysis of financial statements,
 - * middle and long term planning and budgeting,
 - * short term cash and working capital budgeting,
 - * financial and capital markets.
- contracting a local consultant for each organization to provide assistance in designing and implementing an integrated financial management system; it is estimated that Genesis and PROSEM would each need two man-weeks of support in design and installation, plus two more man-weeks , on an intermittent (retainer) basis, of follow-up support.
- c. Providing a short-term consultant to assist the general managers, and branch office supervisors, of both organizations in designing a decentralized decision-making system of loan approval and financial control, and initially implement this system in selected branch offices which are consistently achieving above average results in terms of operating costs and recuperation rates. Examples of such offices are Sololá and Coatepeque for PROSEM, and Sacatepequez and Jutiapa for Genesis.

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TABLE 1

GUATEMALA: Number of Microenterprises, by Region and Sector

<i>Region</i>	<i>Total</i>	<i>% Production</i>	<i>% Merchants</i>	<i>% Services</i>
1	95598	26.8	24.9	42.7
2	20079	5.6	6.9	3.3
3	93938	26.4	26.4	21.5
4	37754	10.6	14.2	4.9
5	36944	10.4	10.2	10.7
6	41267	11.6	9.6	10.4
7	24906	7	6.4	4.5
8	5868	1.6	1.4	2
Total	356354	100	100	100
Percentage	100.00%	35.10%	52.30%	12.60%

Note:

- Región 1: Metropolitan Area (Departamento de Guatemala)
- Región 2: North (Baja Verapaz and Alta Verapaz)
- Región 3: Southeast (Sololá, Totonicapán, Quetzaltenango, Suchitepequez, Retalhuleu and San Marcos)
- Región 4: Northeast (Huehuetenango and El Quiché)
- Region 5: Central (Sacatepequez, Chimaltenango and Escuintla)
- Región 6: Northeast (El Progreso, Izabal, Zacapa and Chiquimula)
- Región 7: Southeast (Santa Rosa, Jalapa and Jutiapa)
- Región 8: El Peten

Source: Secretaría Técnica de la Vicepresidencia de la República. " El Sector Microempresarial en Guatemala en el contexto del Programa Nacional de Microempresas", Bert Wesselink y Bart Van Zwieten, April of 1991. Chart 1.6

APPENDIX 1, Table 1

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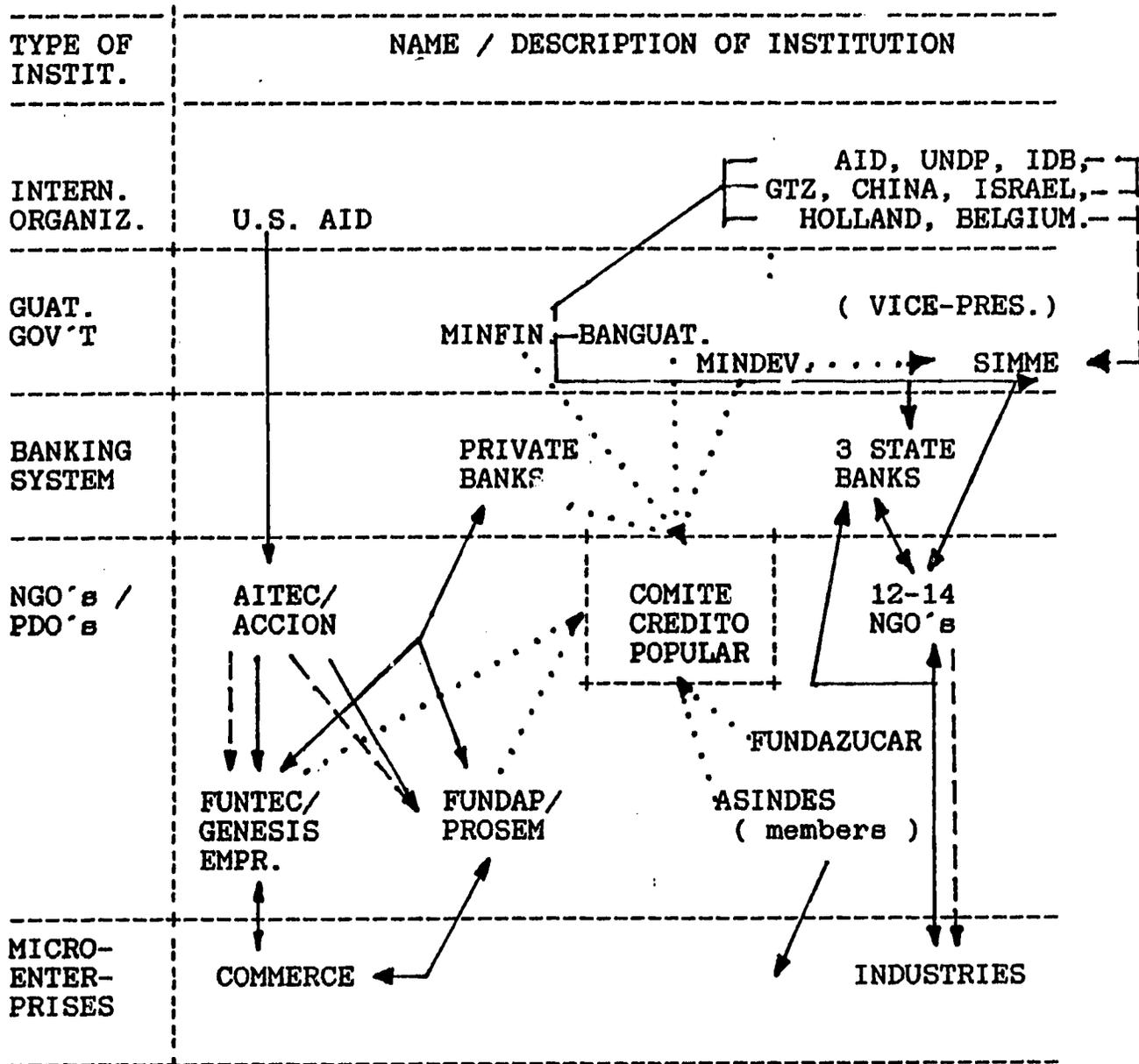
TABLE 2**GUATEMALA: Number of Microentrepreneurs, by Sex and Sector. 1987**

<u>Sector</u>	<i>Total</i>	<i>%</i>	<i>Men</i>	<i>%</i>	<i>Women</i>	<i>%</i>
<i>Producers</i>	125000	35.1	62000	38.5	63000	32.3
<i>Services</i>	45000	12.6	31000	19.3	13000	6.7
<i>Merchants</i>	186000	52.3	68000	42.2	119000	61
TOTAL	356000	100	161000	100	195000	100
	100.00%		45.20%		54.80%	

Source: Secretaría Técnica de la Vicepresidencia de la República. "El Sector Microempresarial en Guatemala en le contexto del programa nacional de Microempresas" Bert Wesselink and Bart Van Van Zwieten. April 1991.

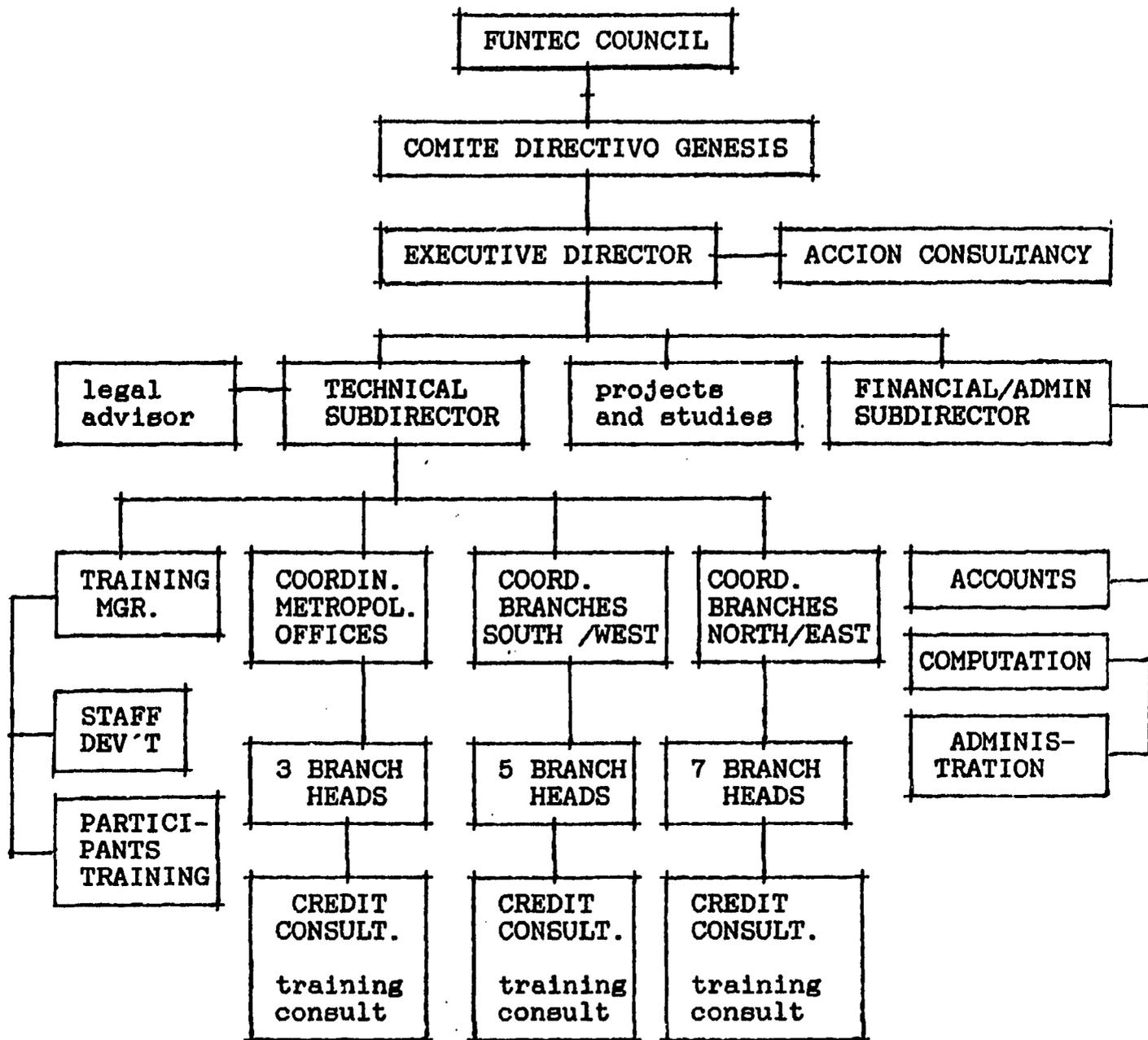
APPENDIX 2:

PANORAMA OF ORGANIZATIONS INVOLVED IN MICROENTERPRISE FINANCING



NOTE:
 —————> FUNDS FLOW
 - - - - -> TECHNICAL ASSISTANCE FLOW
> REPRESENTATION / SUPERVISION FLOW

**APPENDIX 3: GENESIS EMPRESARIAL
ORGANIZATION CHART (UNDER IMPLEMENTATION)**



APPENDIX 4, TABLE 1:
GENESIS EMPRESARIAL:
CONDENSED BALANCE SHEETS. in thousands of Quetzales.

	30/6/1991	30/6/1990	30/6/1989
Cash	2.9	2.4	0.7
Bank Deposits	2085.8	508.2	241.3
Liquid assets:	2088.7	508.6	242.0
outstanding loans	2881.0 *	1991.0	535.9
interests / services	377.5	201.2	-----
advances AITEC	13.6	70.2	272.8
debtors	45.4	11.4	9.4
Current Assets:	3317.5	2273.8	818.1
vehicles **	45.7	64.2	56.2
equipments **	151.8	119.1	49.7
installation **	7.2	6.3	-----
other assets	313.4	8.5	4.6
Fixed Assets **	518.1	198.1	110.5
TOTAL ASSETS	5924.3	2980.5	1170.6
Creditors	3.4	1.8	64.5
Short-term loans	250.0	-----	-----
Current liabilities	253.4	1.8	64.5
Deferred capital	377.3	201.2	-----
donations AITEC/AID	4443.7	2422.9	1037.0
private donations	15.0	-----	-----
accum. pos. results	834.9	354.6	69.1
Patrimonio/Capital	5293.6	2777.5	1106.1
TOTAL LIABILITIES	5924.3	2980.5	1170.6

*) from outstanding loans a provision of 8.4 % for bad debts has been deducted

**) depreciation has been deducted from fixed assets

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APPENDIX 4, TABLE 2:

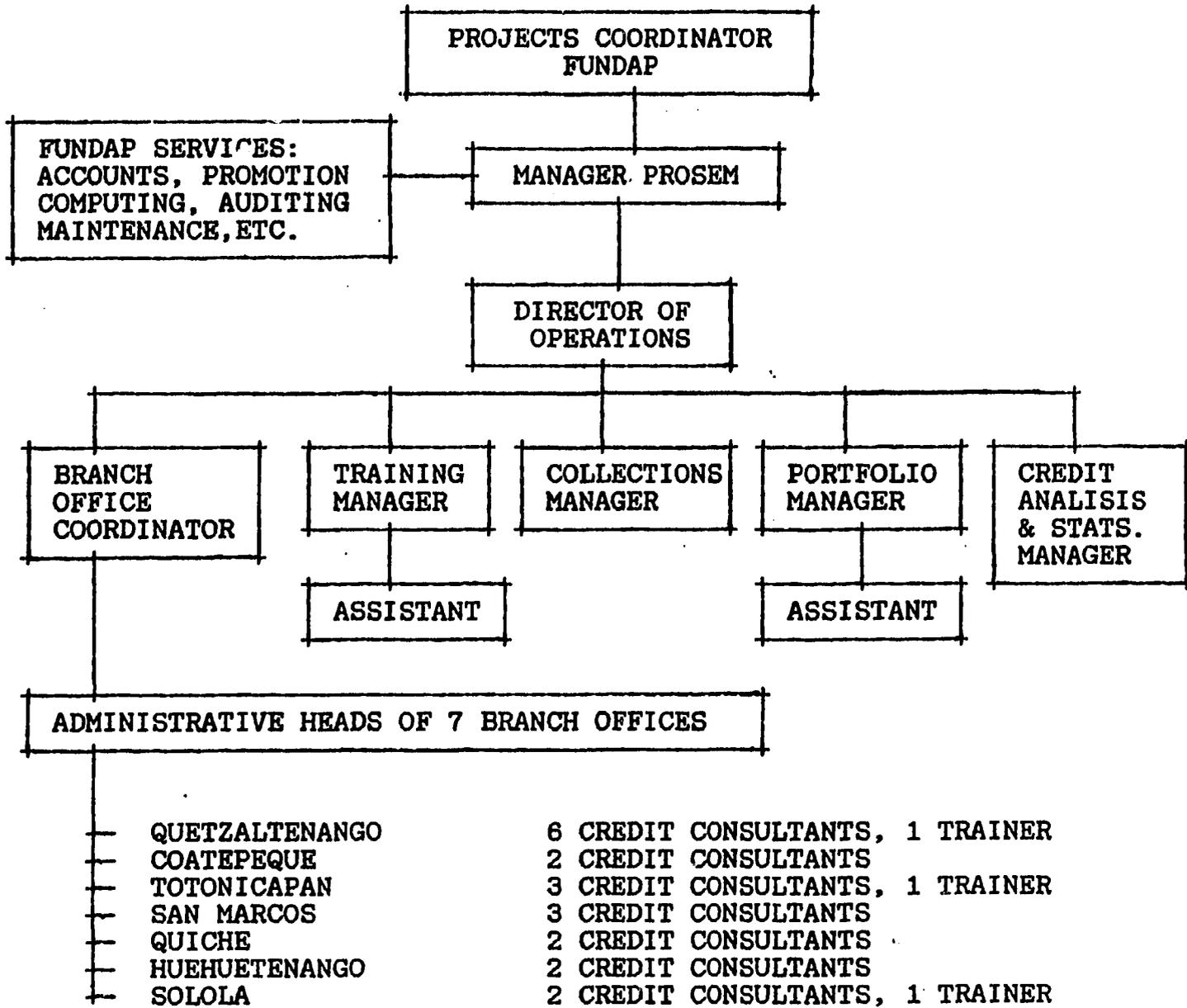
GENESIS EMPRESARIAL:

CONDENSED INCOMES AND EXPENSES STATEMENTS.

in thousands of Quetzales, over the period July 1 - June 30

	1990/91	1989/90	1988/89
TOTAL INCOMES:	954.3	579.4	234.5
from donations	116.2	263.7	178.4
interests and services	829.0	315.7	56.1
training	9.1	-----	-----
TOTAL EXPENSES:	660.5	350.2	179.9
administration	435.2	314.3	166.4
credit & consultancy	171.0	-----	-----
training	20.2	28.1	-----
finance	34.1	-----	-----
consult.& training			11.5
other expenses		7.8	2.0
RESULT BEFORE DEPREC. AND LOAN PAYMENT:	293.8	229.2	54.6
depreciation	(16.8)	(13.1)	-----
NET RESULT:	277.0	216.1	54.6

APPENDIX 5: PROSEM ORGANIZATION CHART



APPENDIX 6, TABLE 1:

PROSEK:

CONDENSED BALANCE SHEETS, in thousands of Quetzales.

	30/12/1990	30/12/1989	30/12/1988
Cash	0.7	0.1	---
Bank Deposits	457.3	275.4	127.3
<u>Liquid assets:</u>	<u>458.0</u>	<u>275.5</u>	<u>127.3</u>
outstanding loans *	1873.5	964.6	134.7
debtors	88.6	280.2	5.0
current accounts	25.4		
<u>Current Assets:</u>	<u>1965.5</u>	<u>1244.8</u>	<u>139.7</u>
<u>Deferred Assets:</u>	<u>5.2</u>	<u>1.2</u>	<u>----</u>
vehicles **	81.5	67.5	----
equipments **	95.2	53.4	35.9
others	4.6	4.6	4.5
<u>Fixed Assets **:</u>	<u>181.3</u>	<u>125.5</u>	<u>40.4</u>
<u>TOTAL ASSETS</u>	<u>2610.0</u>	<u>1647.0</u>	<u>307.4</u>
Creditors	2.0	34.5	75.2
Short-term loans	-----	-----	-----
<u>Current liabilities</u>	<u>2.0</u>	<u>34.5</u>	<u>75.2</u>
<u>deferred liabilities</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
donations AITEC/AID	2196.1	1490.7	225.7
private donations	-----	-----	-----
accum. pos. results	411.9	121.8	6.5
<u>Patrimonio/Capital</u>	<u>2608.0</u>	<u>1612.5</u>	<u>232.2</u>
<u>TOTAL LIABILITIES</u>	<u>2610.0</u>	<u>1647.0</u>	<u>307.4</u>

*) : no provision for bad debts has been made on outstanding loans, despite high delinquency rate

**) : no depreciation on fixed assets has been applied

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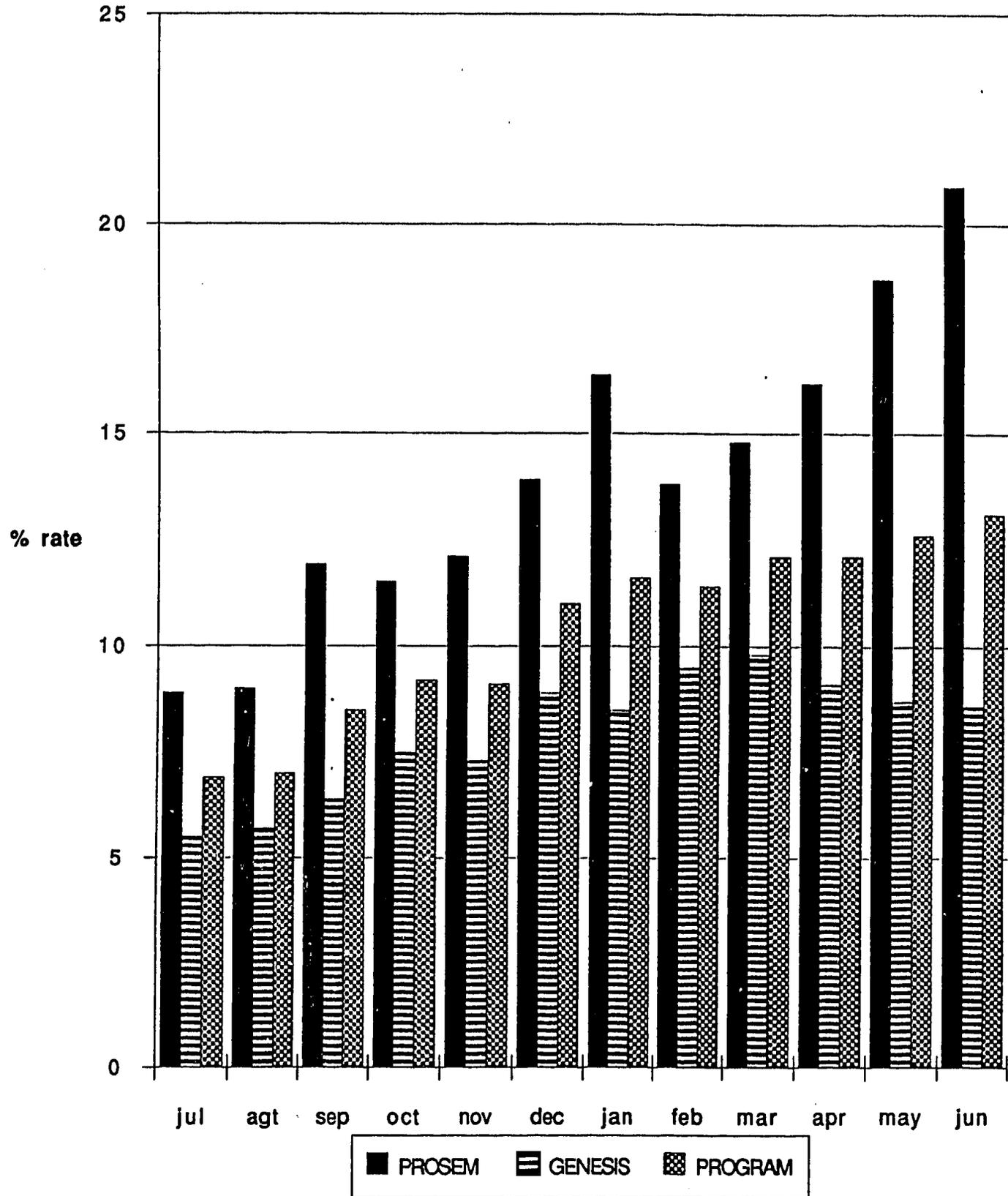
APPENDIX 6, TABLE 2:

PROSEM:

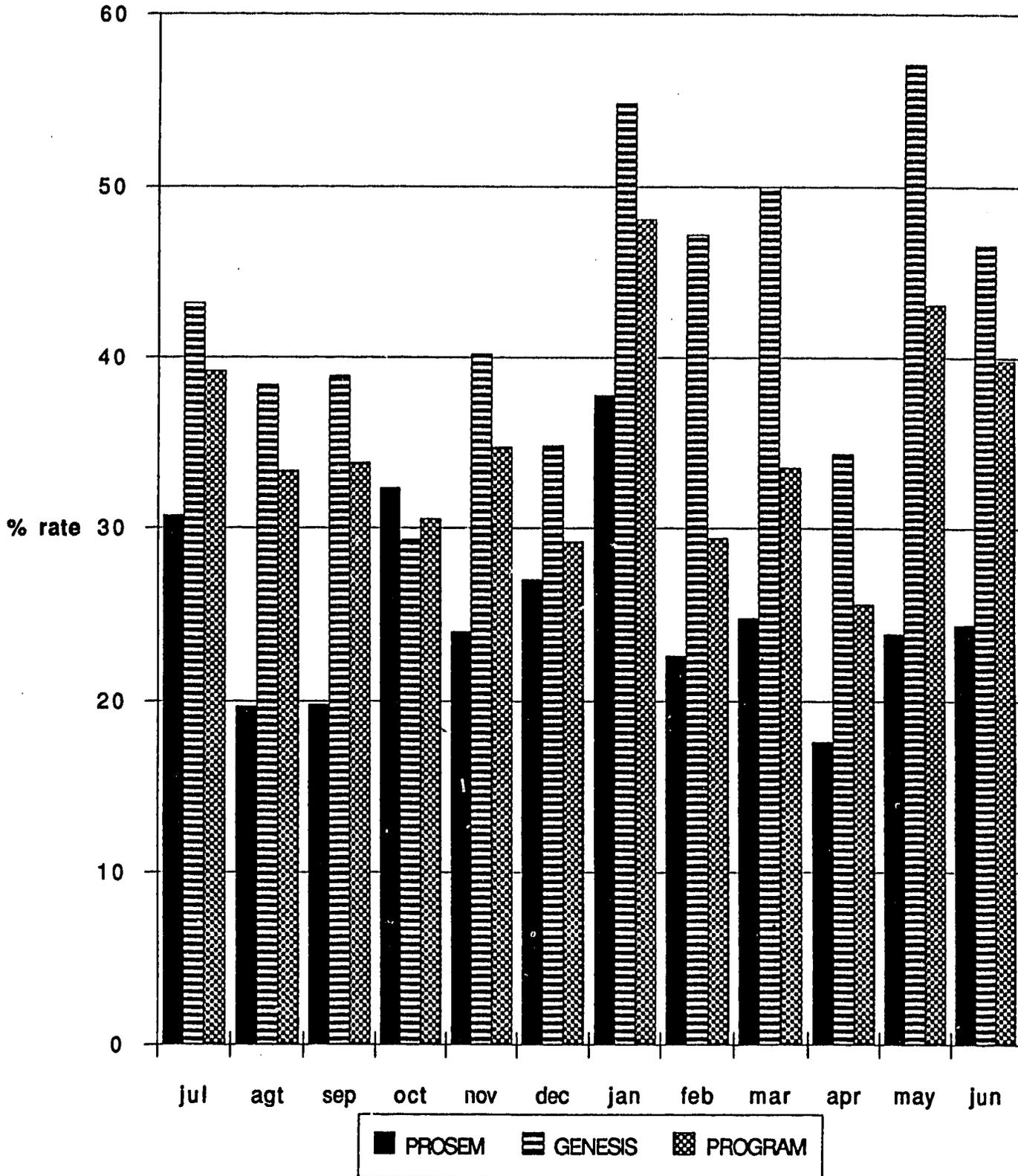
CONDENSED INCOMES AND EXPENSES STATEMENTS.
in thousands of Quetzales, over calendar year:

	1990	1989	1988
TOTAL INCOMES:	685.0	310.2	183.7
from donations	302.3	131.0	186.8
interests and services	287.3	82.2	6.9
training & consultancy	105.4	97.0	-----
TOTAL EXPENSES:	404.9	195.2	187.1
administration	249.0	131.0	87.2
consult. & training	126.9	64.2	94.6
finance	29.0	-----	-----
other expenses			5.3
RESULT BEFORE DEPREC:	290.1	115.0	6.6
depreciation	-----	-----	-----
NET RESULT:	290.1	115.0	6.6

APPENDIX 7, Table 1
Default Rates for the Program, July 90 to June 91



APPENDIX 7, Table 2
Percentage of Women In the Program, July 90 to
June 91



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APPENDIX 8

GENESIS EMPRESARIAL

- | | |
|----------------|---|
| Table 1 | Financial Resources by Sector, September-August, 1991-1996 |
| Table 2 | Financial Resources and Conditions |
| Table 3 | Medium Term Financial Planning, September 91-August 96, Operational Targets |
| Table 4 | Operational Costs, September 91 - August 96 |
| Table 5 | Projected Cash Flow, September 91 - August 96 |

TABLE 1

GENESIS EMPRESARIAL: Financial Resources by Source, september-august
In '000 quetzales

	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	TOTAL
I. Funds Available	5200	--	--	--	--	5200
1. Cash & Banks	2000	--	--	--	--	2000
2. Clients	3200	--	--	--	--	3000
II. External Resources		3000	3000	2000	2000	10000
1. IDB Global Program	--	2000	1000	1000	1000	5000
2. German Society of Technical Coop (GTZ)	--	1000	1000	--	--	2000
3. European Economic Community (EEC)	--	--	1000	1000	1000	3000
III. Local Resources	3650	1700	2700	2750	2650	13450
1. Banco Granai & Townson	250	250	500	500	500	2000
2. Banco del Cafe	500	--	--	500	--	1000
3. Financiera del País	300	--	--	300	--	600
4. Banco Uno	200	--	--	--	200	400
5. Banco Promotor	200	500	--	500	--	1200
6. Loyds Bank	500	--	500	--	500	1500
7. Banco de la Construcción	250	--	250	--	250	750
8. Banco de Occidente	500	--	500	--	500	1500
9. Banco Quetzal	200	200	200	200	200	1000
10. Banco Industrial	500	500	500	500	500	2500
11. FUNDAZUCAR	250	250	250	250	--	1000
TOTAL	8850	4700	5700	4750	4650	28650

Source: GENESIS EMPRESARIAL.

TABLE 2

GENESIS EMPRESARIAL: Financial Resources and Conditions

	<i>Actual Situation</i>	<i>Term</i>	<i>Interests</i>
I. External Resources			
1. IDB Global Program	Negotiations IDB-BANGUAT. First Disbursement beginning 1992	4 years	market-variable
2. German Society of Technical Coop. (GTZ)	Included in package to be negotiated on Nov. 91 between governments of Guatemala and Germany	Donation	
3. European Economic Community (EEC)	Loan with donation component. Negotiations in September 91	n.s.	20%
II. Local Resources			
1. Banco Granai & Townson	Approved and disbursed	1 years	market-variable 26%
2. Banco del Cafe	Approved	3 years	26%
3. Financiera del País	Approved and disbursed	3 years	28%
4. Banco Uno	Approved	5 years	26%
5. Banco Promotor	Approved	1 year *	26%
6. Loyds Bank	Approved	3 years	26%
7. Banco de la Construcción	Approved	2 years	26%
8. Banco de Occidente	In negotiations	4 years **	n.s.
9. Banco Quetzal	In negotiations	1 year	n.s.
10. Banco Industrial	In negotiations	1 year	n.s.
11. FUNDAZUCAR	Approved	1 year	24%

* The first loan is for one year, the following for two years.

** Term of 4 years, with one year grace period.

n.s. not specified

APPENDIX 8, Table 2

Source: GENESIS EMPRESARIAL

TABLE 3**GENESIS EMPRESARIAL: Medium Term Financial Planning, September 91 to August 96
Operational Targets**

	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	TOTAL
1. Number of New Entrepreneurs:	6029	5032	6080	5067	4962	27170
2. Active Users	11663	14946	18784	21033	22840	n.a.
3. Number of Loans	13995	17935	22541	25238	27408	107117
4. Value of Loans (million q)	31.5	40.3	50.7	56.8	61.7	241
5. Active Portfolio (million q)						
-annual	4.7	6	7.6	8.5	9.3	n.a.
-acummulated end of year	7.9	13.9	21.5	30	39.3	n.a.
-average	5.6	10.9	17.7	25.8	34.6	n.a.
6. Financial Income (millon q) effective rate 40%)	2.2	4.4	7.1	10.3	13.8	37.8

Source: GENESIS EMPRESARIAL

n.a. not applicable

TABLE 4**GENESIS EMPRESARIAL: Operational Costs, September 91 to August 1996**
in '000 quetzales

	1991-1992	1992-1993	1993-1994	1994-1995	1995-1996	Total
1. Salaries, benefits and consultants	1121	1242.5	1364.4	1498.3	1644.4	6870.7
2. Travel and Transport	40	46	52	60	68	266
3. Office Supplies	150	165	181	200	219	915
4. Promotion	40	40	35	35	30	180
5. Training for final user	26	28	31	35	38	158
6. Office Rent	108	119	131	144	158	660
7. Maintenance-equipment	15	10	10	10	10	55
8. Institutional support to FUNTEC	72	75	78	80	82	387
9. Other direct costs	40	44	48	53	58	243
10. Unforeseen costs	10	10	15	15	15	65
TOTAL	1622	1779.5	1945.4	2130.3	2322.4	9799.7

Source: GENESIS EMPRESARIAL

TABLE 5

GENESIS EMPRESARIAL: Projected Cash Flow, September 91 to August 1996
in '000 quetzales

	1991-1992	1992-1993	1993-1994	1994-1995	1995-1996	Total
I. Income						
Portfolio	39360	45345	58131	65703	73346	281885
GTZ donation	300	332	--	--	--	632
IDB donation	250	200	--	--	--	452
Total	39910	45877	58131	65703	73346	282967
II. Outflow						
Portfolio	33664	43690	55844	63270	68468	264636
Operational Costs	1622	1779.6	1945.4	2130.3	2322.4	9799.7
Technical Assistance	200	100	100	100	--	500
Equipment	350	232	--	--	--	--
Unforeseen	50	55	60	65	70	300
Total	35886	45856.6	57949.4	65565.3	70560.4	27817.7
III. Availability	4024	20.4	181.6	137.7	2785.3	7149.3
<i>Accumulated, year end</i>	4024	4044.4	4226	4363.7	7149.3	

Source: GENESIS EMPRESARIAL

PROSEM: Cash Flow 1991 - 1994
in '000 quetzales

1. INCOME	1991	1992	1993	1994	TOTAL
*Loan Recuperations (95%)	7600	12825	11400	15162	46987
*Recuperations, 5% previous year		400	675	600	1675
*Financial Income (annual efective rate 45%)	900	2025	2700	3591	9216
*Loans Banking System		1800	2400	3192	7392
*Donations					
TOTAL	8500	17050	17175	22545	65270
II. OUTFLOW					
*Loan disbursements	8000	13500	12000	15960	49460
*Loan payments to banks	250	1800	2400	3192	7642
*Financial costs (26% annual)	65	468	624	830	1987
*operational costs	497	646	839	1091	3073
TOTAL	8812	16414	15863	21073	62162
III. AVAILABILITY	-312	636	1312	1472	
*Accumulated end of year	-312	324	1636	3108	3108
Data base:					
1. Average Active Portfolio	2000	4500	6000	7980	
2. Amount of Loans	8000	13500	12000	15960	49460
3. Financial Income (effective rate 45% on active portfolio, 36% rate)	900	2025	2700	3591	9216
4. Disbursement of bank loans	--	1800	2400	3190	7392
5. Payment of bank loans	250	1800	2400	3192	7642
6. Bank's financial costs, 26% anual	65	468	624	830	1987
7. Operational Costs	497	646	839	1091	3073

Source: PROSEM

APPENDIX 9, Table 1

APPENDIX 9, TABLE 2

PROSEM: Operational Costs, 1991 - 1994
In '000 of quetzales

	1991	1992	1993	1994
1. Salaries	280	365	474	616
2. Equipment	83	8	41	83
3. Institutional Support	72	93	121	158
4. Travel and Transportation	25	33	43	55
5. Office Supplies and Eq.	24	31	40	52
6. Training	1	101	101	102
7. Other Direct Costs	11	14	19	24
8. Promotion	1	1	1	1
TOTAL	497	646	840	1091

Source: PROSEM

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APPENDIX 10 : CONSULTED DOCUMENTATION

FUNTEC/Genesis:

Organization chart (draft proposal july 1991)
Plan de Operaciones 1990-1991.
Monthly Computerized Reports on Credits and Morosity
Financial Statements 1989-1991
Project Agreement with ACCION, october 1987
Reglamentos de Crédito 1989, 1991
Job descriptions, operations manuals 1991
Credit application and analysis forms

FUNDAP/PROSEM:

Plan de Operaciones 1990-1991,
5 Year Projections, 1991-1996, (april 1991)
Monthly Computerized Reports on Credits and Morosity
Financial Statements 1989-1991
Project Agreement with ACCION, november 1987
Organization chart, july 1991
Reglamento de Crédito, august 1991
Job descriptions, Manuals of Procedures, august 1991
Credit application and analysis forms

ACCION/AITEC:

Propuesta de Financiamiento a la AID para un Programa de
Apoyo a la Microempresa Urbana, marzo 1987
Grant Agreement with USAID, august 31, 1987
Project Monthly Statistical Reports, july 1988 - july 1991
Análisis de Autosuficiencia Operativa
Proyecto Promoción de microempresas: El desafío del futuro,
Abril 1991.
Propuesta de Financiamiento para 2a Ampliación del Proyecto de
Promoción de Microempresas,
Una metodología de trabajo con el sector informal, Mirta
Olivares, febrero 1989
Los programas de asistencia a las microempresas, Maria Otero,
abril 1989
El enemigo oculto: Morosidad en programas de microempresas,
Katherine Stearns, marzo 1991.

Appendix 10, continued

OTHERS:

Development Alternatives, Inc.: An Evaluation of the
Microbusiness Promotion Project in Guatemala, december 1989

Elsbeth Revere: An impact evaluation of the microbusiness
promotion project, may 1989

Fundación FADES: El sector Informal, 1988

Programa Nacional de Microempresa SIMME: Informe de 36 meses
de ejecución, 1991

B. van Zwieten, B. Wesselink: El sector microempresarial en
Guatemala..., SIMME, abril 1991.

Acuerdo Gubernativo Numero 157-91.

SIECA: Estadísticas seleccionadas de Centroamerica, 1991

APPENDIX 11: LIST OF CONTACTED PERSONS

FUNTEC / GENESIS EMPRESARIAL:

Ing. Juan Niemann	Presidente Comité Directivo
Ing. Rafael Viejo	1er Vice-Presidente
Lic. Mario Asturias	2o Vice-Presidente
Ing. Oscar Salazar	Director, asesor financiero
Sra. Sonia de Molina	Directora FUNTEC
Lic. Edgar René Búcaro	Director Génesis Empresarial
Lic. Roberto Calderón	Subdirector Financiero
Sr. Samuel de la Cruz	Subdirector Técnico
Sr. Héctor Pérez	Jefe de Cómputo
Sr. Carlos Enrique Berdúo	Coordinador de Sucursales
Sta. Heidy Pereira	Jefe de Administración
Lic. Heidy de Galicia	Jefe de Capacitación
Sta. Azucena Porras	Jefe de Estudios y Proyectos
Sr. Carlos Rafael González	Jefe Sucursal Antigua
Sta. Rosario Rosales	Asesora, Sucursal Antigua
Sr. Luis Pelé,	Asesor, Sucursal Antigua
4	Oficiales de Cómputo
8	Asesores, sucursales Ciudad de Guatemala
8	Beneficiarios en la Ciudad de Guatemala y Antigua

FUNDAP / PROSEM:

Ing. Roberto Gutiérrez	Director Regional
Ing. Jorge Gándara	Coordinador de Proyectos, Gerente a.i. PROSEM
Sr. Julio Bagur Cifuentes	Contralor
Sr. Carlos Soto Mendez	Coordinador de Sucursales
Sra. Blanca Estela de Pisquí	Encargada de Cómputo
Sra. María Eugenia de Rodas	Encargada de Capacitación
Sta. Claudia de León	Jefe de Cartera
Sta. Olga Violeta Rodas	Analista de Crédito y Est.
Sr. Amílcar Martínez,	Jefe Sucursal Quetzait.
Sta. Alma Leticia Godínez	Asesora Sucursal Quetz.
Sr. Martín Higueros	Asesor Sucursal Quetz.
Sr. German Díaz Barrios	Capacitador Sucursal Quetz.
Sra. Aura Hernández de Ixchiu	Jefe Sucursal Totonicapán
Sr. Jacobo Bernabé Batz Son	Asesor Sucursal Toto.
Sra. Eunice Martínez de Alvarado	Jefe Sucursal Sololá

Appendix 11, continued:

AID:

Elizabeth Warfield

Joseph Lombardo
Hector Diez de Medina
Roberto Gálvez

Director, Private
Enterprise Development
Deputy-Director, P.E.D.
Advisor, P.E.D.
Advisor, P.E.D.

ACCION / AITEC:

Mirta Olivares

Resident Advisor

OTHERS:

Ing. Edgar Ponce
Lic. Bart van Zwieten
Lic. Hildebrando Cumes

Lic. Carlos Echeverría

Lic. Hugo Ríos Oré
Lic. Marina Sagastume
Lic. Ingrid Hoven
Ing. Rafael Viejo

Secretario Técnico, SIMME
Consultor Holanda, SIMME
Director Hogar y Desarrollo
Miembro C.C.P.
Director de Créditos,
Banco de Guatemala
Especialista Sectorial, BID
SEGEPLAN
Asesora GTZ / SEGEPLAN
Gerente BANEX,
Presidente C.C.P

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