MIDTERM EVALUATION
MICROENTERPRISE DEVELOPMENT PROJECT
No. 519-0318

IQC Contract No. PCE-0001-I-00-2051-00

Delivery Order No. 5

Prepared for:
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
San Salvador, El Salvador

CHEMONICS

Prepared by:
Mario Ganuza, Team Leader
Jeffrey Nash
Miguel Angel Rivarola

November 1993

TABLE OF CONTENTS

LIST OF ACRONYMS

AID	United States Agency for International Development
CAM	Centro de Apoyo a la Microempresa
COMCORDE	Coordinating Committee for the Economic Development of the Eastern Region
CEO	Chief executive officer
CRS	Catholic Relief Services
FINCA	Foundation for International Community Assistance
FINCA-IN	Finca International
FUSADES	Salvadoran Foundation for Social and Economic Development
IPC	Interdisciplinare project consult
MIS	Management information system
MSC	Microenterprise Support Center
PRE	Private Sector Office, USAID/El Salvador
PROPEMI	Small and Microenterprise Program at FUSADES
PSO	Project support office
PVO	Private volunteer organization
SNF	National Secretariat for the Family
USAID	United States Agency for International Development
USAID/ES	USAID mission to El Salvador

SECTION I

EXECUTIVE SUMMARY

SECTION I
EXECUTIVE SUMMARY

This evaluation complies with the requirement of a midterm evaluation for the Cooperative Agreement between USAID/El Salvador and Foundation for International Community Assistance (FINCA) for the implementation of the Microenterprise Development project in El Salvador. The agreement for a seven-year program was signed on August 31, 1990; this midterm evaluation was conducted in the summer of 1993.

The purpose of the microenterprise development project is to provide credit to microentrepreneurs in the informal sector. Major goals of the project include women participation in at least 50 percent of the population benefitted, employment generation, microenterprise creation, and national coverage. The project includes three major components; (1) financial services, (2) non-financial services, and (3) institutional development—operated through the creation of a local self-sustainable institution and the provision of credit to groups and individual beneficiaries following FINCA's village bank methodology, solidarity groups, etc. After two years of operation, the local institution (Centro de Apoyo a la Microempresa—CAM) is fully operational.

The end-of-project status indicators established in project document included: (1) increase the annual income of the average loan recipient by 50 percent; (2) achieve an overall recovery rate of 95 percent in the credit component; (3) mobilize a minimum of $3 million in savings (an average of $100 per borrower); (4) have at least 50 percent of women as beneficiaries over the life of the project; (5) promote a minimum of 1,000 village bank organizations; (6) reach complete self-sufficiency in the institution by project completion; (7) disburse at least $5 million in additional capital generated between FINCA and the created institution.

The purpose of this evaluation is to assess progress under the project and to look at the current implementation of the village bank model by surveying other AID-funded organizations currently implementing this model in El Salvador. The contractor analyzed the project's basic design and assessed the three components and key people to assess whether the project—as currently designed—is appropriate, relevant, and actually producing the desired results.

The evaluation consisted of two parts. The first part was a socioeconomic impact survey on 488 beneficiaries with at least four months of credit experience. The second part was the analysis of: the three main project components, the project's impact, progress towards sustainability, and the role of FINCA as project implementor. The methodology included interviews of beneficiaries; CAM's field staff, office staff, and governing body; FINCA; USAID/El Salvador; village banks and the sources FINCA sought for counterpart funding. The team also studied the project's documents and other assessments.

Findings and Conclusions

The project, after three years of operation and two of field work, has almost achieved the expected life-of-project goals in term of coverage and number of beneficiaries, and that FINCA's concepts on village banking have found fertile grounds in El Salvador. Two of the project components, financial and non-financial services, are in place, and fully functional. The third component, institutional development, has not developed at the same pace of the other two.

The financial services component has been implemented under two modalities, each with different structure, staff, promotional approach and loan terms and conditions to the borrowers. <u>One modality is the village banking model</u>, with a divisional manager at the central office and four operational managers running fully decentralized regional offices. Each regional office is well staffed with promoters, mostly women, who are organized in groups of six to twelve under the direction of supervisors who report to the regional manager. The village banking program is providing credit to 27,000 borrowers (95 percent women) through 540 banks. The average loan size is $70 and the default and delinquency rates are very low. <u>The other modality</u> is individual credits to microentrepreneurs demanding either a solidarity group or co-signer. The scheme of successive loans also applies, but the first loans are larger (ranging from $125 to $250). In addition, the installments are paid back to the project monthly, including principal, interest, and savings. This program has an independent structure under a separate divisional manager. It operates with credit officers at the field, who are managed by regional supervisors from the other division.

The non-financial services component is the project's training arm. It has a six-person training staff, including a department head (who resigned during the evaluation period), a newly appointed assistant experienced in training microenterprise credit programs, and four regional trainers deployed in the field. This team champions all training activities. The entire operational staff in the central office and the field are trainers, and the fast expansion of the Village Bank's division, explosive during the second year of field operation, is to a large extent a result of this training approach.

The institutional development component lags behind the field operations, despite the emphasis on this component by FINCA the last six months. The central office has grown to direct, support, and supervise the field operations, and to comply with the extensive needs of financial and statistical information that this type of project demands, rather than in accordance with a rational institutional development plan. FINCA did not take a prudent approach to build up CAM.

Recommendations

- CAM's board should run the operations without any direct intervention from FINCA. FINCA should provide assistance to redesign the credit model and develop a permanent scheme of the village banks. FINCA should also provide a consultant in institutional development to redesign all management and information systems.

- Redefine and strategically position the individual loan (microenterprise) program to generate income so that self-sufficiency can be achieved and the program can operate more independantly from the Village Banking Program.

- Systematize expansion plans based with greater emphasis on market demand.

- Establish a comprehensive plan for human resource development, rewarding productivity.

- Maintain a freeze on field expansion, and stop all the emergency changes until a comprehensive strategy for internal development is undertaken.

- Discontinue the services of the external auditor and retain another international firm with a local representative.

- Investigate the possibility of FINCA contributing to CAM's capital and operational expenses according to the counterpart plan. Assess the needs/possibilities of additional support from AID to CAM under a separate agreement.

- FINCA and CAM should develop and implement an austere short-term financial plan, making all possible efforts to slash costs.

Lessons Learned

Critical factors to project performance in similar projects are: (1) clarity and consistency in project design, so that implementation plans can be adapted according to field reality, without loosing focus on concepts and goals; (2) proven expertise of the advisory group in all the necessary aspects of the project; (3) defined and reachable funding sources; (4) market understanding and flexibility to redesign services according to the demand; (5) intensive and extensive training at the field and office; and (6) large projects impact target population more effectively.

Technologies and approaches to a large size project's success include: (1) well defined and articulated lending approaches; (2) strict market analysis and permanent follow up; (3) systematizing of implementation and expansion processes; and (4) expansion periods tend to restrain operational efficiency in the projects.

Project self-sustainability can be affected/driven by: (1) promotion of efficient lending as a means to social development; (2) institutional orientation emphasis on financial intermediation rather than social promotion; (3) project implementation driven by market demand and location instead of geographic coverage; and (4) external support delivered via technical assistance rather than direct intervention.

The microenterprise development project's replicability should be analyzed keeping in mind that: (1) design of village bank methodology for permanent operation is not finished, and neither is the role of individual lending to microentrepreneurs within a self-sufficient strategy; (2) Salvadoran environment and typical beneficiary have particular characteristics that are relevant to FINCA success, which are not necessarily similar in other countries.

Future AID activities in village banking shall consider: (1) paramount attention to CAM as the major village bank operation and self-sustainability; (2) other institutions with integrated services can include village banking as part of their packages to motivate efficiency competitiveness; (3) CAM/FINCA methodology cannot be imposed to other institutions, although full capital and opportunity cost's recovery shall be enforced.

SECTION II

SCOPE OF WORK

SECTION II
SCOPE OF WORK

A. Background and Scope of Work

On 31 August 1990, USAID/El Salvador and FINCA signed a Cooperative Agreement for the implementation of a microenterprise project in El Salvador. The estimated cost of the project was $14.9 million, of which the mission agreed to contribute $10 million conditioned to its availability of funds, and FINCA agreed to contribute the difference. The initial obligation of the mission was $4 million. As of the date of the evaluation, the obligation was $9 million.

The goal of the project is to increase income and productive employment opportunities for micro-entrepreneurs, thereby enabling them to better contribute to and benefit from economic growth. The project had three major components: (1) institutional development, (2) financial services, and (3) non-financial services. The institutional development component included the financing of the start-up and operating costs of the new institution, technical assistance and training for its staff, and equipment and rent. The financial services component included credit to micro-entrepreneurs having limited access to formal financial markets. The non-financial services component included training in credit administration to all borrowers and intermediaries.

Innovation and flexibility were considered important, indicating that the program would continuously test the market to determine effective ways to deliver services to micro-entrepreneurs over the project's life. The project proposal stated that the objective will be to make microenterprises sustainable, rather than to focus on their graduation from the program.

FINCA proposed a methodology it used in neighboring countries as the main vehicle for the implementation of the project. A description of this model was included in the proposal.

These end-of-project status indicators were established in the project document: (1) increase the annual income of the average loan recipient by 50 percent; (2) achieve an overall recovery rate of 95 percent in the credit component; (3) mobilize a minimum of $3 million in savings (an average of $100 per borrower); (4) have at least 50 percent of women as beneficiaries over the life of the project; (5) promote a minimum of 1,000 village bank organizations; (6) reach complete self-sufficiency in the institution by project completion; (7) disburse at least $5 million in additional capital generated between FINCA and the created institution.

To put the content of this document in context, it is important to explain that the project, after three years of operation and two of field work, has almost achieved the

6

expected life-of-project goals in term of coverage and number of beneficiaries, and that FINCA's concepts on village banking have found fertile grounds in El Salvador. Two of the project components, financial and non-financial services, are in place, and fully functional. The third component, institutional development, has not developed at the same pace of the other two.

B. Objective and Scope of Work

This evaluation was contemplated in the project proposal and Cooperative Agreement as a midterm evaluation during year 3. The proposal stated that in addition to the standard review of progress and project activity, it should focus on self-sufficiency of the program. The Cooperative Agreement indicated that the evaluation would be utilized to determine whether AID should continue funding activities under the Cooperative Agreement and make revisions, if necessary, to project activities.

Based on this agreement, the mission defined the scope of work for the evaluation, indicating a particular interest in a review of: (1) basic project design, implementation and performance of the three main components; (2) financial self-sufficiency; (3) institutional effectiveness and role of CAM; (4) effectiveness and relevance of training; (5) managerial and administrative capabilities and systems; (6) women in development; (7) effects and impacts; (8) relationship to mission objectives.

Complementarily, the mission expected a review of other smaller village bank programs to be able to look at how the village bank model works and what its prospects are as a sustainable tool for alleviating poverty and providing economic opportunity. Lastly, the mission requested from the evaluators a recommendation as to whether AID's future efforts should be concentrated in one or two implementing agencies or dispersed widely through additional NGOs.

C. Methodology

The evaluation was conducted in two parts. The first part consisted of a review of all relevant material, including documents produced by several consultants and technical assistance interventions conducted by FINCA (see Annex B); interviews with FINCA, CAM, and AID personnel; and the execution of a socio-economic survey on a statistically valid sample of beneficiaries. This part of the evaluation was performed as the mission requested by the evaluation team leader, who was assisted by a local firm.

The second part of the evaluation consisted in analyzing the three project components, the project impact, role of FINCA, progress in the development of the local institution, and potential self-sufficiency. The work schedule is included as Annex C.

During the course of the evaluation, the team met several times with the mission, CAM, and FINCA personnel. These meetings helped verify and test findings and conclusions. The first draft of the evaluation report was delivered to AID for comments. Findings and conclusions were also discussed with the FINCA team in El Salvador and with mission management. AID's and FINCA's comments were introduced into the final draft of the report that was presented to AID before the team's departure from El Salvador.

Early in the evaluation, the mission evaluation committee and Chemonics agreed upon two basic modifications to the original scope of work. Based on the preliminary investigation of the project, Chemonics recommended changing the size of the sample of the survey to emphasize the quality of the sample.

Another change was with the comparative analysis between the CAM/FINCA project and other local activities in village banks supported by AID. The original scope of work requested a tabular comparison of very specific data. The Chemonics team made a rapid assessment on the subject and concluded that the difference in size and intensity between the CAM/FINCA project and the other much smaller projects made them not comparable. Also, the evaluation team could not dedicate equivalent resources to the smaller projects to allow a tabular comparison, without distracting from the primary goal of the evaluation. Also, the evaluation suggested visits to small projects to understand their functioning, impact, and potential sustainability, and offer the mission an educated opinion on them within the context of the CAM/FINCA project. The mission evaluation committee accepted that proposition.

The mission, CAM staff, and FINCA provided full support to the evaluation team. The information available from these three sources was abundant and highly useful. The only major limitation affecting the length and depth of the analysis was the inconsistency in the different outputs of CAM information systems. The evaluation team had a very difficult time trying to reconcile the figures from accounting, statistics, field operational reports, FINCA quarterly reports to AID, and annual plans.

The team discussed initial findings with CAM staff, FINCA, and AID during the evaluation. After the analysis was finished and the first draft of the evaluation report presented to the mission, the team discussed the conclusions and recommendations with AID and with CAM Board members. Any valid arguments from all these parties were considered in the refining of the draft report prior to the end of the assessment.

The evaluation team expresses its appreciation and thanks for the cooperation and support received from AID, CAM, FINCA/PSO and other organizations and persons related to this project. The evaluation team assumes full and sole responsibility for the contents of this report.

SECTION III

EVALUATION FINDINGS AND CONCLUSIONS

SECTION III
EVALUATION FINDINGS AND CONCLUSIONS

A. Village Bank Program: CAM Division A

A1. Original Concepts

The targeted population for the microenterprise project was originally described as an urban or rural enterprise, with one to ten employees, and assets of up to C150,000. Individuals and formal or informal groups would be eligible borrowers, of which at least 50 percent would be women. Lending would be in the form of short-term working capital between $50 and $300, and medium-term investment loans between $500 and $3,000. Agricultural financing would not be allowable under the project. (Note: the exchange rate at the time of the evaluation was $1.00=C8.70.)

Savings requirements were an important feature. Short-term borrowers were required to save a minimum of 20 percent of the principal loaned, while medium-term borrowers were required to save a minimum of 10 percent. Short-term borrowers had a choice of keeping their savings either in the group or with CAM, while individual, medium-term borrowers were required to keep them with CAM.

An additional requirement for future loans was full repayment of the preceding loan. Groups could "cover" a delinquent member from the other members' savings.

Working capital loans were to be administered in groups, which were going to be encouraged to develop their own, internal credit policies, provided they were not in conflict with those of CAM. These groups were to be democratic, with elected leaders and committees. These committees would select and screen borrowers, prepare loan applications, disburse and collect sub-loans to members, manage the group's savings, and maintain financial records.

A promoter was to be assigned to these groups, and would assure that the group was viable and competent, had a good repayment record, and had enough savings to be eligible for a larger loan. S/he would also provide training and technical assistance.

Procedures for investment loans were to follow the more traditional methodology of formal finance institutions, with the exception of collateral. The FINCA proposal stated that ideally, many of the candidates for investment loans would be "graduates" of the short-term loan program. Individual applications were to be taken by credit officers, who would assess the technical feasibility, existing markets, and financial viability of the ongoing and proposed activities before presenting the application to the CAM credit committee. Loans and repayments would be disbursed through branches of commercial banks.

Training in credit administration was to be a basic service of the CAM for both group and individual borrowers. It was to be provided free of charge, with its costs included in the general cost structure of the CAM. The CAM would not provide technical assistance in productive processes and marketing, but promoters and credit officers could assist borrowers in the "intermediation" of these services from government and private agencies. All groups and individuals were to be exposed to some training in credit administration.

A2. Subsequent Changes

By the second year the program portfolio was growing at a monthly rate that led CAM to project year 3 advances well above the original project paper targets of 1,000 village banks and 35,000 participants. This proposed surge of activity, coupled with continued administrative and reporting difficulties, prompted USAID to mandate a freeze on hiring additional field staff, limiting expansion. In March 1993, FINCA/I's Board of Directors stopped all new loans until CAM instituted internal administrative and financial controls to improve reporting accuracy. These freezes changed the implementation rates proposed in the third-year action plan.

After the initial introduction of the village bank model (following the concepts brought from neighboring countries), several changes were introduced. The typical size of the groups was 15 members instead of 50 members, although some banks have managed to grow to more than 50 members. Not all members in a group moved to subsequent loan cycles as expected, and a persistent decline in members occurred, which led FINCA to allow new members to join ongoing groups to maintain sizable groups, particularly after three to four cycles. This decision made it impractical to close banks after after nine credit cycles.

The proposed model and initial manuals did not include operational and financial mechanisms to implement the concept of village banking, and these were designed by the field staff from the beginning, mostly without external help. FINCA introduced formats for monitoring and impact assessment that are administered to the groups at the end of each credit cycle.

A3. Outreach

According to estimates in the Project Paper, 77,000 microentrepreneurs in 1987 would have qualified under the project's criteria. By the end of year 2, CAM's 544 village banks had 13,699 member borrowers, and despite the dual freezes, the number of banks reached 923 with 26,235 members in July 1993. Membership, lending, and savings are dispersed fairly uniformly throughout the nation, as expressed in Exhibit III-1 on the following page.

As stated in the Third Annual Action Plan, there was supposed to be at least one field office in every department. This was later modified to only four regional offices plus four supplemental offices for the promoters far from the main regional offices.

The ratio of personnel to the number of village banks is the critical factor to program expansion. General wisdom by field staff in CAM (and other NGOs with similar programs) holds that ten banks is the practical limit for effective promotion and supervision without risking severe repayment problems. CAM's banking program shows a small amount of delinquency and overdue payments (calculated from regional office information for July at 0.4 and 3.3 percent, respectively). Village bank methodology is based upon weekly promoter visits to groups that are small enough to allow personal knowledge of the borrowers (now an average of 8.8 banks per promoter, 29 members per bank, and nearly 260 per promoter). However it is this equation for success that draws doubt on the financial self-sustainability of the model.

Exhibit III-1
Village Bank Program Coverage

	Western Region	Central Region	Near-East Region	Eastern Region	Totals
No. Village Banks	250	196	216	260	922
(% of Total)	27	21	24	28	
No. of Members	7,529	5,407	5,693	8,488	27,117
(% of Total)	28	20	21	31	
Loans ($000)	529.5	411.0	363.5	564.8	1,868.8
(% of Total)	29	22	19	29	
Savings ($000)	202.9	183.5	143.0	171.6	701.0
(% of Total)	29	26	20	24	
Average Loan $	70	76	64	67	69
Average Savings $	27	34	25	20	26
(% of Loan)	40	44	45	29	
Delinquency	0.5	0	0.2	0.5	0.4
Delayed Payments	4.1	3.9	3.3	2.3	3.3

Source: CAM Regional Offices, Evaluation of Regional Goal Attainment, July 1993

In the Third Year Plan CAM proposed to expand coverage by increasing by two-thirds the number of banks attended per staff member. The rationale used was that as banks completed one to two loan cycles and gained sufficient management expertise, they no longer needed to be visited weekly by the promoter. Because of the lending freeze, this practice was not implemented, and experience indicates that the critical cycles seem to be the third and fourth, when the majority of drop-outs from the program occur. The Fourth Year

Action Plan repeats this strategy, placing more emphasis on unpaid support from within the banks in the form of apprentice and substitute promoters, while the field staff would be stimulated by higher salary levels and performance bonuses. Whereas there are cases of promoters effectively handling up to 16 banks, these are exceptions, and the general opinion gathered from field staff is that this proposed policy would risk greater delays and non-payment.

FINCA needs to be more creative on this and improve its methodology rather than focusing on additional financial compensation. More systematic and market driven approaches to expansion would improve the overall efficiency in this division, as would additional training for the most advanced beneficiaries. With larger loans and more flexible conditions, beneficiaries could continue expanding their businesses and pay more interest to CAM, which would help fund the village bank operation.

A4. Operational and Financial Performance

The operation of the village bank program is working. Direct comparison of achievements over the last two years shows the degree the program has expanded, in some ways out-growing CAM's capacity to control and track changes. Because of the volatile nature of short-term unsecured lending, care must be taken to ensure that adequate but not excessive controls are in place. The enviable repayment rate must be maintained, but reserves should be set aside (as was done until June to cover inevitable losses). Exhibit III-2, below, presents data from CAM's Action Plans and Monthly Consolidated Reports. The data are indicative of the magnitude of change, even though there are discrepancies between these data and regional numbers cited previously.

Exhibit III-2
Magnitude of Operational Change

	August 1991	August 1992	July 1993
Outstanding Portfolio	$64,500	$702,639	$1,800,841
Number of Village Banks	63	544	923
Number of bank members	1,260	13,699	26,235
Accumulated savings		$196,752	691,269
Repayment rate		99+%	99+%

(Exchange rate = ¢ 8.70/$1)

The routine operational procedures seem to be functioning, and an enormous amount of reporting is done every week. An example would be the weekly manual entry of data on disbursements and payments of principal, interest, savings (obligatory and voluntary), and any other movement of every member's account. These are then totalled by village bank, promoter, supervisor, and regional office and sent to the CAM/central office. A similar process is followed for weekly performance indicators for each promoter, supervisor, and office. One benefit of this paperwork is that all the lending program staff are personally aware and involved with each bank. However there is a need for a close look by an outside systems analyst of the documentation and reporting systems to minimize duplication, especially on the part of the promoter. (Several examples of duplication were found in a brief examination at regional offices visited.)

Although the role of the promoter is standardized, promoter types A, B, and C, exist. The difference is the number of groups that the promoter is able to initiate and handle effectively. Although specific limits are not defined, C is for less than six groups; B is for six to eleven groups; and A is for eight or more groups. In three regions, these categories are related to the educational background of the promoter.

In the central region a clear preference was noticed for recruiting promoters with higher education and experience in social work. These would start at the "B" or even "A" level. In the eastern region, preference is given to highly motivated women used to living at the village or rural level, and these are always started as "C", despite educational level obtained. Both regional offices are quite successful in managing their portfolios. This flexibility is good and should be maintained. At the same time complacency cannot be allowed—both promotional and management skills training need to be reinforced, since it is at this level that true institutional financial sustainability must originate.

The clear differentiation between promoter levels is the number of banks attended, rather than the level of education received or prior experience. In July, the average number of banks the A promoter had was 10.7, whereas for a B promoter it was 9.0 and for a C it was 6.4. Since only 29 percent of the promoters were A, 46 percent were B, and the remaining 25 percent as C, the general assumption used for 1993-94 financial projections of progressively increasing the average number of banks attended from 8.9 to 11.7 within one year is questionable.

Another operational aspect that is stressed is the continual bank member training by promoters using the variety of manuals already prepared by CAM. There are at least four manuals that deal directly with member training, and another five concerning operational guidelines, processes, and procedures. With the recent addition of a training specialist in the regional office, some of the burden of preparing and presenting training activities will be lifted from the busy promoter. An outside specialist in non-formal training should be used to evaluate these training materials.

One negative operational aspect that is obvious from visits to the regions is the isolation of both lending programs from each other. The microenterprise staff have little contact with village banking personnel, even though these same microenterprise credit officials should be preparing to receive "graduates" from village banks. The regional office provides some logistical support to credit officers, but this is the only point of contact. Even the regional office director typically seems to be unaware of and even uninterested in microenterprise priorities, procedures, or progress.

This situation demonstrates that the CAM dual program model is still immature, in the sense that each program is seeking to establish and justify itself. While quite understandable for programs in the growing stage, clearer guidelines need to be drawn now, before the sheer volume of each program makes mutual adjustment even more difficult. The village bank program should start by clearing up the confusion which now exists at the field level about the permanence of individual banks and their individual members. This will have a profound impact on the needs and operations of banks. Having a permanent banking structure, even if informal, requires permanent staffing at that level and volunteers will not provide the needed stability. Permanence implies more technical training of staff and higher cost levels. If the decision were made to allow individuals to remain in their banks after passing through the nine stages (which becomes quite possible if the banks remain open indefinitely), then the outreach and corresponding impact will be limited to a smaller target population, as relending will continue for the same beneficiaries. This is a pivotal policy question that must be addressed immediately. If left undecided, within the time frame of one more credit cycle (when the ninth is reached), the field staff will be forced to make this decision for themselves.

Banks should be kept open while people are moving from one credit cycle to the next one, and new borrowers are taking the first cycle. Beneficiaries finishing their ninth cycle in good standing and wishing to continue borrowing within the limits set for the banks should continue doing so. Beneficiaries wishing to continue expanding their businesses should be moved to division B. Banks with less than a minimal number of members (to be determined based on cost consideration) should be closed.

A closer look at the portfolio provides some insights into loan and savings behavior. These conclusions are only tentative and need to be investigated more closely and compared with other time series, but could yield generalizations that would help in making policy and procedural decisions. The data in Exhibits III-3-5, below, include data for the June 1993 village bank program, as reported in that month's detailed statistics submitted to USAID.

Several tendencies imply that the fourth cycle is critical for continued village bank membership. This was observed in an evaluation done by CAM on the characteristics of the oldest village banks in April 1993. Average membership peaked in cycle five and then dropped back progressively. The average loan size increased by approximately $10 for each cycle through the fourth, after which it began climbing by greater amounts: $14, $15, and $70. After the first cycle, average savings as a percentage of loans grew modestly from 32 percent to 40 percent but after the fourth cycle accelerated by 7 percent, then 6 percent, then 11 percent, reaching 63 percent in the seventh. Obviously, the veteran members value the village bank as a savings mechanism—41 percent of all savings correspond to the last three cycles, even though only 32 percent of the loans were held by them.

Exhibit III-3
Village Bank Portfolio, All sources (June, 1993)

No. Cycle	No. of Village Banks	No. Village Bank Members	Outstanding Loans ($000)	Accum. Savings ($000)	Accum. Arrears ($000)
1	140	3,494	162.5	26.4	8.5
2	248	6,708	371.9	118.4	6.2
3	223	6,568	423.7	159.4	2.3
4	94	2,828	209.3	84.2	2.7
5	130	4,074	357.4	169.4	3.1
6	59	1,719	177.0	91.8	0
7	3	53	9.2	5.8	0
Totals	897	25,444	1,711.0	655.1	22.9

Source: CAM, Monthly Reports submitted to USAID/ES, June 1993

Exhibit III-4
Village Bank Portfolio, All sources (June, 1993)
As Percentages of Totals

No. Cycle	No. of Village Banks	No. Village Bank Members	Outstanding Loans ($000)	Accum. Savings ($000)	Accum. Arrears ($000)
1	16	14	9	4	37
2	28	26	22	18	27
3	25	26	25	24	10
4	10	11	12	13	12
5	14	16	21	26	14
6	7	7	10	14	0
7	0	0	1	1	0
Totals	100	100	100	100	100

Source: CAM, Monthly Reports submitted to USAID/ES, June 1993

The lesson appears to be that the fourth cycle is the watershed at which the decision is made to continue or to drop out. Since CAM does not receive data on actual individual membership changes at the village bank level, more definitive conclusions cannot be reached.

It would be worthwhile for CAM to institute a system of monitoring such data at least on a periodic sample basis. Answers to these questions would be useful in determining the real reasons members react as they do, instead of basing policy decisions on untested assumptions. Also, the role and acceptance of specific training activities and other procedural matters could be determined better.

Attaining financial sustainability in the village bank program as presently structured will depend on three factors: (1) improving the operational productivity as much as possible, (2) maintaining the excellent repayment rate, and (3) having a financial surplus from other sources to cover the almost certain deficit in this program. Additional actions are possible, such as increasing the interest rate charged (the interest rate charged on many loans from internal accounts currently is around 5 percent monthly), or recovering CAM's funds to banks more frequently than the present practice of waiting until the four-month period ends (however, this may increase the handling costs of CAM).

Exhibit III-5
Village Bank Portfolio, All sources (June, 1993)
Averages

No. Cycle	Average No. of Members in each Village Banks	Average Loan Per Member	Savings as % of Loan Bal.
1	16	14	9
2	Now 28	26	22
3	Calculated 25	26	25
4	10	11	12
5	14	16	21
6	7	7	10
7	0	0	1
Totals	100	100	100

Source: CAM, Monthly Printout Reports submitted to USAID/ES, June 1993

A5. Major Conclusions

- Overall, the village bank program is working very well. The original concepts were adjusted after the first two years, and further adjustments are needed to further improve the institutional framework and financial prospects for self-sufficiency.

- There is confusion about the permanence of the individual village banks and their individual members. Having a permanent banking structure, even if informal, requires permanent staff at the field level (volunteers will not provide the needed stability). Permanence also implies more technical training and higher operating costs.

- The village banking program is isolated from the microenterprise program, even though the microenterprise credit officials should be preparing to receive "graduates" from village banks. Borrowers wishing to continue accessing credit funds should be able to move from the village bank program to the microenterprise program. Thus, closer collaboration is needed.

- Attaining financial sustainability in the village bank program will require adjustments in both methodology and lending practices.

B. Microenterprise Program: CAM - Division B

B1. Original Concepts

The original project documents did not make a clear distinction between Village Banking and Microenterprise Financing. As a matter of fact, Annexes B and D of the Project Paper went into great detail describing Village Banks. Nothing else was specified regarding microenterprise financing. The financial services budget in the project paper did not distinguish between village banks and microenterprise lending either.

B2. Subsequent Changes

The strategy of the First Year Annual Plan (90/91) made the first clear distinction between both programs. It specified that credit would be channeled to two kinds of clients: (1) self-employment loans to impoverished women who were members of village banks and similar informal groups; and (2) individual borrowers. The targets for each program were also different. While the village bank program was going to finance 240 groups (7,200 members) for $480,000, the microenterprise program was going to finance 240 individual borrowers for $180,000.

The Annual Plan gave specific characteristics to distinguish the microenterprise program from the village bank program (than defined in the initial proposal):

- Solidarity groups were used in Microenterprise lending as guarantee mechanisms.

- Average loan sizes for individual borrowers were between $500 and $3,000.

- Loans were for working capital.

- The concept of "graduation" from small capital loans to larger individual investment loans was dropped.

- Specialized training was targeted at individual borrowers and divided between pre and post credit orientation.

- A modest interest rate surcharge on loans would cover training costs.

- All borrowers would participate in a one-day workshop a year (covered by the project) to review success, weaknesses, make recommendations and make impact assessments.

The first Manual for Microenterprise lending was approved by AID on June 11, 1991. Division B's staff originally prepared this manual based on previous experiences with very little external assistance. It included eligibility criteria; interest rates; credit terms; eligible uses; savings requirements for both individual and group lending; targets for the first year; promotion, selection, organization and training criteria for solidarity groups; characteristics of technical personnel and their job descriptions and forms for credit amortization; field work planning and reporting; credit application; credit approval; registration and disbursement; loan contract; solidarity group formalization and internal regulations; payment control; follow up and control visits; and recuperation of late payments forms.

The manual explained what a microenterprise lending program should contain, and set the microenterprise lending methodology for the program and clarified microenterprise lending, conceptually separating both programs.

In October 1991, AID approved a request from FINCA/CAM to lower the level of lending for investment credit from $500 to $250. This change had a major effect in the average loan size of this program, reducing it significantly. This change overlapped the village bank and microenterprise lending programs, reducing the possibility of self-sufficiency on the part of Division B MicroEnterprise by increasing costs per loans made and by reducing income on the general loan portfolio. In retrospective, it caused more harm than good.

On July, 1992, USAID approved a revised credit manual for microenterprise lending. The major changes in this case were:

Solidarity Groups

- The lower lending limit for solidarity groups was reduced from $250 to $125.

- The methodology included approval criteria for solidarity groups based on repayment history, capital needs, and repayment capability for loans over $725.

- Interest rates for loans under $500 were 3 percent flat, whereas loans above this limit carried 3 percent on the outstanding balance.

- Guarantees were better defined.

- Loans for working capital and investments carried different payment terms: up to 8 and 24 months respectively; investment loans had a grace period of 3 months during which only interest was paid.

- Compulsory savings requirements were reduced to 12 percent of the amount of the loan; voluntary savings were introduced and procedures set up; a solidarity group account was opened at CAM; credit officers administered the accounts to prevent early withdrawals.

- Groups could only receive new and larger loans after full payment of the previous one, including replenishment of savings that might have been used to pay for late or delinquent borrowers.

- The concepts of active borrowers and outstanding loan balances were introduced and late and delinquent payments were calculated based on the latter.

Individual Borrowers

- The lower lending limit for individual lending was set at $625.

- Loans for working capital and investments were eligible.

- Interest rates for loans under $500 were 3 percent flat, whereas loans above this limit carried 3 percent on the outstanding balance.

- Individual borrowers required a co-signer that was also analyzed for payment capacity.

- Loans for working capital and investments carried different payment terms: up to 8 and 24 months investment loans had a grace period of 3 months, during which only interests were paid.

- Compulsory savings requirements were set at 10 percent of the amount of the loan; voluntary savings were introduced, with each borrower opening an individual savings accounts at commercial banks or at CAM; credit officers administered the savings accounts to prevent early withdrawals.

- The concepts of active borrowers and outstanding loan balances were introduced and late and delinquent payment were calculated based on the latter.

These successive changes were successfully introduced in the methodology of Division B by a process of trial and error, and clearly demonstrated improvements over the previous ones. FINCA could have shortened this process by providing more appropriate and timely technical assistance. The manuals now in effect resemble microenterprise lending in other agencies in El Salvador and other countries in Latin America, with the exceptions of different interest rate calculations. All other changes were necessary and justified.

The different approaches of calculating interest rates were eliminated in January 1993 when all interest rates on microenterprise loans were calculated on the declining loan balances. This change was made for reasons other than the project itself, without much consideration of the income needs and costs of the program. Actually, the team did not find evidence of any analysis undertaken to make this change, nor evidence on the distribution and use of interest income based on the Project Paper and Cooperative Agreement— capital costs, inflation, operating costs, general administration costs, reserves for bad loans, and other reserves as appropriate.

In addition to the Credit Manual, Division B has also developed a Procedures Manual, a Promotion Manual, and a Training Manual.

The Procedures Manual contains detailed procedures and forms for microenterprise lending. Most of these procedures are followed on the field and all forms are manually filled out as established. A few forms, however, were modified and the changes not incorporated in the manual. At times, the same form is used differently by different credit officers in the same region. This "flexibility" will jeopardize the introduction of computers in the microenterprise program. In a few instances, the manual calls for monthly individual verification of loan payments. In other cases, credit officers are manually filling out payment coupons for each and every borrower. These procedures are taking away what could be used to further expand clientele and provide training. Cash collections of loans by credit officers were not contemplated in the manual, and yet, these practices exist without proper controls and with large potential risks to CAM.

The Procedures Manual should be streamlined to avoid repetition, duplication and unnecessary overlapping of actions and costs. Some of these changes should come along with the setup of the computerized management information system. The changes should be tried and proven in the field.

The Promotion Manual duplicates much of the contents of the Credit and Procedures Manuals discussed above. In certain cases it expands on both manuals and in other cases it contradicts them. For example, the Promotion Manual states that the program is for microenterprises with several years of business experience to finance working capital (2-6 months) and investment capital (1-3 years). In another section, the Manual states that the maximum term for working capital will be 12 months.

The Promotion Manual should be revised to make it compatible with other manuals and to avoid duplication. It should be also based on a thorough understanding of the market. It should include procedures and criteria to expand services gradually from a central point outward. Before entering a new market, the previous one should be saturated. Credit officers should learn to say "no" to microentrepreneurs residing or doing business outside of the lending area.

The promotional efforts should be based on market forces. Since no market survey has been done by FINCA in El Salvador, these efforts are not targeted. For example, project targets are equally divided between the four regions without consideration of their particular market characteristics. As a result, expansion has followed a national approach rather than a focused, more concentrated local strategy.

The Training Manual for credit officers and microenterprises attempts to standardize training procedures for microenterprises. However, credit officers received very little training on the contents of the training modules of the manual. The manual should be applied forcefully and training should be provided to credit officers and supervisors alike. The new training officer just contracted for Division B should first review this manual to adapt it to the changes in the methodology, and then she should prepare and carry out a comprehensive training program for CAM personnel.

The Fourth Year Annual Plan is proposing to raise the lower loan limit to not less than $230 for the first loan and to not less than $345 for the second. Furthermore, first and second loans would be made for a maximum of four months. Small clients who cannot meet these guidelines would be referred to the Village Banking Program. The plan does not specify if these new limits will be for working capital loans only or for investment capital loans as well. These changes are a rectification of the changes made to lower loans limits before and in face of the consequences caused by those changes: competition with the Village Banking Program, reduction of the average loan size, and increased costs per loan made. Again, these modifications respond more to the needs of the Village Banking Program than to carefully thought out market analysis. Even though somehow too rigid and not definite in terms market needs, these changes are in the right direction for working capital loans only and should further strengthen the Microenterprise Program.

B3. Outreach

As was discussed previously, the project paper did not have a specific growth strategy for microenterprise lending or specific targets. It was the First Annual Plan that spelled out the targets and projections of this program over the life of the project.

Exhibit III-6
Microenterprise Program
Operational Projections

Categories	First Annual Plan			Third Annual Plan
	Year 1 90/91	Year 2 91/92	Year 3 92/93	92/93
Banks	240	640	1,160	1,540
Members	7,200	14,400	19,200	43,504
Loans ($000)	$480	$840	$1,080	$2,784
Savings * ($000)	$96	$168	$216	$557
Individual Borrowers	240	640	1,160	3,552
Loans ($000)	$180	$380	$710	$1,491
Savings ($000)	$36	$76	$142	$298
TOTAL BORROWERS	7,440	15,040	20,360	47,056
TOTAL LOANS	$660	$1,220	$1,790	$4,275
TOTAL SAVINGS	$132	$244	$358	$855

Sources: CAM/FINCA First and Third Annual Plans. Savings are estimated at 20 percent of loans.

Exhibit III-6, above, includes operational projections for individual borrowers of the First Annual Plan. Exhibit III-7, below, indicates that the targets for project fiscal year 1990 and 1991, were not achieved as planned. This year was spent in developing operational manuals and in complying with AID regulations for disbursement of program funds. In project fiscal year 1991-1992, the actual first year of operations, the target for individual borrowers was surpassed by almost 90 percent, loans were short by 20 percent and savings were also short by 46 percent of targets. Savings were only 11 percent of loans in project fiscal year 1991-1992 compared with 20 percent of loans as originally planned. This may be because microentrepreneurs were canceling their loans with their savings or were dropping out early of the program. The evaluation team did not obtain sufficient statistical data on savings to make more definite conclusions.

The targets were more than doubled in the Third Annual Work Plan. The project did not attain its targets however, partially due to the freeze imposed by FINCA, CAM, and the AID mission on the expansion. The freeze was imposed to strengthen CAM before any further expansion. The three parties were concerned that CAM was not strong enough to support such an explosive growth. Individual and solidarity group lending was 55 percent off target, loans were 44 percent off target, and savings were 45 percent off target.

Overall, the microenterprise program represents 6.8 percent of all project borrowers, 26.7 percent of all loans, and 13.9 percent of all savings. (See Exhibit III-7, below).

Exhibit III-7
Microenterprise Program
Goal Attainment

Categories	Year 1 90/91	Year 2 91/92	Year 3 92/93	Percentages
Banks	63	544	923	
Members	1,260	13,699	26,235	93.2%
Loans ($000)	$65	$703	$1,801	73.3%
Savings * ($000)	$0	$197	$691	86.1%
Individual Borrowers	0	1,207	1,923	6.8%
Loans ($000)	$0	$305	$657	26.7%
Savings ($000)	$0	$34	$112	13.9%
TOTAL BORROWERS	1,260	14,906	28,158	100.0%
TOTAL LOANS	$65	$1,069	$2,458	100.0%
TOTAL SAVINGS	$0	$248	$803	100.0%

Sources: CAM Statistical Accumulated Village Bank and Microenterprise Reports. August 91, and 92. 92/93 Savings as of April, 93. Last available figure in CAM Statistical Accumulated Report.

Although the proposal and other project materials refer to the graduation of beneficiaries from the village banks as a source of clientele for the microenterprise program, the team did not find any indication that this is happening. FINCA officials indicated that bank beneficiaries get accustomed to the dynamic of the banks and are resistant to switch to the other program, and therefore, an expansion of the ceiling of the banks to allow larger loans is under consideration. If this type of approach is implemented, it is unlikely that the microenterprise program will be fed by the village bank division. However, the team believes that the original concept is valid and useful for the purpose of self-sufficiency. If CAM learns to identify those clients with actual entrepreneurial drive and productive or commercial skills, it should nurture them and assist them to expand their businesses through the microenterprise program. This initiative needs collaboration between both programs, proper training for credit officials, and leadership from the program director and CAM's executive director.

B4. Operational and Financial Performance

Disbursement, monitoring, and control procedures appear sound. Supervisors meet twice a month in the central office to consolidate information and talk to management. All procedures are done manually at the field level, while one computer is being used at the central office by Division B to produce the reports used by the microenterprise program. The microenterprise program generally distrusts the statistical operational reports produced by the loan monitoring unit in the financial department. In spite of this shortcoming, it is apparent that each credit officer and supervisor has a first hand knowledge of the loan portfolio. The same is true at the national office.

The central office micromanages the microenterprise program, and managers at the central office get involved in detailed field operations that should be supervised and controlled by supervisors. The same is happening at the supervisor level and supervisors get too involved in credit officers' daily work, in some cases duplicating their work. A clear separation and specialization of functions is needed at the microenterprise program, so that each unit can perform its planned activities in a coordinated and efficient manner.

An issue very much related to both operational and financial performance is the control of each credit officer and supervisor in the microenterprise program. Presently, on average, each credit officer controls between 50 and 60 microentrepreneurs. This is extremely low by international standards. There are microenterprise programs in other countries that control up to 300 and 350 microenterprises. The evaluation team is not suggesting that CAM reach this figure any time soon, nor it is suggesting that it should ever reach it. The evaluation team suggests that greater efficiency could be achieved almost immediately by taking away the credit officer's unnecessary bureaucratic work, like payment verification, filling out of payment passbooks, etc. The management information system (MIS) could play a great role in alleviating office work. Other efficiencies could be achieved by planning promotion and work in a concentric way from the center outward and saturating one market before starting the next one.

This issue of span of control has very strong self-sufficiency implications. The Fourth Annual Plan calls for an average of 130 microenterprises per credit officer by August 1994. This would more than double the present average mentioned above. Discussions held at the regional levels revealed that this new average was not discussed with credit officers, and they were very much doubtful that they could achieve it. It is the evaluation team's finding that this new, larger average will not be able to be achieved without the efficiency changes suggested above, especially the MIS.

There is little coordination between the microenterprise program and Division A Village Banking. At the regional level, the regional office director is also the head of the regional banking program. This means that the regional supervisor reports to the Village Banking regional director, subordinating one program to the other. The net effect is a tendency for each division to work separately rather than in an integrated and efficient manner. In the future, CAM should consider appointing a microenterprise supervisor as head of one or two regional offices to counterbalance importance and support, both financially and technically, and to send a clear signal to everybody concerned that both programs are an integrated part of the entire one and equally important.

The microenterprise program should not follow in the steps of the village banking program. Both have different characteristics, approaches, and audiences. Each should have its own strategy for growth and development, not one subordinated to the other, or even worse, prevented from equal financial and technical support.

The changes in interest rates have been important for the financial performance of this program. Apparently, FINCA/CAM did not consider the financial impact of these changes on the self-sufficiency goal. Political and environmental considerations were more important than financial ones. The evaluation team estimated that in the last year, income not generated because of these changes amounted to 0.5-1.0 percent of all interest income. This loss in revenues however, will probably increase as old loans are fully paid back and only one rate is charged to everyone.

Delinquency has been running extremely high in the microenterprise program. While recuperation ratios are one indicator of the portfolio health, they do not tell the whole story. Actually, this ratio covered the real dimension of arrears. The first report using outstanding balances (as is normally done in financial institutions) to calculate late payment and delinquencies ratios was developed by a FINCA home-office employee, Arelis Gomez in March 1993. Gomez's uncovered a 20 percent of delinquency in solidarity groups and 10 percent in individual borrowers. (See Exhibit III-8).

This home-office employee also helped the microenterprise program develop a recuperation plan with specific targets for each credit officer. The plan was put into effect and is being supervised closely. However, after four months, solidarity group delinquency increased slightly to 22 percent, while delinquency for individual borrowers was down to 6 percent. (See Exhibit III-9). Overall, total delinquency for the microenterprise program as of July 1993 was 18 percent of outstanding loan balance. This situation is not acceptable if the institution is to survive over the long run.

In addition to detailed recuperation targets for non-performing loans, better credit analysis, business investment follow up, and training—not loan collection and payment verification—should be institutionalized. Finally, late and delinquent payment should be considered unacceptable behavior and should not be tolerated. A target of 10 percent late and delinquent loans as suggested by the FINCA home-office internal auditor is already sending the message that non-performance is acceptable. The target should be zero, and the message should be disseminated. Financial and non-financial penalties should be imposed on unacceptable behaviors, including compulsory collection by lawyers and the judicial system.

Exhibit III-10 indicates that the average group size is 4.35 persons, while the average loan size granted in solidarity groups is $298. The average loan size for individual borrowers is $1,206 and the overall loan size for the microenterprise program is $341. All these numbers are well below the maximum allowed under the project and reflect the decision made earlier to reduce the lower loan limits of the microenterprise program.

EXHIBIT III-8

MICROENTERPRISE PROGRAM
LOAN PORTFOLIO BY REGION
March, 1993
($000)

Regions	No. C.Offic.	No. Groups	No. Clients	Active Loans	Loan Balance	Delaid Payment	Delinquent Payments	Total Arrears	%
SOLIDARITY GROUPS									
Eastern	10	153	680	$203	$108	$4	$19	$23	21%
Paracentral	6	83	334	$94	$50	$3	$5	$7	14%
Central	7	89	396	$119	$68	$4	$11	$15	23%
Western	7	97	422	$132	$75	$8	$7	$15	20%
SUB-TOTALS	30	422	1,832	$547	$301	$19	$41	$60	20%
INDIVIDUAL BORROWERS									
Eastern *									
ParaCentral *									
Central *									
Western *									
SUB-TOTALS			91	$110	$69	$3	$4	$7	10%
TOTALS	30		1,923	$657	$370	$22	$45	$67	18%

Source: Status of the Loan Portfolio - Microenterprise Program - July, 1993.
* Dessagregated figures for individual borrowers by regions were not available.

EXHIBIT III-9

MICROENTERPRISE PROGRAM
LOAN PORTFOLIO BY REGION
July, 1993
($000)

SOLIDARITY GROUPS									
Regions	No. C.Offic.	No. Groups	No. Clients	Active Loans	Loan Balance	Delaid Payment	Delinquent Payments	Total Arrears	%
Eastern	10		653	$184	$108	$10	$15	$25	23%
Paracentral	6		268	$73	$47	$4	$3	$7	15%
Central	8		424	$111	$70	$5	$13	$18	26%
Western	9		355	$102	$61	$7	$5	$12	19%
SUB-TOTALS	33		1,700	$471	$286	$26	$36	$62	22%
INDIVIDUAL BORROWERS									
Eastern	3		11	$14	$11	$0	$1	$1	9%
ParaCentral	2		6	$9	$5	$0	$0	$0	0%
Central	5		32	$24	$19	$1	$0	$1	6%
Western	2		18	$19	$12	$0	$0	$1	5%
SUB-TOTALS	12		67	$8	$48	$1	$2	$3	6%
TOTALS	45		1,767	$478	$333	$27	$37	$64	19%

Source: Status of the Loan Portfolio - Arelis Gomez - March, 1993.

EXHIBIT III-10

MICROENTERPRISE PROGRAM
LOAN PORTFOLIO BY REGION
July, 1993
($000)

	Departments	No. Groups	No. Clients	Active Loans	Indiv. Borrow.	Active Loans	Total Clients	%	Total Act.Loans	%
	WESTERN									
1.	Santa Ana	55	233	$73	21	$28	254	13.2%	$101	15.3%
2.	Ahuachapán	15	68	$19			68	3.5%	$19	2.9%
3.	Sonsonate	26	121	$40	2	$3	123	6.4%	$43	6.6%
	Sub-Totals	96	422	$132	23	$31	445	23.1%	$163	24.8%
	CENTRAL									
4.	Chalatenango						0	0.0%	$0	0.0%
5.	La Libertad	15	63	$17			63	3.3%	$17	2.5%
6.	San Salvador	74	333	$102	38	$41	371	19.3%	$143	21.7%
	Sub-Totals	89	396	$119	38	$41	434	22.6%	$159	24.3%
	PARACENTRA									
7.	Cuscatlán	44	177	$53	11	$14	188	9.8%	$67	10.2%
8.	La Paz	16	73	$19			73	3.8%	$19	2.9%
9.	Cabañas	14	48	$11			48	2.5%	$11	1.7%
10.	San Vicente	9	36	$10	2	$3	38	2.0%	$13	2.0%
	Sub-Total	83	334	$94	13	$17	347	18.0%	$110	16.8%
	EASTERN									
11.	Usulután	17	90	$26			90	4.7%	$26	3.9%
12.	San Miguel	86	360	$108	17	$21	377	19.6%	$129	19.6%
13.	Morazán	19	83	$26			83	4.3%	$26	3.9%
14.	La Unión	31	147	$44			147	7.6%	$44	6.7%
	Sub-Total	153	680	$203	17	$21	697	36.2%	$225	34.2%
	TOTALS	421	1,832	$547	91	110	1,923	100.0%	$657	100.0%

Average Group Size	4.35
Average Loan Size GS	$299
Average Loan Size IB	$1,206
Total Aver. Loan Size	$342

Source: Geographical distribution of Active Loans
Microenterprise Program

B5. Major Conclusions

- The original project documents did not make a clear distinction between the village banking and microenterprise programs, and focused principally on village banking. Thus, the microenterprise program emerged in a trial and error fashion. Partly as a result, the results are not as dramatic as those of the village banking program and repayment and delinquency rates are much higher.

- Adjustments are needed to improve the operation of the microenterprise program. This includes improving the efficiency of credit officers so they can reach and control more borrowers and restructuring and improving coordination and reporting between the village banking and microenterprise programs. However, both programs should have their own strategies for growth and service to their markets, and one program should not be subordinated to the other.

C. Training Program: Effectiveness and Relevance

C1. Structure

The training unit is Division C. The head of this division has the rank of a divisional director, the same as the national directors of village banks and microenterprise loan program. The unit has a staff of six, including the head and four regional trainers assigned at the field to assist in the training needs of the regional offices. In addition, a newly hired assistant to the director is starting to address the training needs in the microenterprise loan program. A secretary is the only support staff.

The regional trainers now help the regional director plan training sessions, design ad-hoc material, and conduct or facilitate training to different audiences. The budget planning and management operation of these sessions are under the trainers' responsibility. The regional directors originate the training needs, request the planning of the sessions, and directly supervise the development of the material, schedule, budget, etc.

The training director prepares planning activities for the region for the year, including one training session per village bank per month. The first audience is the village banks' leaders, who are then encouraged to share their knowledge with the rest of the members in their banks. New promoters also receive the basic training on FINCA's methodology that tells them how to promote, install, and monitor village banks. Any additional training needs are normally identified by the regional director.

The training director has been in charge of preparing training materials based on the training initially conducted at the field. The training sessions are held in the communities, where the banks normally hold the weekly meetings. The promoter is responsible for the facilitation of the training activities, and handouts with easy-to-follow text booklets are distributed to the participants. The regional trainer normally assists to these sessions, particularly in the case of new banks.

Training for the village bank division is already fully systematized, and the training director follows up the activities and maintains control of all the training activities and the information on the participants and subject. A database with this information exists. The training director also keeps track of the resources needs of all the training needs in the regions.

However, the training plans do not address all the needs of the banks, whether in the context of FINCA's initially proposed model or the current operational conditions of the banks. Under the initial model, all members would move together from one loan cycle to the next until the dissolution of the bank at the end of the ninth loan cycle. This model suggests that the bank members would keep growing in knowledge, experience, business activity, and credit, but the training approach repeats the same training modules delivered since cycle one. Under the current operational conditions, new members join a bank at the end of subsequent bank cycles, so the initial training is given at every new bank cycle. Old members eventually get saturated at these training sessions, and their personal development stops.

Therefore, the training plans need to be revised and expanded. The needs are twofold; bank members who keep participating as the original FINCA model indicated and plan to continue through the nine credit cycles need additional training beyond the current plan to learn more business skills and maintain their businesses. On the other hand, new members joining creates a challenge for the identification of more effective training mechanisms.

C2. Training of Beneficiaries

Village banks' beneficiaries have been receiving the most training. The training materials have been designed for semi-literate people. The library of training materials is full of graphic and basic conversational Spanish. These training plans were developed with the advice of two training consultants and have been highly effective in transmitting the village bank methodology to a large number of people.

The designation of a promoter specialized as trainer to each regional office is very appropriate. The regional directors, as former promoters, have the ability to use this resource as needed to strengthen specific areas that they can identify for staff motivation and development.

The microenterprise loan training program has been designed after the village bank experience. The material keeps the same level of language, even though the educational level of a typical beneficiary in this loan program is higher. Also, the coverage of the training topics is shorter than in the village banks. Here the material does not cover subjects like how to make the promotion of the loans or how to promote empowerment. Apart from that, the quality of this material is good.

C3. Training Within CAM

CAM does not have an effective training program to motivate and improve the knowledge and efficiency of its staff. The employees that joined CAM early in the project were engaged in field promotion and they all received an introduction of FINCA's model of village banking. They had some previous experience in related fields such as private voluntary organization (PVO) project implementation, social work, rural development, banking, and microenterprise development. Once the project started to move at the field, some of them were assigned leadership and management positions out of an incipient national office.

CAM does not have a defined strategy for the development of its field staff. Training plans for field staff development are non-existent, and the training director is not in the position to create such plans because the institution does not have midterm projections of field staff needs.

In the case of those employees who were hired to assist with administrative functions, they did not receive any training or support to learn their duties, but were asked to create the administrative mechanisms required to run the office without any initial support from FINCA.

The only formal training support that the staff in the national office has been offered is English classes, which are available free to employees. However, this isolated activity is not intensive and not related to specific purpose and incentive to those who advance in their learning. Attendance to these classes is inconsistent and decreasing.

The training activities across the field and the national office should be intensified under a plan consistent with the needs for technical improvement and expansion of the staff. FINCA's action plan for 1993-94, the fourth year of the project, includes goals for each area in the project that are highly optimistic if compared to the previous performance, and difficult to achieve unless the operations are strongly assisted to improve in the overall performance. However, the plan does not include any specific plan to deliver training support to the respective areas.

The Training Unit is important for the development of systematic processes of planning and implementing training programs and improving existing plans in lieu of the changing demands of the institution. The role of the training director in the national office can then be directed to identify new areas demanding training according to the evolution of the credit programs and the expansion plans of the institution. In coordination with the executive director and directors of divisions A and B, he can make projections of the demand for additional promoters, supervisors, and regional directors to accomplish the expansion plans. Also, he can maintain control over the requirements for additional training of the existing field.

This approach is consistent with the bottom-up institution development methodology. If applied, CAM would already have suitable internal candidates for most leading positions, including executive director. This would have resulted in less uncertainty in the selection process and fewer difficulties in the induction process since they already would know the job and culture, and would be respected and accepted by the rest of the staff.

C4. Major Conclusions

- The training unit plays a key role in the systematic processes of planning and implementing staff development programs. Its work to date has been good and important to the success of the credit program.

- For the beneficiaries, the training plans do not address the current needs of the bank borrowers. Plans should be revised and expanded to accommodate both continuous borrowers to learn more business skills and first time borrowers who may be first time credit users.

- For central CAM staff, there is not an effective program to motivate and improve their knowledge and efficiency. Further, there is not a defined strategy for development of field staff; e.g., training plans for field staff are non-existent. There is no midterm projection of field staff training needs.

D. Institutional Development: Potential Self-Sustainability

D1. Organizational Concepts

FINCA's proposal indicated that a local institution would be created to give continuity to the operations beyond the end of the project, and by that time such institution would be self-sufficient. FINCA proposed the development of this institution from bottom up. The growth of its structure was conditioned to the demand and participation of the beneficiaries. The proposal recognized that at the planning stage, it was difficult to anticipate the most suitable structure, but considered that the midterm evaluation would facilitate a more rational analysis.

D2. Operations Management and Development of the Structures

D2a. Development of the Organization of Division A at the Field Level

FINCA gave different treatment to the development of the structures and organizations field and at the central offices. Initially, FINCA set up an organizational structure to carry the promotion of the village bank credit program known as Division A. FINCA selected a small group of Salvadorans with previous experience in social promotion, training, and microenterprise credit who became the core of the management and technical staff in the central office at its inception. This group quickly assimilated the village bank methodology and helped identify a first group of women promoters who were working in activities related to banking and microenterprise in urban areas. These women had undergraduate/graduate degrees and accepted the challenge to be trained in FINCA's methodology and to initiate the promotion of village banks among poor communities in their area. Their motivation was the opportunity to belong to a program that had secure international funding and with a clear opportunity to grow with the organization if succeeding in the attempt. Also, they had natural leadership and interest in assisting the poor.

With the support and training of FINCA and the core group, these women initiated efforts in poor communities and soon had several village organizations in progress, and the demand of additional promoters. The new promoters were assigned under the direction and supervision of the initial group and honeycomb-like cells started to build up. The newcomers received training from the first cadre of promoters and FINCA and the core group. The first cadre started with directional and supervisory responsibilities over the newcomers. The honeycombs kept growing horizontally around four regional nuclei strategically located to have national coverage. A few promoters from the first cadre were moved to join the core group and set up a central office to assist with support activities or to start the individual loan program.

Information and control mechanisms grew in the field as a result of the emerging needs for reporting from promoters to supervisors and to the core group, FINCA and AID, which were permanently working out of a central office in San Salvador. The time came when the horizontal growth of each region made the direct supervision very difficult for the head of the unit. The best promoters in each region were then promoted to be supervisors, and these sub-units were called "modules." The head of the units, as a reward, were promoted to regional directors, since the growth of the honeycombs was entirely as a result of their performance in leading the units.

The central office was having difficulties trying to establish and organize consolidated information systems. The regions were forced to keep a prudent distance and decentralize work to maintain close control of the field operations. Once the regions had functional planning and monitoring systems and the modular structure was in place, the expansion accelerated more quickly in regions where settlements of poor population were more concentrated, where beneficiaries had easy access to markets, and where the promotion from within was maintained. The Eastern region met these conditions, and not only outperformed other regions in terms of growth but in terms of village groups per promoter, beneficiaries per group, and credit portfolio per promoter.

The director of the Eastern region stuck to the policy of promotion from within and despite the accelerated demand for well trained promoters, only hired people willing to start at the bottom with the lowest salary in the category, regardless of their educational level and previous experience. Understandably, only people from the same village groups were willing to accept these conditions, but the director accepted the challenge of training them, and she selected community leaders with at least grammar school education. She adapted categories A, B, and C for the promoters, based on number of village groups attended. The official plan assigned category and workload to each promoter, based mostly on educational background, in considering that the higher the education level the more effective and efficient the promoter will be.

This plan was as such implemented in the other three regions, but the Eastern director gave it a twist. She established the three categories but ranked her team of promoters based on performance only and totally independent of the educational level. This way she established a clear and effective mechanism of incentive, since a promoter C was guaranteed to move up to B first, and then to A, and then to module supervisor. The goal of a C promoter in this region is to build a loan portfolio large enough to equal its operational and overhead costs with the interest generated. This standard is above its equivalent in the other regions and yet, only 19 percent of the team in the region are C (27 percent are A and 54 percent are B). With this approach, the Eastern director is outscoring the other regions, and she does not feel the need to introduce the performance bonus plan designed by FINCA that is currently under experimentation in the Central region.

D2b. Development of the Organization of Division B at the Field Level

In order to make individual loans (using solidarity groups or co-signers as collateral) at the field, FINCA decided to establish a separate but parallel structure, known as "Microenterprise Loan Program" or Division B. The development of this structure followed the same process described for Division A although with less aggressiveness and less defined and structured services. Additionally, the highest rank established at the field was regional supervisor, to whom six to ten credit officers report. One of these credit officers assists her supervisor in field and office monitoring.

These field teams are located in the same offices where Division A works, and depend administratively on the regional directors of Division A. In support of both divisions, but mainly for division B, division A pays rented office space in places conveniently located in distant cities within the regions, where credit offices can operate closer to their markets. FINCA has not taken the initiative to explore particular needs of this division at the field, in support of its expansion plans. In terms of field planning, supervision, and monitoring, Division B has developed suitable instruments that do not resemble the ones Division A uses. Their systems were designed by the same users to suit specific needs that they identified in the program.

D2c. Development of the Central Office

With the assistance of an initial core group of founders, FINCA filed an application and received governmental approval for the establishment of CAM as a nonprofit organization. Once constituted, CAM became the legal entity that would allow the development of the institution proposed in the project.

The core group that helped FINCA to start the village bank operations at the field were the first employees in the central office. FINCA's chief of party was CAM's driving force, even though he assigned executive positions to the members of the core group: director of Division A, director of Division B, director of training, director of public relations, director of human resources procurement and administration, chief financial officer, and CEO. These employees were also appointed as board members.

As the credit operations expanded, the reconsolidation of data collected at the field went out of control. FINCA decided to computerize both the accounting and information systems, and made a large investment in hardware and software packages.

The accountant was fired and replaced. The accounting and information systems did not improve and each operational and support unit in the office began to produce its own reports. FINCA sent two interns with experience in computer programming to design new or redesign the accounting and information systems. Some computer reporting responsibilities were decentralized to the regional offices. FINCA deployed another expatriate, a financial specialist, to assist the chief of party in financial reporting to AID and later on was appointed as "interventor" (FINCA's appointed trustee) in CAM with veto power over CAM's financial management already under the executive director. FINCA replaced the original board members who were also employees and convinced two strong local business persons, a woman and a man, to join the board as chairperson and vice chairman. The head of data processing was dismissed and the executive director also left the organization as a result of the intervention.

The new vice chairman took a temporary position in tandem with FINCA's interventor, who had assumed the position of acting executive director. They both have introduced a different and faster pace to the daily operations than the pace the chief of party and the former executive director had introduced.

The introduction of FINCA's interventor and board's delegate awakened the central office staff. They took drastic and emotionless decisions immediately, giving timetables to the managers to end the relaxed attitude and brought a sense of urgency and competitiveness in the organization. A more qualified professional was hired to run the data processing and management information system, and another suitable technician was brought in to be in charge of the training in Division B. Needs in Division B thus far depended on the training experience accumulated in Division A and on the previous experience accumulated by the head of the division and her assistant in microenterprise lending. The operations speeded up and efficiency improved although the new management style did not please many. Meanwhile, the chief of party maintained control of programmatic issues, fundraising, and projections. The director of training resigned and the director of Division A filled that position and one of the regional directors was promoted to divisional director. The board members were actively seeking a candidate of their liking for the position of executive director, and indicated to the Evaluators that they are committed to take control first and full responsibility over CAM.

Obviously, FINCA did not establish the central office the same as the field office, did not follow the conceptual approach from the bottom up as proposed, and did not introduce an effective management style. The evaluation team found the conceptual approach that FINCA originally proposed appropriate to the type of work, general institutional goals, and complexity of the operations and credit methodologies. However, FINCA did not develop a consistent implementation strategy that included CAM's central office expansion.

The intervention from FINCA and the Board in the operational management, although it was needed, disturbs and does not help the development of CAM's management team. This intervention should end as soon as possible and the internal organization should be reshaped from the bottom up. Stable and clear rules need to be in place and known throughout the organization. Temporary and overlapped managers give high instability and uncertainty to the staff, and a permanent and strong management team able to run the operations without outside intervention should be developed quickly. FINCA's interventor should return to his original role when a new executive director comes on board.

D3. Human Resources, Staffing, and Personnel Policies

The head of the Human Resource Unit, even though he has a managerial position, provides more technical and administrative support. Working independently, he has developed a personnel and positions' manual. This manual has not been distributed among the staff and is not in use. The evaluation team concluded that the organizational chart is not functioning, due to the fact that different changes have been made to the chart without visible changes in the hierarchies or workloads and responsibility of the staff.

The manager of the Human Resources Unit has been in charge of administrative services, but without the authority to exercise the business management function that CAM needs. This function was more important than the executive director, since the chief of party was the CEO, and the introduction of a local executive director without the chief of party withdrawing to a consulting role gave the institution an unhealthy direction of two heads simultaneously. By the time of the evaluation, the local executive director had left the organization and CAM still had three heads, including two "interventores" and the chief of party. Under this situation, an analysis of the quality of the current staff was impractical, since all the managerial, technical, and support activities need to be assessed integrally, with the support of a competent systems analyst, and the internal structure has to be redefined prior any useful attempt to revise the quality of the existing personnel.

The manager of human resources also assisted the ex-executive director to create a compensation table with salary ranges for each position. This system is like the local branch of large international corporations and organizations, where salary levels, revisions, and promotions are defined in relationship to their international entities, gross revenues, and financial results. The evaluation team concluded that this comparison is not appropriate because CAM does not have and will not have the size and financial backup of these types of companies. In maintaining this compensation strategy, the costs for CAM in salaries will grow exponentially and will make the possibilities for self-sufficiency hard to reach and maintain. CAM should compare its compensation policies to local financial institutions of similar size, and adjust the salaries and qualifications of positions.

By the time of the evaluation, CAM was testing a bonus package that FINCA designed to provide incentives based on the productivity of the promoters in the field as a means to motivate them to make their individual credit portfolio grow to self-sustainable levels. The evaluation team found that this package does not take into consideration the rest of the compensation plan for promoters, productivity at the field, potential effects across the organization, and operational costs. The experience of above-average performance in the Eastern region can be applied to the promoters in the other regions to achieve the expected goals. Also, it is important to take into consideration the nearness of the promoters to the poor population, which gives a promoter better chances to build up a larger portfolio than possible in more isolated regions. On the same subject, the bonus package is above the regular salaries of the promoters, which are within salary ranges for jobs with similar education, and it also includes periodic revisions and raises. In other words, the existing compensation plan is as good as ones without bonuses. This is incompatible with a bonus package, which is normally designed along with low wages to motivate individual performance. A cost analysis indicates that salaries represent over two-thirds of CAM's costs, and the salary issue should be analyzed very carefully prior to implementation. Once a system including automatic adjustments and bonuses is in place, it is very difficult to rescind.

The time selected to formally establish a real board was premature. Properly done, the board should have received a working institution—not an immature one, staff crisis, and undefined structures. However, the appointed board has accepted the challenge. Now it will be up to the board to find the best direction for the institution with the support of a consultant with proven experience in institutional development.

FINCA's expertise in village banking has been instrumental to the project's success at the field. But FINCA still lacks the specialized expertise in institutional development required to analyze and adjust CAM's operational and managerial mechanisms to support the expansion that CAM might achieve with its field staffs. FINCA's reaction to the recommendations in the CARANA reports, which the evaluation team mostly endorse, has been too isolated and superficial.

D4. Management and Information Systems

FINCA has given very little attention to the development of formal and integrated management and information systems. As explained previously, the management style of CAM senior personnel was not formal but personal and the management staff learned to make decisions from the heart and not based on hard facts. The goal setting and planning decisions came from top to bottom, and the managers developed their units' plans independently with very little integration with the rest of the institution. FINCA did nothing formally to articulate the development of planning, communication, motivation, supervision, and feedback mechanisms, and each unit had to set its own procedures and develop databases, formats, indicators, etc. Decisions regarding these matters were made under the pressure of arising needs, instead of as a result of anticipated ones. The list of reports, tables, formats, and statistics is endless, since deficiencies in a table normally generate an additional format without eliminating the old one. Formats or different statistics that consultants recommend are added to the list and produced.

The computerization process of the financial and statistical information has followed a different approach than the processes regularly used to make this institutional upgrading a success. Normally, this process begins with the establishment of a working committee comprising managers, accountants, system analysts, and programmers, supported by the consultants experienced in hardware and software. They make an analysis of the managerial needs and information and adjust the existing management procedures and information systems. The actual computerization begins by stages, starting with the financial and statistical systems and ending with the operational systems. The investment in hardware and software is also made by stages. Key to the success is that the systems be user friendly interaction. CAM has followed this approach, but in reverse, which is making the process costly and painful to the institution.

Technical assistance in information systems has been minimal. The primary contributions in this area have been from the two interns assisting with the design of general accounting and credit controls. The usefulness of these supports is marginal if compared to all the institutional technical assistance needs. FINCA has provided neither the consulting services offered in the proposal, nor the expertise in management and coordination of multidisciplinary consulting services.

Several consultants came to evaluate or perform audits instead of taking a hands-on role. These consultants would have made better contributions to CAM if they had worked shoulder to shoulder with CAM staff in a consistent and continued basis. The evaluation team considers that the local staff could not assume full responsibility for the development of the management, information, and corporative systems with the limited and isolated support that FINCA has provided in this area.

D5. Financial Management

The financial management mechanisms are inadequate. After three years of experience, FINCA still makes financial projections on CAM based on estimations and not on the existing hard data. The cash management mechanisms are too simple and do not support the complex cash flow analysis that CAM needs. The use of funds coming from different sources has to be tightly controlled, since FINCA and the project have several restrictions and budgetary limitations (such as control and use of reflows and interests) that cannot be monitored.

As with the rest of the management mechanisms, a complete analysis and redesigning of the financial tools with the rest of the management and operational systems is needed. The evaluation team studied the draft of a plan to reduce to nine the checking and saving accounts, and found that such a plan would open the door to a new set of immediate and potential problems, including disruption of current accounting and reconciliation routines, which are under control by now.

Regarding the accounting system, the auditor came and designed the base for CAM's accounting system, but the local accountant that was hired found this inapplicable and decided to set up a different system. The operations in the field were growing, and the central office could not keep pace to maintain updated and accurate accounting records because the accounting system was limited and did not allow control of the now complex accounting of the credit programs.

The initial system was expanded any time it was recommended that a particular change was needed to accommodate more complex information demands. To start with, the chart of accounts reveals areas in English, areas in Spanish, and areas in a combination of both languages. The decisive intervention of people with low accounting background over the accounting personnel is also evident by the fact that the financial mechanisms include checking and saving accounts for the control of the different funds, reserves, etc. instead of the normal control via ledger accounts.

The information flowing to the accounting department is difficult to process, and the accounting system use does not allow detailed financial analysis. Although a new computerized system is already available, the accounting staff do not use it because they have not received the required training. However, they have managed to produce financial statements of assets, liabilities and equity, and statements of financial results on a monthly basis on demand, but these are mostly produced once a year to comply with the local tax regulations, and are not circulated internally. The chief financial officer prefers to prepare a report that is called "accumulated trial balance"—an accumulation of the monthly trial balance that the accountants prepare to guarantee that all monthly entries are registered, following double entry procedures.

These practices make the conciliation and double checking of financial figures impossible, since there is no correlation between information. CAM's managers got accustomed to working with estimated figures for reporting, including AID. The demands coming from the mission for more accurate figures in the monthly reports were resolved by adding up to 26 computer-size printouts with the same information on village banks crisscrossed in all possible ways. Since the original database in CAM is not yet accurate, and neither CAM nor AID use it for analysis or decision-making, this report should be eliminated. CAM could establish a consolidated, more managerial type report, which would not be difficult to design and produce with a knowledgeable support.

Adequate internal controls do not exist in CAM yet. Although two auditors are on board, their responsibility is to perform random unadvised audits on the internal accounts of the village banks only. The inaccuracy of the information, plus the lack of observance of cash management principles throughout the institution, makes it a fertile ground for fraud and financial mismanagement, particularly because of the dispersion of cash entries and the little amounts involved. The misappropriation of a large sum in a single action is not as likely as many little amounts, which would have the same result for CAM finances and are more difficult to spot and control. The establishment and staffing of an internal auditing unit is indispensable and should be created as soon as possible.

An analysis of the documented contributions of the external auditors after three years of services indicates that their positive effects in CAM have been minimal. Last year's audit reports and executive letter did not identify any of the big deficiencies existing and persisting in the financial, accounting, and control operations. The inadequacy and limitations of the accounting system, lack of internal control mechanisms, lack of cash and financial management mechanisms, inconsistency between the accounting and financial reporting, and specific deficiencies that FINCA's internal auditor identified, are major deficiencies not disclosed in the external auditor's reports to CAM and AID. This is even more important because external auditors certified at the beginning that FINCA had good administrative mechanisms to run the financial aspects of the project.

Based on the lack of consecutive identification of CAM's deficiencies, which if opportunely disclosed would have avoided most of the internal problems that CAM faces today, and the fact that the same auditor has been servicing the project since its inception, the evaluation team believes that a different audit firm would be appropriate. An international firm with a local representative, who can perform both audits in Alexandria, Virginia and in El Salvador is needed to satisfy the bilingual needs of the project. At the last moment, the evaluation team was informed that FINCA had contracted for the audit for September 1992-August 1993, despite indications from the mission against such decision. Under this unexpected situation, the evaluation team recommends to the mission to wait and see the results of this audit. If the auditor does not disclose the deficiencies indicated in this evaluation report, the mission should contract for another audit independently.

D6. Financial Analysis

D6a. Cost Structure/Unit Loan Cost

CAM's financial structure is separated into regional and central offices with costs allocated between the two lending program methodologies—village banks and microenterprises. Since these methodologies are substantially different from each other, their costs and incomes are independent, and each is distinct in relation to CAM's aim for financial self-sufficiency. The issue of financial independence from donor funding is crucial for CAM's fourth year operational plan, as AID's funding will be exhausted shortly.

Great emphasis was given in year 3 to expanding the portfolio through the creation of many more village banks than the original project paper had anticipated under the implicit assumption that increased volume would ensure larger profit margins and quicker self-sufficiency. In the ten-month period from September 1992 through June 1993 the numbers rose substantially:

Outstanding Portfolio:	Village banks up 77 percent
	Microenterprises up 86 percent
Number of CAM Borrowers:	Village banks up 92 percent
	Microenterprises up 40 percent
Interest Income Earned:	Village banks up 226 percent
	Microenterprises up 65 percent
Operational Costs:	Village banks up 39 percent
	Microenterprises up 40 percent
*Degree of Self-Sufficiency:	Village banks up to 61 percent
	Microenterprises up to 37 percent

* Degree of self sufficiency is the point where the income generated by the programs covers the direct costs.

D6b. Productivity

In terms of physical productivity both programs improved markedly during this period. Although there was some variation in the numbers of promoters (village banks) and credit officers (microenterprises), the level of staffing was relatively unchanged. Therefore, the trend was for a continued increase in the number of loans and the average value of loans. The average portfolio handled by a promoter rose by 84 percent, and the average for the credit officer went up by 86 percent. Quite possibly, the promoter position is reaching its physical limits of coverage at the present level of technology and methodology. However, the credit officer is far below standards normally associated with this type of program (with 80 clients or more):

Village Banks—9 banks/promoter, 29 members/bank
Microenterprise—61 loans (group and personal)/credit officer.

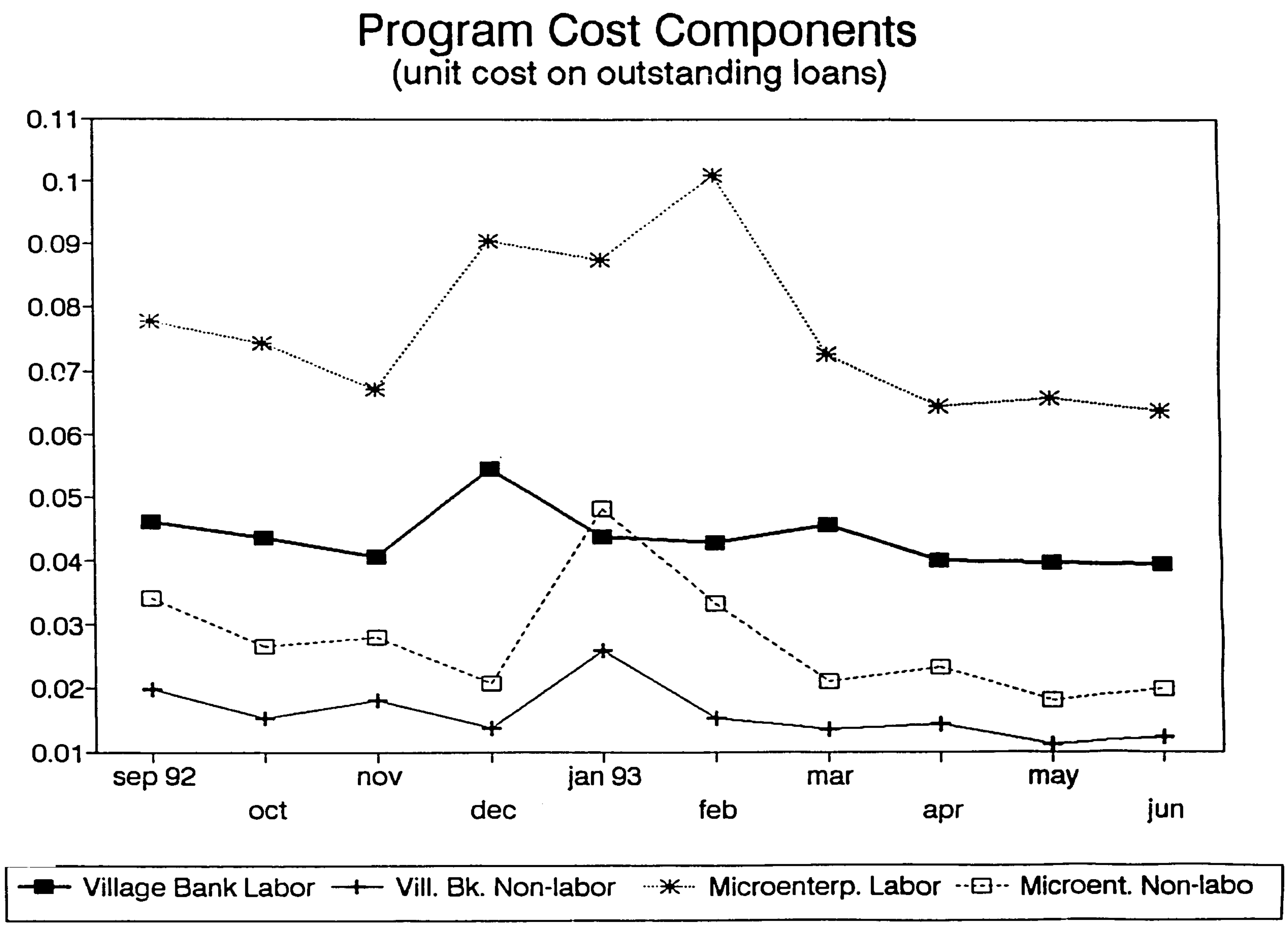
Whereas the experience in physical productivity has been positive, the aspect of financial productivity might better be characterized as neutral, with only a modest tendency to lower unit costs for salaries and other program expenditures. When examined by cost site, the averages per colon lent have shown the following behavior:

		Sept. 1992	June 1993
Village Banks	Regional office costs from	¢ 0.035	¢ 0.032
	Central office costs	¢ 0.028	¢ 0.019
	Combined office costs	¢ 0.066	¢ 0.051
Microenterprise	Regional office costs from	¢ 0.059	¢ 0.052
	Central office costs	¢ 0.050	¢ 0.032
	Combined office costs	¢ 0.112	¢ 0.084.

Despite a 79 percent increase in the combined portfolio since September 1992, no economies of scale based on lending volume are obvious. The graph of Program Cost Components (Exhibit III-11 on the next page) clearly indicates this for both the central and regional offices. (The December peaks largely result from year-end bonuses and more employees, and in January from annual insurance premiums and sizeable restocking of office supplies.) The microenterprise program has higher unit labor and non-labor costs than those for village banks and probably has greater potential for cost reduction, since loans are for much higher amounts.

It should be noted that the expenditure data other than for field staff at the regional office is allocated between the two programs on the assumption that two-thirds corresponds to village banking activities and one-third for microenterprises. Such an assumption was warranted at the beginning of CAM's operations, but existing data challenge the continued use of this parameter. However, from September through June, 76 to 82 percent of the outstanding loans were for village banks. If cost allocation were based on recent data, a three-fourths/one-fourth split between programs would better reflect actual costs, instead of

EXHIBIT III-11



penalizing the microenterprise program by carrying village banks costs. A comparison of the allocation formula presently used with one that reflects portfolio volumes would result in combined program cost components regional and central office unit costs of ¢0.057 for village bank loans and ¢0.064 for the microenterprise program. This scenario would result in Program A reaching 54 percent of self-sufficiency and Program B slightly behind at 49 percent. Since it is reasonable to expect a much higher caseload per credit official, the unit costs should be reduced as loan volume grows, whereas the village bank staff probably can be expected to improve only modestly its average portfolio. CAM should define and periodically update its cost allocation formula to reflect recent cost information.

D6c. Importance of Staffing Costs

A basic conclusion is that the continued use of present promotional methodology will not substantially reduce the two programs' unit costs. Further cost efficiencies will be needed, and most of these will be focused on the staff given its large share of costs; in June, 76 percent of expenditures were for personnel. This underlines the importance that CAM carry out a detailed analysis of existing and proposed policies and procedures to lower labor costs prior to submitting changes to its board of directors and AID.

A case in point is the salary scale used in CAM's Fourth Annual Plan. If this scale were used, the monthly payroll would increase by 33 percent (from $62,200 to $83,000 in straight salaries without benefits) to pay the same people and positions as of August 12, 1993. Another example is the implementation of a salary bonus similar to a commission based on revenues generated, which would add an estimated $48,600 during the Fourth Plan. Whereas the need to stimulate and reward employee performance is valid, to have both a substantial increase in salary levels and a bonus system would be a large burden for an institution that is not self-sustainable. If CAM adopts a salary schedule similar to the one presented in August 1993 (with 29 positions and five steps per position) this should provide ample incentive for an employee's personal growth.

Lastly, CAM should drop the project-oriented salary practice of making yearly adjustments based on inflation or cost-of-living. In the same way, merit increases should be selective and not given to all employees (although in different proportions). A salary schedule with built-in inflation adjustments too easily becomes institutionalized and does not leave enough flexibility to make changes based on performance and true productivity. If salary levels are periodically checked to keep them competitive among similar institutions, this should take inflation into account. A competitive multi-stepped salary table plus occasional merit increases should be enough stimulus for employee improvement, without having to also award less productive employees.

D6d. Program Modifications

To overcome the above structural constraints, CAM needs to install improved systems and refine its methodology. For example, it should implement computerized systems, after assessing all forms, procedures, and reports. This should improve efficiency and facilitate data analyses for managerial decision-making.

CAM recognizes the need to increase productivity by adapting its methodology and is proposing several changes in the Fourth Annual Plan:

- Increasing the size of village bank groups
- Permitting banks to continue after reaching the "graduation" stage
- Allowing larger loans to be granted to successful participants
- Reducing the frequency of promoter visits
- Using promoter substitutes from the banking group

Fortunately, most of these ideas are already being implemented in some village bank groups and by the groups themselves, although not in a systematic fashion. An example would be the splitting up of a large group into two or more to service loans while maintaining the formal structure. CAM should investigate the cost implications of these procedural changes and formalize their use before necessity forces change. Presently, CAM is carrying out a trial run on the effects of a salary bonus system within one region, and this is a worthy example to be used for other procedural changes. However, methodological fine-tuning must be done carefully, just as in any other type of experiment, to avoid confusing causes and effects and determining the influence exerted by outside factors.

D6e. Potential Financial Sustainability

The complex calculation of CAM's financial break-even point is based on numerous assumptions and the use of historical cost data. Care should be taken to ensure that assumptions are as realistic as possible, and sensitivity analyses should be used in the planning stage to determine critical values as minimums for the major assumptions. The Fourth Annual Action Plan should reflect these decisions and highlight those that are most important or sensitive to variation.

The following comments concern fragile assumptions that could jeopardize the project's implementation. Given that CAM is undergoing internal changes and that modification of operational procedures take time, it is improbable that the assumptions will be valid. CAM should highlight which of these conditions will not be met and determine what impact this would have on costs and income. It is preferable to take the time needed to incorporate changes to improve efficiency at this time, rather than to force program expansion.

- **Funding availability.** Year 4 operations will require substantial non-AID funding, only part of which is available from accumulated loan reflows and interest income. Almost 50 percent of the proposed budget relies on outside grants and loans that are still pending approval. If these funds are not forthcoming on a timely basis, CAM will suffer liquidity problems unless funds can be borrowed, in which case CAM would pay interest and raise operating costs.

- **Interest rates.** The interest rate remains at 3.0 percent monthly for village banks and is assumed to be 2.75 percent for microenterprise loans. Both programs seemingly assume complete loan recovery. For recent microenterprise loans, the base for interest calculation has been changed to the outstanding balance, and therefore the effective interest rate would be much less, probably closer to an average of 1.9 percent monthly. Since projections indicate one-half of new funds lending would be for microenterprises, the impact on income will be substantial.

- **Recovery rate.** The delinquency rate has not been a problem for village banks. In the microenterprise program the combined overdue and delinquent rate is substantially higher, reaching 18 percent in July. Projections should take probable repayment rates into account and should be explicitly mentioned, since this measure is among the most commonly used to gauge financial health for cash flow purposes. Despite current experience, the Fourth Annual Action Plan indicates that a 97 percent rate is expected, and one assumes that was used to calculate principal reflows, leading to overly optimistic cash flow and income estimates.

- **Cost allocation.** Regional expenditures other than for promoter and credit official salaries and for all training and central office expenses are divided between the two programs based on a two-third and one-third allocation. This estimate is outdated and should reflect recent portfolio experience, which is closer to a three-quarter/one quarter distribution.

- **Productivity parameters.** The village bank program projections are based on substantial productivity increases: from 8.9 to 12 banks per promoter, from 28.6 to 33 members per bank, and from 255 to 386 members per promoter, from 103 to 117 promoters, and from $66 to $86.50 average loan size. The microenterprise program projects the following increases: from 61 to 130 clients per credit officer, from 30 to 35 credit officers and from 1,819 to 4,566 total clients, and from $338 to $625 average loan size. Whereas it may be feasible to achieve any one of these projections, conversations with field staff indicate that reaching all targets is unrealistic. CAM should indicate which parameters are the most critical for financial sustainability and the likelihood for reaching them.

- **Cost-sharing mechanisms.** The Project Paper estimated that FINCA would contribute $4.9 million over the life of the project. Of this amount, 77 percent ($3.8 million) was for financial services and 23 percent ($1.1 million) was for institutional development. By the end of the project year 1992-1993, FINCA was supposed to have contributed 15.7 percent of the total, of which 13 percent ($641,000) was for financial services and the difference ($134,000) was for institutional development.

The revised projections of the First Annual Plan, without changing the overall target of $4.9 million, estimated that by year 3 1992-1993, it would have generated a total of $2.2 million (instead of $775,000). After having obtained only $16,000 for year one, the Second Annual Plan for 1991-1992 reduced FINCA's second year counterpart contribution to $200,000. However, FINCA could only generate $139,000. The Third Year Annual Plan (1992-1993) established that FINCA would contribute with $1.6 million. Again, FINCA fell short of its ability to generate counterpart financing: it generated only $442,000. During the last three years, FINCA could not produce what is had proposed, first in the Project Paper and then in their Annual Operational Plans. (Exhibits III-12, 13, and 14).

Exhibit III-12
Project Paper Counterpart Budget

Components	LOP Totals	Project Paper			
		90/91	91/92	92/93	Totals
1. Institutional Development (000)	$1,119	$0	$44	$90	$134
2. Financial Services (000)	$3,800	$39	$214	$388	$641
TOTALS	$4,919	$39	$258	$478	$775

Source: Project Paper.

Exhibit III-13
Annual Plans Counterpart Budgets
($000)

Components	LOP Totals	First Annual Plan				Annual Plan 91/92	Annual Plan 92/93
		90/91	91/92	92/93	Totals		
1. Institutional Development	1,119	82	265	554	901	60	352
2. Financial Services	3,800	42	181	900	1,123	140	1,250
3. Non-Financial Services			73	92			38
TOTALS	4,919	124	519	1,546	2,188	200	1,640

Source: Operational Annual Plans.

In all, FINCA has produced $597,000 in three years, of which almost 90 percent is in the form of income generated by interest on loans made with AID funds. It is mathematically possible that FINCA could comply with counterpart funding only by waiting for interest income to accumulate over time. The evaluation team does not feel this was the intended goal of counterpart funding.

It is extremely important to note that CAM's self-sufficiency is based on the size of its income generating loan portfolio. CAM will not be able to achieve self-sufficiency if counterpart funding obligations are combined with interest income. CAM should receive new funds from FINCA (either donations or long-term loans).

Exhibit III-14
Actual Counterpart Generation

	LOP Budget	90/91	91/92	92/93	Totals
1. Institutional Development (000)	$1,119	$16	$106	$443	$556
2. Financial Services (000)	$3,800	$0	$32	$9	$41
TOTALS	$4,919	$16	$139	$472	$597

Source: CAM Counterpart Determination. September, 1990 through July, 1993
Data obtained from the Accounting Department.

The last available CAM balance sheet as of 30 June 1993 indicates that interest income has been already spent in this and in previous years. Even more, it shows an accumulated loss of more than $610,000. This has serious implications for self-sufficiency projections since the Fourth Annual Plan estimates that accumulated unspent interest income will partially finance operational costs.

The Fourth Year Annual Plan ending in August 1994 states that FINCA will produce $4.5 million. Of this amount, $3.6 million will be for credit services, $827,000 will be for operating expenses and $68,000 will be for training services. Without questioning the way in which FINCA arrived at those figures, it is worrisome to note that part of this counterpart financing will come from loan reflows: in effect, double counting AID financing and actually allowing CAM to increase its loan portfolio to reach self-sufficiency. Therefore, in this particular case, loan reflows cannot not be counted as counterpart financing.

The Fourth Year Annual Plan goes on assuring that CAM//FINCA has already secured financing from FIS/ALA/EEC ($720,000), and IDB ($620,000), leaving a "balance of only $780,000 still to be raised." The evaluation team assessed these assumptions with those organizations. Our findings were the following.

FIS/ALA/EEC has received a request from CAM for a 5 million colones loan, (approximately $574,000) for 12 months and at 3 percent interest per annum. The loan would be indexed to the U.S. dollar. This request has a 50 percent chance of being approved because the EEC has changed its credit eligibility criteria in favor of organizations not receiving other external financial assistance. In fact, CAM's request runs against this new policy. The FIS representative for ALA/EEC suggested that the evaluation not count this loan as a valid one to prepare financial projections.

FIS has also received two other project requests. The first project is for a total of $275,000, of which FIS would finance approximately $75,000, and CAM would finance approximately $66,000 for 50 village banks in non ex-conflictive zones. The remainder is for training, supervision costs, savings and other income generated by the project during implementation. CAM will pay FIS 60 percent of all interest income from the project. The remaining will be used by CAM to pay for operating costs, training, and technical assistance under the project. CAM will be able to charge 3 percent per month on the loans granted. This project has been ready to start since 8 June 1993.

The second project request was for a total of $75,000, of which FIS would contribute $46,000 and CAM $29,000. The FIS contribution would finance 25 banks and CAM's would finance training and technical assistance. This 12 month loan has an interest charge of 3 percent per month. This loan was approved on 12 August 1993.

The microenterprise coordinator at FIS stated that neither project could be implemented so far because CAM has refused to put FIS signs on the banks financed under the projects. Also, he stated that it has been difficult to agree on the use of the interest incomes generated under the project.

Both projects are very small loans, and what is likely to occur is that CAM will contribute more than it would get out of the projects. In other words, these two loans will contribute nothing to CAM's self-sufficiency projections.

The loan and technical cooperation request to the IDB has not been presented yet. In interviews held with the local IDB representative he pointed out three alternatives for CAM's financing. The first is the Multilateral Investment Fund, which is equity investment in selected businesses. The representative said that this alternative was possible but not until at least two years in the future. The second alternative is the Global Microenterprise project, a $10 million project being negotiated with the Central Bank. IDB says that if things go well, the project would start implementation by the end of 1993. CAM could obtain funds from this project through a financial intermediary at market interest rates. This is the best chance of long-term financing that CAM has, and it could resolve its capital needs for the near future. Since the IDB project requires an average loan size of about $2,000 and a maximum loan size of between $5,000 and $7,000, financial intermediaries will need CAM to compensate for their larger loans made to their normal clients. CAM will be in a strong position to negotiate but will have to transfer these interests costs to its clients in order to maintain the present margin. Doing differently would extend the time in which it would reach self-sufficiency.

The third alternative is the small projects loan and technical cooperation. With much luck, if the project is presented in September 1993, it could be ready for disbursement in August or September of 1994. The problem with this request would be the Global Microenterprise Project. Once the latter project is approved, the small project request would compete with it, making the global project more difficult to disburse. IDB has already denied small project requests in other countries based on this perceived competition.

To summarize, it is very unlikely that FINCA will obtain new counterpart financing from the sources cited in the Fourth Annual Plan, thus jeopardizing the attainment of CAM's self-sufficiency objectives by the end of August, 1994.

The previous analysis indicates that the program cost structure is weighted heavily towards labor expenses. Increased productivity (not just volume) would need to take place to lower unit costs, especially for the village bank program. If anything, two years of intensive field experience show that this situation will not improve radically by methodological changes (which are still untested). Furthermore, cost-sharing mechanisms are not in place. Therefore, the financial projections that result in 98 percent self-sustainability by August 1994 are unacceptable as a basis for an action plan which: (1) is based on unlikely and untested labor related productivity gains, and (2) is facing a very probable funding deficit. Budget restructuring based on historical cost data and more realistic counterpart generations should be required without relying on productivity parameters that compensate for shortfalls.

D7. Women in Development

The evaluators were asked to review questions concerning how well the interests and role of women were taken into account in the design and implementation stages; in what ways did women participate in the processes; what were the effects of the project on women's access to e.g., income, education, and training; and if the results achieved are equally sustainable between men and women.

The role and importance of women, both as beneficiaries and as primary participants in the project, are discussed throughout this evaluation at appropriate points and will not be repeated in detail in this section. In summary, however, this project has had a major, positive impact on women in many ways, principally as borrowers because the vast majority of beneficiaries are women. Impact was measured in terms of access to credit and training, sales and profit increases from the enterprises, and income increases used for the health and education needs of the family. Further, women in some of the poorest segments of society have been reached, many for the first time. Also, the women participating in the program have indicated significant improvements in their self esteem and self confidence. Secondarily, women have been the implementators of the methodology, as employees and volunteers of CAM. It seems safe to suggest that without the extensive participation as implementators, there might not have been the same degree of impact on women. Compared to men, where the direct benefits have been much more limited, the benefits to women have been overwhelmingly significant. To some degree, the nature and type of benefits to women was anticipated in the design and in FINCA's proposal; however, the degree realized was beyond expectations. Results are likely to continue and they should be sustainable as long as the approaches and methodologies utilized in both the village banking and microenterprise programs are not modified significantly.

D8. Major Conclusions

- Field offices were developed from the bottom up. Thus, the growth and structure of these operations evolved, to a large extent, in response to client needs and demands of borrowers. On balance, this led to responsive and effective field office structures.

- Unlike the field offices, the central office did not develop from the bottom up. Nor did it develop against a vision and with a structure that facilitated installation of the necessary accounting and management information systems and controls.

Systems and control mechanisms were not adequately conceptualized and have been redesigned several times to improve them. The current organizational chart is not functional and inconsistent with actual hierarchies, workloads, and responsibilities. Further, until recently, the organizational culture itself relaxed; it was somewhat inefficient and not task oriented. People were not hired to fill clearly defined positions.

- Salaries and bonus packages for central and field staff are a very important component of CAM's costs. The implications of salary levels or adjustments to bonuses need to be analyzed very carefully, with an eye both on improving productivity, but on keeping costs under control at the same time.

- Financial management and control systems are inadequate. The accounting system does not easily allow and facilitate detailed financial analysis. Cash management mechanisms do not support the complex control and cash flow analysis that CAM needs. The accounting system continues to evolve and further improvements should be noticed when the new computerized system is better understood by the accounting staff.

- Considerable progress has been made towards increasing staff productivity, particularly in the village bank program. In the village bank program, economies of scale from increased lending are not yet readily apparent. The microenterprise program has higher unit costs than the village bank program and has greater potential for cost reduction, in large part because loans are much larger. Further, additional analysis is needed to better allocate the overhead costs of field staff between the village bank and microenterprise programs. A basic conclusion is that the continued use of present promotional methodologies will not substantially reduce the two programs' unit costs. Further efficiencies are needed and should be focused on staff costs, as some 76 percent of costs are for personnel.

- Calculations of CAM's financial break-even point are based on historical cost data, numerous assumptions, and projections of future sources of funds for lending capital. Some of the assumptions appear to be fragile and should be carefully reviewed. To the extent that funding sources are not available or the cost of other sources is too high, the break-even point and time (and therefore self-sufficiency objectives) are severely affected.

E. Village Banks Promoted by Other Institutions

E1. National Secretariat of the Family

E1a. Program

The Secretariat Naccional de la Familia (SNF) is an executive office at ministry level coordinated by the First Lady to implement official programs of social development of the poor population with a central focus on the family unit. SNF is an implementing arm of the cabinet of ministries and very close to President Cristiani. SNF was motivated by the village bank concept that FINCA-IN was promoting among local NGOs and government institutions through FINCA/El Salvador, a local non-profit foundation created by FINCA-IN following a similar approach to the one taken to start promoting village banks in neighboring countries.

With the assistance of FINCA/El Salvador, SNF prepared the first buy-in to promote village banks, which qualified for AID funding under a program that government's National Council of Recuperation of Areas (CONARA) had with financial support from the AID/El Salvador, Urban Rural Development Office. CONARA's interventions were restricted to geographic areas recovering from the war. The SNF project included a non-accountable component of government support (i.e., office space, gasoline, vehicles, clerical support, and janitor services).

SNF received from FINCA/El Salvador the promotion/credit methodology and retained FINCA as administrator of the program. In return, SNF agreed to pay FINCA/El Salvador one third of the 3 percent monthly interest charged to the banks. The project started toward the end of 1990 following the FINCA model and successfully implemented a total of 218 banks, of which 12 failed after the start-up. To liquidate the account with AID, SNF opened a savings account after each bank, and withdrew from this account the actual loans delivered to the bank members.

Once the initial AID fund was fully liquidated, SNF prepared another project aimed at 100 additional banks, which also qualified for AID funding through the same council whose name changed to Secretariat of National Reconstruction (SNR), so that this could operate under the president's direct supervision too. This second project followed the same implementation process as the first, and is currently underway, along with the evolution of the banks initiated during the first project. The reflow of funds as a result of the repayment of the loans allows to SNF to continue promoting the establishment of more banks to the extent that at the time of the evaluation they reported 430 active banks. Also, at least one commercial bank has started to finance new SNF banks from the first credit cycle.

SNF accepted the FINCA concept of nine loan cycles and the withdrawal from the bank after the completion of the process. They considered that a finite intervention of SNF could satisfy the expectations of the institution, and decided to stick to it despite the potential shrinkage of the banks' size due to anticipated desertion of members. They accepted this fact and decided to not accept the introduction of new members in a mature bank, so that all the members could work together in block through the end of the ninth credit cycle and graduate afterwards.

SNF also considered that in taking a temporary approach to the banks' operation, some practices in the FINCA model did not fit in the local environment. For example, by leaving the management of the internal account in the hands of the groups, the financial control of the invested capital would be in jeopardy, due to the lack of financial management experience in the groups. In addition, this would increase the need of extra training to the groups, information that would not be useful to them after their graduation. Therefore, SNF keeps under its direct control and responsibility the management of the internal accounts as a trustee of the groups.

SNF designed from the very beginning practical and professional management and information systems to run the financial operation, which have allowed them to reach the current level of growth painlessly. The head of the program recognizes that being a public entity, she must keep a tight control over the program's funds, since she has to report to the Ministry of Treasury, and its auditors could show up unexpectedly.

The linkage with the central government provides support to the program and makes it impossible to know the total cost of the program beyond the program's out-of-pocket expenses. Additionally, SNF is training the promoters to take advantage of their personal relationships with the communities and assist with the promotion of other social programs (such as adult literacy or latrine construction).

E1b. Impact Analysis

It is interesting to see how SNF took the practical concepts from the FINCA model, and visualized the appropriateness of the graduation and dissolution of the banks. SNF had the discipline to provide its program the assistance required to develop sound financial and information systems from the beginning, understanding that its role was as implementing agent of social programs, and therefore, giving to the program a project implementation approach.

The profile of SNF's beneficiaries was reported as similar to CAM's: mostly mature women who are head of households, and with similar activities and results. The head of the program is aware of the uncertainty of its continuity after the upcoming general elections next year in the country, even if the same political party wins, due to the personal presidential leadership in SNF. She feels the program is so successful that the new government may endorse and continue supporting it. She believes that in any event, the ongoing banks could continue until the end of their nine loan cycle because the program's portfolio can be sold or donated to other public or private institutions, in case SNF is unable to continue directing the program.

E2. CRS—Catholic Relief Services

CRS receives USAID funding under an Operational Program Grant to help support village bank programs in several dioceses. During the first year technical assistance from CAM/FINCA was used to help Cáritas establish 14 banks in one department. Presently CRS is sponsoring initial training and orientation through Cáritas to set up programs in two other departments, which will total 28 more groups.

This OPG funding has been augmented by a separate contract through the National Reconstruction Secretariat to supervise and evaluate the implementation by other NGOs for village banks and microenterprise financing using the FINCA models. During the first three years these programs are projected to form a total of 445 groups (349 in year one) split between village banks and microenterprises with the following characteristics:

Stage 1

128 village banks (48 in year 1) with 15 to 30 poverty-level microenterprises headed by women, loans of $46 to $275, 3 percent flat interest rate, 20 percent minimum savings, a maximum of nine credit cycles of four months each, with the possibility of transferring to a smaller group guarantee plan after four successful cycles if larger loans are desired.

Stage 2

175 solidarity groups (all in year 1) with an average of six subsistence-level microenterprises headed by either women or men, loans of $115 to $690 per participant, 3 percent interest rate to cover cost of lending operations and technical assistance and training for participants, 20 percent savings.

Stage 3

142 solidarity groups (126 in first year) with an average of five microenterprises headed by either women or men, amounts ranging from $345 to $1,150 per participant, 3 percent interest rate to cover cost of lending operations and technical assistance and training for participants, 20 percent savings.

National reconstruction project funding during year 1 includes $480,000 for on-lending and $460,000 for NGO support. The three-year funding level is $2.8 million for loans and $2.5 million for operational costs. Assistance is concentrated, since each NGO promoter would handle a maximum of eight village banks or groups at one time.

CRS considers that involvement by community-based NGOs should be limited to beneficiaries up through the third stage, since the commercial banking system is capable of handling the larger credit needs of subsequent population groups. The CRS adaptation of CAM's model allows a quicker jump to the next credit level if a participant qualifies and is interested. Another variation is the introduction of a community development institution formed by nearby village banks and solidarity groups and supervised in turn by the organizing NGO. This will provide a mechanism called UCAMIS (Unidad Comunal de Apoyo Microempresarial) to join capital reflows, interest payments, and savings with two separate functions: relend to banks and groups, and use surplus funds for specific projects identified as priority by the community itself. Examples include a rotating credit fund, an emergency fund, and financial support for specific public services, (such as a clinic). CRS is skeptical that successful implementation of the banks and groups will yield the proposed employment generation numbers (ranging from 3.7 to 12 full-time jobs at the minimum salary level per participant), but definitely believes that secondary employment is created to support increased economic activity levels experienced by participants.

91

Initial financial projections would indicate (according to CRS) that after nine months of operation an NGO would be covering much of the operating costs, and that within 17 months the individual banks and groups would be self-sustaining. Since the NGO will be receiving one-third of the interest charged to be focused on technical assistance and training activities, this mechanism is visualized as financing continued NGO actions within the community.

Since this project is very small, an impact analysis is not relevant.

E3. COMCORDE—Comité Coordinador para el Desarrollo Económico de Oriente

In the mid-1980s a foundation was formed in San Miguel to promote regional interests with a primary focus on nonpartisan and business development activities, including support for programs in vocational training, nontraditional exports, and a variety of community-oriented projects. In 1987, a donation from the U.S. Ambassador's development projects fund assisted COMCORDE to initiate its village bank program by organizing three banks. COMCORDE staff was familiar with the FINCA program in Costa Rica and used that experience in establishing the program in San Miguel. COMCORDE has developed its own training and procedural manuals and materials.

COMCORDE has modified the basic FINCA model and at one time had 17 village banks (now termed "community development banks"). Presently, only six banks are still functioning, since the practice has been to close out the bank when the original members finished the standard none credit cycles. Also, it was necessary to close down a few groups because they were not being adequately handled. COMCORDE banks do not admit new members once a group has started lending operations and usually begins with around 30 people, so that after attrition approximately 15 to 25 remain. COMCORDE started one bank under the National Reconstruction Plan with USAID funding but later returned the funds used to avoid having to adopt methodology and guidelines that differed greatly from COMCORDE's. Major differences include a 1.5 percent monthly interest rate (instead of 3 percent), not admitting new group members, and the frequent option of COMCORDE donating the repaid seed capital for the community.

The loan repayment record has been good—almost zero delinquency is reported, and even when it was attending 13 groups, the amount of past due loans only reached 3 percent. COMCORDE representatives attribute this recovery rate to the close personal attention given each group and care in identifying responsible group leaders. It currently has one permanent staff member who makes weekly visits to each group to provide training and orientation and banking supervision.

This program is considered successful because of nearly non-existent delinquency and the fact that approximately one-third of former bank participants are now users of commercial banks. One such bank actually attends the closing-out ceremony of a village bank to offer its savings and lending services. COMCORDE however, has no concrete plans to continue this program, since new funding would be required. The custom of donating repaid funds to the community virtually precludes sustainability by COMCORDE.

Since this project is very small, an impact analysis is not relevant.

In the short and midterm, CAM/FINCA methodology cannot be imposed on other local, socially driven, and non-permanent programs. Institutions with integrated approaches to servicing the poor should not be restrained from including village banking as part of their assistance packages. The only compulsory requirement should be full recovery of capital and opportunity cost.

E4. Major Conclusions

- In all three of the other programs reviewed, progress has been slow and impact small. However, in some cases there is sufficient progress, in terms of institutional development of alternative village banking approaches and potential impact, to suggest that the programs are on the right track and merit continued monitoring and support.

- The CAM/FINCA methodology should not be imposed on other programs and other programs should not be restrained from utilizing other approaches. Recovery of capital should be, however, a criteria for program support.

- AID should support more than one village banking program. However, it is unlikely that supporting numerous programs and NGOs would be productive. Also, AID should apply business-like criteria, (e.g., self-sufficiency objectives) and utilize the lessons learned to date with FINCA as a basis for the support of additional programs.

F. Project Impact

F1. Village Bank Program

The survey that the Chemonics team directed and Carr & Associates undertook indicated that a typical beneficiary who remains in the program more than eight months is a woman (95 percent of the sample) and either head of household (33 percent) or married (55 percent). She is a mature woman (41 years old) with only four years of grammar school education and living with five family members who depend economically on the parental nucleus (excluding other family members who are economically independent and may be living at home). The vast majority of the beneficiaries (79 percent) were already in business when they joined the program, and most were dedicated to commercial activities (82 percent), whether sale/resale or sales from inventories held at home. Almost half of the beneficiaries work alone and the other half are helped by relatives. Only a small portion of these beneficiaries (6 percent) gets paid help from outside the family.

The participants in the investigated group included 56 percent in their third credit cycle, 17 percent their fourth credit cycle, 20 percent in their fifth credit cycle, and 7 percent in their six credit cycle. The overall average was three to four credit cycles at the time of the survey and an average loan of $101.5, slightly above the typical loan ($101) that the FINCA model anticipated at the same level. The loans are mainly used (84 percent) to buy merchandise for resale and raw materials. They reported that their monetary savings have increased $41.70 since they joined the program, which is slightly under the amount ($50) that the FINCA model expected. Additionally, they reported that their inventories increased more than twice, and the net cash they now bring home has increased from $20.90 to $30.30 per week since they joined the program.

The direct impact at home has been better nutrition and health, as a result of the extra income. This program has also brought new expectations for potential personal and family development, since they feel they have climbed up the ladder of expectations since they joined the program a year ago and expect to advance more in another year.

The focus on women's development is total in this program, and the nature of their relationship to the program is entirely participatory. The leaders of the banks are women, and the groups at community level have a great deal of independence in the management of the credits and collection. CAM relies heavily on the learning capacities of these poor women to manage the capital of the institution, which is almost entirely on these women's hands. They also have full freedom on the decisions of how to invest/use the loans individually, although the training and monitoring gives strong signals on the importance of investing the money in productive activities first, as the means to generate income to solve the family needs. Notwithstanding, the beneficiaries interviewed recognized that some 14 percent of the loan amounts are used for personal needs at home.

The individual motivation to join the program comes from the opportunity to expand new business activities or formalize occasional commercial activities or productive activities or services, which are normally an extension of the household or in support of the husband's farming work. Traditionally, these mature women grew up in rural settings, have assisted their husbands to sell their small agricultural production of grains and vegetables, and used to cook meals (beans and tortillas) for extended families or worked as cooks for the farm workers in nearby areas.

Because of their impoverishment as small farmers, the lack of facilities in the rural areas, and the disruption of the family life during the years of conflict that affected the country, these families moved to more urban settings, closer to services, educational and economic opportunities, and physical security. Now, they live an urban life with a rural mentality and orientation and with very few employment opportunities in the urban economies. They look to their personal skills and the social promotion/credit that CAM offers as a unique (perhaps the only) opportunity to sustain themselves and their families. Another suitable subsegment fitting well in the program is poor rural communities. The program brings an opportunity to capitalize on their natural resources and on the training and credit support received from CAM to sell local products in more populated and better off communities in their regions. This is the case of large fishermen/women groups in the Eastern region.

On a large scale, the impact comes as a result of the organization and mobilization of a large population of poor people, with the very specific goal of helping them to sustain themselves based on their own skills and initiative. The focus on women allows benefits to reach to the families of the beneficiaries directly, and enhances the social and economic development of the dependents. The program has reached a total of 27,000 women as of May 1993. Each member belongs to a five-member family group, so the total outreach of the program can be extended up to 135,000 poor Salvadorans in less than three years of credit operation.

The kind of impact and outreach achieved is within the original project proposal that originated the AID-FINCA relationship. In that proposal, the expected impact was the generation of self-employment, which the project fully accomplished and at an implementation rate so fast that it was beyond the most ambitious expectations of the planning stage. However, this kind of impact is not extended to employment generation, as previous internal project, promotional reports, and working documents (such as CAM's annual plans) suggested.

Under a large scale scheme, the project could have a positive and visible impact by increasing demand for non-specialized employment, and decreasing unemployment and sub-employment rates, as well as the demand for welfare programs.

The project is not creating new microenterprises, since most beneficiaries were already in business when they joined the program. Notwithstanding, the project is highly effective in giving those already existing microenterprises access to working capital not available to these entrepreneurs, and possibilities for expansion and permanence. Thus far, the project does not provide the microentrepreneurs with the means to build up a more complex or sophisticated business beyond what they have.

CAM's organization, flexibility, and training in the field can support a continued expansion to reach 100,000 beneficiaries after seven years of operation. In reaching this goal, the population directly benefitted may go up to 500,000. At such a level, other indirect types of impact would become important, such as the formal/informal economy.

F2. Microenterprise Lending Program

The Chemonics/Carr survey also included a sample of beneficiaries of the microenterprise loan program with more than six months of credit experience in the program. The results indicated that a typical beneficiary is similar to the participant in the village bank program, with minor differences. There is a larger portion of women as head of household (41 percent), with two more years of age (43), with only one more year of schooling (5 years), and living with four (one less) family members who depend economically on the parental nucleus. There is a larger but still minority incidence of men in the program (14 percent of the sample).

A larger part of the beneficiaries (94 percent) were already in business when they joined the program, and were equally dedicated to commercial activities (82 percent), whether sale/resale or sales from inventories held at home (62 percent of the beneficiaries in this program and 43 percent in the village bank program). A sightly larger portion of the beneficiaries (56 percent) are helped by relatives, and a slightly larger portion (17 percent)) gets paid help outside the family.

The investigated group included 13 percent of participants with six or less months, 76 percent with seven to 12 months, and 13 percent with more than 12 months of credit experience in the program. The average loan of $438 was used (by 92 percent) to buy and resell merchandise and raw materials. They reported that their monetary savings have increased $47 since they joined the program, that their inventories increased by 62 percent, and that the net cash they now bring home has increased from $109 to $130 per week.

The direct impact at home has been less than in the village program, but nutrition and health were reported as improved. The program has also brought new expectations for potential personal and family development. They joined the program at one step higher than the village bank beneficiaries, and they feel they have climbed almost three more steps on the imaginary 10-rung ladder of expectations. They expect to advance two additional steps in one more year.

The motivation to join this program is less social and more pragmatic than in the village banks. The typical participant is an older woman who has been working as a microentrepreneur at least two years, and although in the informal sector, is already generating income steadily to support her family. She also comes from a rural area, but these ties were broken longer ago, perhaps the previous generation. She already knows the business and feels she does not need additional training. She joins the program to get easy and cheaper credit, and CAM does not need to spend resources, as in the village bank program, to bring in a potential client. The fact of the matter is that CAM does not need "promoters". Credit officers go directly to explain the program and conditions to participate. Men are more likely to be motivated to participate to this program, because the relationship with the credit officer is more straight-forward than the village bank.

The program fits a microentrepreneur who needs to make a business grow because it is not generating enough income to fill its owner's needs, or because she sees a market opportunity to expand it. She already has more business savvy than her counterpart in a village bank, and is more willing to take management and financial risks, even though to a large extent, she is engaged in the same sort of commercial activities as the counterpart. The difference is in size, investment, and maturity. She feels strong enough to depend on herself, and the participation in a group to provide collateral for the loans is seen more as a burden than as an advantage. However, it is not easy to get somebody, even a relative, who is willing and can qualify as a co-signer. The best chance is an alliance with other people facing the same situation.

At project level, the impact of this program is driven by the dynamics of the village bank program and not as an individual identity. However, the program already reached a respected size among the microenterprise loan programs in the country, but its results are not as spectacular as the village banks. This program component in the CAM/FINCA project was not clearly defined in the project paper and has still not been clearly defined for implementation purposes. Strategically, this program needs a full revision to find ways to exploit the competitive advantages. The current limitations in this program can be seen more in the lack of a strategic positioning and implementation technology, than in operational and market constraints.

F3. Contribution to the National Reconstruction Plan

By the end of July 1993 the penetration of CAM's village bank program in ex-conflictive zones was reported as in Exhibit III-15, on the next page.

In absolute terms, between 11 and 28 percent of the basic program indicators are concentrated in ex-conflictive zones. The Chemonics/Carr survey included interviews with 62 beneficiaries living in ex-conflictive zones, including 11 with six credit cycles, 12 in their fifth credit cycle, 7 in the fourth, 31 in the third, and the rest in their second cycle. This composition indicates that the program initiated its penetration in these areas during the war. An analysis of the resulting database indicates that the beneficiaries in these zones have been performing similarly to the beneficiaries in other zones.

F4. Contribution to the Mission Strategic Objectives

This project is making a significant contribution to the mission strategic objective number 1: assist El Salvador make the transition from war to peace, and particularly with regard to the program output 1: reactivate factors of production to respond to economic opportunities. The focus of this strategic program output is the generation of immediate and longer term productive employment opportunities. Village banking services are one way to achieve this goal.

In this regard, the project does not train people and generate formal employment. However, it creates conditions and motivates people to depend on their natural skills to become self-employed. The emphasis on mature women, not by design but by natural selection at the field, focuses on a subsector of population with very limited formal employment opportunities because of age, household responsibilities, and limited educational possibilities (who otherwise would be very difficult to reach with conventional modalities of employment programs). Additionally, this subsegment of the poor Salvadoran population appears to be large and fully spread over the entire country, in ex-conflictive areas and non-ex-conflictive ones too.

Exhibit III-15
Village Bank penetration in Conflictive Zones

	Totals	Ex-Conf.	% of Totals
Number of Village Banks	919	135	15
Number of Women	2,214	3,115	13
Number of Men	3,522	570	16
Total Members	26,736	3,685	14
No. of Banks in Services	18	5	28
No. of Banks in Industry	959	120	13
No. of Banks in Commerce	25,128	3,466	14
No. of other Banks	631	94	15
Loan Portfolio (US$)	1,790,200	223,000	12
Savings (US$)	685,600	73,600	11

Note: These figures from the July 1993 computer printout differ from the consolidated figures in the monthly reports at the same date and from regional office data.

The project's impact also enhances thc mission strategic objective Number 2: increase equitable economic growth, with regard to: program output 2: increase private investment, and particularly to give opportunities to the disadvantaged to participate in the economy through expanded employment opportunities. It also enhances program output 4: increase productive employment, seek credit financing, technical assistance and training for small and microentrepreneurs, which together facilitate the creation of more productive jobs for the economy. The project concentrates on the same mechanisms aiming at the same goal, and if it continues to expand, will generate more productive jobs for the economy.

Lastly, the project contributes to enhancing thc mission strategic objective number 3: promote enduring democratic institutions and practices and the program output 2: expand channels of communication and participation. The project seeks participatory development and the transmission of ideas and democratic decision-making. Clearly, the village bank organizations cannot generate a major improvement in the democratization of the country, because their voices are very small. However, about 27,000 Salvadorans are now meeting weekly in small groups, with the unified goal of surviving economically. At micro-level, they are building up a new society of the poor based on democracy and private enterprise development.

F5. Major Conclusions

- Impact of the village banking program has been overwhelmingly positive, in terms of both the numbers of beneficiaries reached (some 27,000 borrowers) and as measured by factors such as increased savings, net cash taken home, increase in beneficiaries' self confidence, and benefits to women and their families. The project has the potential to reach up to 100,000 beneficiaries after seven years, thereby impacting a total population of 500,000 Salvadorans. The project is highly effective in providing existing microenterprises assess to working capital. However, it has not created significant numbers of new microenterprises, since most beneficiaries were already in business when they joined the program.

- Impact of the microenterprise program has been less in terms of numbers, but still very significant in the same ways as stated above. There is, however, less of a social motivation to join the microenterprise program and a clearer focus on how and why credit is important to the growth of the enterprise.

- There has been good village bank penetration in conflictive zones. Between 11 and 28 percent of the basic program indicators are concentrated in the ex-conflictive zones.

- The program is making a significant contribution to the mission strategic objectives 1, 2, and 3. These include: assist El Salvador make the transition from war to peace by reactivating factors; increase equitable economic growth, with a focus on increased private investment and expanded employment opportunities; and promote democratic institutions, by expanding channels of communications and participation. The project has created conditions to support and motivate people toward self employment in a participatory, democratic manner.

G. Role of Finca International and Project Support Office

G1. Project Financial Management and Compliance with AID: Project Control and Monitoring Procedures

The original commitment of AID under the project was for $10 million, of which 33.8 percent was for financial services, 27.4 percent for administrative expenses, 20 percent for institutional development, and the remaining 18.8 percent for non-financial services and project management, evaluations, and audits. Amendment No. 5 of the Cooperative Agreement increased the institutional development line item to 34.4 percent of the total AID budget, and to 35.7 percent for the financial services line item. All other items were reduced accordingly (Exhibit III-16). The largest increase for institutional development reflected the accelerated implementation of the program and the increased costs of CAM and of FINCA International. The increased costs in CAM was largely due to the incorporation of large numbers of personnel in the regional offices.

EXHIBIT III-16

MICROENTERPRISE DEVELOPMENT PROGRAM
No. 519-0318
ILLUSTRATIVE BUDGETS

Components	P. P.	Coop.Agr.	Amend.No.1	Amend.No.5	Changes
1. Institutional Development	$2,018	$2,018	$2,018	$3,445	$1,427
2. Financial Services	$3,382	$3,382	$3,382	$3,570	$188
3. Non-Financial Services	$860	$860	$860	$291	($569)
4. Administrative Expenses	$2,740	$2,740	$2,740	$1,957	($783)
5. USAID Project Management	$500	$500	$500	$330	($170)
6. Evaluation and Audit	$500	$500	$500	$407	($93)
TOTAL	$10,000	$10,000	$10,000	$10,000	$0

Sources: Project Paper, Cooperative Agreement, and Amendment No. 1 and 5.

As noted from Exhibit III-17, project paper budget, the projections of the First Annual Plan and the level of expenses budgeted in the Second Annual Plan did not vary significantly. In all cases, AID disbursements ran at about $5.7 million over the first three years of the project.

The real change came about in the Third Annual Plan for 1992-1993, when the approximately $1.7 budgeted in previous documents jumped to $4.2 million. These budget and expenditure increases are commensurate with the expansion of the third year in the field. FINCA was only partially able to produce counterpart financing at the level agreed. Overhead rates of FINCA were another cause of project increased expenditures. The provisional overhead rate originally agreed at 8.6 percent of total direct costs were first increased to 34 percent and then dropped to 20 percent. The evaluation team estimated that as of July 1993, these changes caused the project to spend nearly $350,000 above the original budget.

During the first year, FINCA only spent 34 percent of the year 1 project paper budget. The second year, FINCA spent more than 5 times the project paper budget and about 95 percent of the amended budget included in the Second Year Annual Plan. The third year, FINCA spent about 90 percent of the again amended Third Year Annual Plan budget. FINCA's total expenditures over the three years under consideration were $6.8 million, or almost 5 times greater than what the project paper projected, and 7 times greater than the projections of the First Annual Plan, but only 82 percent of what was budgeted in Annual Work Plans. (See Exhibit III-18).

This situation did not have to be negative, in fact it was quite positive from AID's point of view, were it accompanied by a similar acceleration in achieving the project purpose: a viable, sustainable, self-sufficient and strong financial institution to provide microentrepreneurs with increased access to financial and non-financial services. The problem is that if the level of expenditures is maintained at the magnitude of the Fourth Year Annual Plan, AID would only have about $630,000 to spend on CAM in 1994-1995. (See Exhibit III-19).

In the fourth year Annual Plan, FINCA is offering a 15 percent reduction of the budget up front. It should be taken as promised. AID should consider other reductions as well, like the phasing out of the PSO this calendar year, including the termination of the three technical advisors posted in El Salvador, and the reduction of expenses at the FINCA Alexandria, Virginia office. On the other hand, AID should request a formal plan from FINCA so that it complies with its obligation to raise new counterpart financing, considered crucial for the CAM self-sufficiency.

Regarding FINCA compliance with the Cooperative Agreement, it is important to note that one of the objectives of the project was to institutionalize the program as a continuing source of assistance to microenterprises. Accordingly, repayment of principal on loans made (reflows) would be placed in a separate account in a bank and made available for further lending. Attachment No. 2 of the Cooperative Agreement did not allow loan reflows to be spent on operating expenses or technical assistance. Following this same line of

EXHIBIT III-17

MICROENTERPRISE DEVELOPMENT PROGRAM
No. 519-0318
LEVELS OF AID BUDGET EXPENDITURES IN THE PROJECT
First Three Years
($000)

Components	Project Paper				First Annual Plan				Second An. Plan	Third An. Plan
	90/91	91/92	92/93	Totals	90/91	91/92	92/93	Totals	91/92	92/93
1. Institutional Development										
A. U.S.	$204	$214	$220	$638	$217	$220	$203	$640	$209	$507
B. MSC	$279	$178	$198	$655	$397	$326	$131	$855	$693	$1,056
	$483	$392	$418	$1,293	$614	$546	$335	$1,495	$901	$1,563
2. Financial Services	$775	$794	$622	$2,191	$660	$1,039	$890	$2,589	$1,043	$1,897
3. Non-Financial Services	$100	$130	$150	$380	$59	$85	$93	$237	$90	$137
4. Administrative Expenses										
A. US FINCA	$0	$0	$0	$0	$289	$223	$189	$702	$538	$150
B. PSO	$0	$0	$0	$0	$82	$74	$53	$209	$0	$205
	$495	$495	$350	$1,340	$371	$297	$243	$911	$538	$356
5. USAID Project Management	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
6. Evaluation and Audit	$0	$0	$0	$0	$0	$0	$0	$0	$0	$46
	$145	$190	$155	$490	$145	$190	$155	$490	$190	$190
TOTAL	$1,998	$2,001	$1,695	$5,694	$1,850	$2,157	$1,715	$5,721	$2,761	$4,188

Sources: Project Paper, First, Second and Third Years Work-Plans

MICROENTERPRISE DEVELOPMENT PROGRAM
No. 519-0318
FINCA REPORTED EXPENDITURES
First Three Years

Components	90/91	91/92	92/93*	TOTALS
1. Institutional Development				
A. U.S.	$162,036	$200,264	$523,612	$885,912
B. MSC	$84,339	$865,519	$804,284	$1,754,142
Sub-Totals	$246,375	$1,065,783	$1,327,896	$2,640,054
2. Financial Services	$99,859	$895,833	$1,839,936	$2,835,628
3. Non-Financial Services	$413	$21,572	$93,452	$115,437
4. Administrative Expenses				
A. US FINCA	$277,943	$559,940	$407,540	$1,245,423
B. PSO -				
FINCA Total	$624,590	$2,543,128	$3,668,824	$6,836,542
5. USAID Project Management	$25,136	$57,469	$46,876	$129,481
6. Evaluation and Audit **		$30,000	$51,581	$81,581
PROJECT TOTAL	$649,726	$2,630,597	$3,767,281	$7,047,604

Sources:
Financial Reports 8//91; 8/92 and 7/93. Summary Project Financial Reports of 8/90; 8/91; 8/92; and 8/20/93.
*July Expenditures, plus approximately $384,000 that will be spent by FINCA and AID in August, 1993.
** Information Obtained from the 8/20/93 AID Summary Project Financial Report.

EXHIBIT III-19

MICROENTERPRISE DEVELOPMENT PROGRAM
No. 519-0318
PROJECT FINANCES AS OF AUGUST, 1993

Components	Amend.No.5	Obligations	Expenditures 31/07/93	Expenditures 31/08/93*	Est.Total Expend.	Unspent Obligation	Budget 93/94	Funding Position	To be Obligated	Bal. Avail. 94/97
1. Institutional Development	$3,445	$2,845	$2,490	$150	$2,640	$205	$1,185	($980)	$600	($380)
2. Financial Services	$3,570	$3,570	$2,656	$180	$2,836	$734	$500	$234	$0	$234
3. Non-Financial Services	$291	$280	$85	$30	$115	$165	$82	$83	$11	$94
4. Administrative Expenses	$1,957	$1,620	$1,225	$20	$1,245	$375	$356	$19	$337	$356
SUB TOTAL	$9,263	$8,315	$6,457	$380	$6,837	$1,478	$2,123	($644)	$948	$304
5. USAID Project Management	$330	$317	$126	$4	$130	$188	$50	$138	$13	$151
6. Evaluation and Audit	$407	$368	$82	$0	$82	$286	$150	$136	$39	$175
GRAND TOTAL	$10,000	$9,000	$6,664	$384	$7,048	$1,952	$2,323	($370)	$1,000	$630

Sources:
Cooperative Agreement Ammendment No. 5, USAID Project Financial Report, Financial Report No. 7/93, Illustrative Budget of the Fourth Year Action Plan.
* Estimated based on the August 13, 1993 USAID Cash Advance Analysis and Approval.

reasoning, reflows of principal should not be considered as counterpart financing, since they would represent double counting of AID funding for financial services purposes.

The evaluation team did not find evidence that interest rate levels are covering inflation, administrative costs of credit delivery and recuperation, capital costs, and reserves for non-performing loans (as called for in the project paper and Cooperative Agreement).

Essentially, Section III. Substantial Involvement Understanding, of the Schedule, Attachment No. 1 of the Cooperative Agreement, was followed. Little by little, AID and FINCA developed procedures to report performance and expenses to AID. However, it is not until 1993 that FINCA started to present written progress reports as called for in the Cooperative Agreement.

In spite of all this not-always-useful wealth of information available to AID and the knowledge and understanding that the Private Sector Office had on the project performance, the mission did not always take the necessary steps, nor did it insist enough in following up on recommendations to affect changes in administration, finance, and institutional strengthening of the MSC. In many cases, the mission accepted FINCA's reports expressing that the recommendations were complied with and closed. In the future, AID should develop a monitoring system that will assure that decisions and approved recommendations are being complied with.

G2. Project Design: Lending Approach and Model

The project-paper and documents presented to AID for consideration and approval in mid-1990 had design flaws. For example, in one place FINCA proposed that the banks would close operations at the ninth cycle and in another it says that the banks may continue to function indefinitely. Under the second option, the proposal did not explain how the project and CAM would respond to banking permanence.

Also, the FINCA proposal was not clear in differentiating village banking from microenterprise lending. All targets appear to reflect both groups of clients indiscriminately. The original budget for financial services was not divided between the two programs. The lending approach and model made specific references to village banking, not to microenterprise lending, yet the project name is microenterprise development. When the project made references to microenterprise lending, it alluded to investment credit, yet the project when implemented started to loan for working capital only. It is apparent that there was no clear differentiation in the minds of the proponents of the differences between the two sub-programs. FINCA did not have a specific strategy for microenterprise lending. The strategy was and is still being developed during implementation.

All in all, however, the banking model proposed by FINCA produced commendable results at the field level. This fact should not be ignored.

G3. Appropriateness of Project Activities to Attainment of Goals

The appropriateness of project activities to attain project goals should be divided in three sections: village banking, microenterprise lending, and CAM central offices.

Regarding village banking, the evaluation team has found that project activities are well directed toward the attainment of project goals, except that the project is not an employment generation project as demonstrated in the survey carried out as Phase I of this evaluation.

For microenterprise lending, project activities should be redefined, strengthened, and redirected as stated in other parts of the evaluation report. So far, its results are insignificant compared with those of the village banking program. Since the project did not specify specific goals and targets for microenterprise lending, it is not possible to evaluate them against the original document. Annual Operational Plans have set operational goals for microenterprise lending, and Division B microenterprise in general has been close to achieving them.

Project activities in relation to the central office of CAM have been until recently well below expectations. Only in the last three to four months has FINCA started to take remedial actions to address some of CAM's weaknesses. However, most of these activities are partial solutions and will probably not achieve desired results. If these activities are not corrected fast, as already specified in other sections of the evaluation report, the project purpose will not be achieved and the gains obtained in the field will be lost.

G4. Technical Assistance Provided Under the Project

Excellent programmatic technical assistance for Division A Village Banks was provided under the project directly by the chief of party. The village banking methodology was learned and is being implemented in the field. However, FINCA should still finish the model, since the project did not specify what would happen to the graduating banks. The project paper offered several options, none of them sufficiently analyzed.

Adequate and timely planning and administrative and financial short-term technical assistance to strengthen the CAM central office was not provided until very recently, when the PSO administrative and financial officer was assigned to the MSC. The new computerized accounting system being developed by two young professionals has not been tested yet. The Microenterprise Division received limited technical assistance in late 1992 and the beginning of 1993.

Other interventions were evaluations, observation visits, and audits. They all produced valuable recommendations but cannot be considered technical assistance interventions because very little actual assistance was provided.

The project still needs technical assistance to complete the village banking model, to strengthen the microenterprise division programmatically and operationally, and to strengthen the central office institutionally and managerially. FINCA might be able to provide programmatic assistance to both divisions. Additional institutional and managerial technical assistance should be provided to central office operations.

G5. Previous Assessments on the Project: Results and Effects

G5a. CARANA Corporation Report

CARANA was contracted by FINCA in August 1992 to conduct an institutional assessment of its organizational management to identify "strengths and weaknesses in the structures, relationships, operations and objectives and to recommend immediate medium- and long-term actions and strategies."

After thoroughly reviewing CARANA's report in light of the evaluation team's own findings and conclusions, it is our opinion that the report was sound and valid, and that most of its recommendations on CAM are still valid and pending resolution. The evaluation team fully endorses those recommendations. For the purpose of clarification and force, all valid and pending conclusions and recommendations are repeated below, in light of the team's own findings. Out of respect and recognition to what FINCA is doing, the evaluation team must acknowledge that in the last three to four months FINCA and the CAM have started to take steps to address some of these recommendations. However, these activities do not respond to a comprehensive view of the CAM institutional and managerial needs.

"There is little question that the FINCA project in El Salvador has been a programmatic success. It is important to stress the fact that FINCA's project, operated through the MSC, has been highly successful in meeting its goals of establishing a network of solvent village banks and solidarity groups of micro entrepreneurs. But in its haste to create a large number of village banks, its programmatic achievements are outpacing FINCA's and MSC's management capabilities. In order to consolidate its gains, FINCA and the MSC need to reduce, if not stop, the number of new banks being created and any new solidarity group and individual lending. While so doing, AID should consider securing independent technical assistance and training in institutional development for the MSC, especially in the design and implementation of its MIS, strategic planning, and MBO systems. Lines of authority need to be clarified and the decision making process formalized to make it more rational and predictable. There is an urgent need, to help the MSC develop institutionally and managerially."

"In many ways, and not surprisingly, the MSC operates in the same kind of charismatic way as FINCA. It also enjoys the same strengths and weaknesses. The village banking program has been, perhaps, two parts inspired leadership and one part administration, and now must rebalance the scales in favor of administration. This means that FINCA, the Project Support Office and the chief of party must phase out of direct involvement with the field, so that the MSC manages the program and the PSO acts only as a technical support unit. Since costs are a consideration also, the MSC needs to reduce project expenditures, which includes phasing out the PSO."

"The MSC has installed an organizational MBO system, allowing management and staff to track objectives and measure performance. The next step however, needs to be an expansion of the system to include individual MBO plans, crafted within the framework of the overall organization process. This is exactly the kind of development required to wean the MSC away from the FINCA Project Support Office."

"FINCA is in the middle of a transition from a small and highly personalized operation to a much larger and formally structured institution. This has caused many of the management problems that were identified in the study."

"While FINCA's relationships with USAID/El Salvador were initially less than optimal, due in large part to "long distance" project management from Alexandria, Virginia, they have improved considerably, particularly since the project is now managed by FINCA in El Salvador."

"Programmatically, the impression gained is that some village banks could be in trouble even though the MSC is getting its money back. At present, the information system does not include variables such as late payments, failures, and attendance rates. There have been discussions in the MSC on the need to control the interest charged on the loan of internal funds, on the rules under which member savings may be withdrawn from the bank, and on policies and procedures which directors and promoters are entitled to have their own savings in a pool which could be loaned out. Also, the MSC should be thinking ahead to the time when some of the banks have matured to a level and competence as to be considered for graduation or institutionalization."

G5b. Arelis Gomez's Report

As the PSO chief of party has expressed in a letter to AID on July 12, 1993, FINCA could not have demonstrated more effective technical assistance to the CAM than the microenterprise technical assistance provided by Arelis Gomez. Gomez made three visits to El Salvador. The CAM has only two reports from the first two visits. Except for a report on the status of the microenterprise loan portfolio as of March, 1993, there is no record of the third visit.

As with the CARANA report, the Evaluation Team endorses Gomez' findings and recommendations. A summary of the most important ones and in the process of being complied with, follows.

> "The computerized information system is not yet providing accurate, timely and desegregated information to Division B Microenterprises. Training impact on microenterprises is still vague and imprecise. Besides, credit officers spend about 35 percent of their time providing training to solidarity groups and individual borrowers. This affects negatively their ability to increase their loan portfolio and provide investment follow up. The nine training modules are repeated once all of them have already been given. Once the nine modules have been provided, training should be stopped by the credit officers. If additional and specialized training is needed,

microenterprises should be referred to other specialized training institutions. The handling of the pink and green copies of payment coupons still needs to be revised since the same problems identified in the reports still plague the information system."

"Operations, management information system, and accounting should continue to work and produce information independently from Division A Village Banking. Yet they should work in a coordinated manner toward the achievement of the MSC strategic goals."

"Each credit officer should be a cost center and manager of her loan portfolio. Expansion should follow the saturation of specific market zones, and new zones should be "exploited" only after the determination that a minimum number of microenterprises could be served. Program efficiency should be increased by reducing promotional efforts and training to the minimum and through the elimination of unnecessary forms, by granting more regional autonomy, by reducing the direct participation of supervisors and managers in credit officers' daily work, by reducing payment terms and providing flexible and variable loan amounts, by concentrating training on the credit officers, by providing more equipment, office space and support personnel to the Microenterprise Division, and by preparing a medium and short-term expansion plans based on market and in the MSC's self-sufficiency needs."

The Gomez recommendations should form part of any strengthening and expansion plan implemented by Division B Microenterprises. AID should consider bringing in Gomez more frequently, since adequate and timely technical assistance to this division has been scarce.

G5c. Interdisciplinary Project Consult (IPC) Report

On December 15, 1992, the Interamerican Development Bank asked IPC to investigate the Honduran International Foundation for Community Assistance and the Salvadoran Microenterprise Support Center to identify replicable elements of the two institutions for another project to be financed by the Bank in Nicaragua under FINCA leadership.

The team followed a rigid financial methodology to analyze both projects, including their village banking models, financial projections and prospects of self-sufficiency. IPC questioned the "ambivalence" between social and financial objectives pursued by both projects. Depending on which criteria to follow, whether socially or financially oriented, contradictory results arise. If it is a social program, then the MSC self-sufficiency should not be an issue, nor the permanence of village banks, the concentration-distribution of risks, the knowledge of clients, etc. If it is a financially oriented program, then efficiency, efficacy, permanence, risk distribution and dissemination, operational controls, self-sufficiency, market forces, etc., should have prevailed. The satisfaction of social goals or the fulfillment of socially oriented services to the community in which financial institutions function come only after the economic and financial goals have been achieved.

The Evaluation Team endorses IPC's conclusions and strongly recommends that if the goal of self-sufficiency remains valid, financial considerations should prevail over social promotion. Once self-sufficiency is reached, the social promotion culd be reintensified depending on resources.

G6. Major Conclusions

- It was not until 1993 that AID and FINCA finally developed procedures to report performance and expenses to AID in a routine and periodic manner. Considerable information had been available on project performance, but AID and FINCA did not always follow-up on recommendations made to improve program performance or adjust deficiencies.

- The evaluation team did not find evidence that interest rates are sufficient to cover cost of capital, inflation, administrative costs of credit delivery, and recuperation and reserves for non-performing loans.

- The design of the village bank and microenterprise programs has produced commendable results in the field. Additional modifications are needed to achieve even greater results and institutional permanence and stability. Further, at the field level, the programs are appropriate to achieve overall project goals. Project activities in CAM's central office are being corrected to better support field operations.

- The technical assistance provided to the village banking program has been excellent. Additional technical assistance is needed to assist the central office to improve its operations. Further, several previous reports by outside consultants and in-house staff have provided excellent insights and made recommendations on problem areas that should be addressed. It is important that this advice be followed, if it has not already.

SECTION IV

EVALUATION RECOMMENDATIONS

SECTION IV
EVALUATION RECOMMENDATIONS

A. Context

The village banking program in El Salvador is clearly an effective vehicle for credit delivery to the poor on a massive scale. After only two years of intense and excellent field work the Microenterprise Development Project is close to reaching the goals originally proposed in the Project Paper of 1,000 village banks created and 35,000 beneficiaries with basic access to credit and training. The methodology developed by FINCA and implemented by CAM personnel has been established throughout the country CAM personnel have been trained and are now fully capable of continuing project activities. As of July 1993 delinquent accounts in the village bank program amounted to only 0.4 percent of the outstanding balance, whereas late payments amounted to 3.3 percent of the outstanding balance. For the microenterprise program, late payments and past due loans for solidarity group and for individual credits reached 20 and 10 percent, respectively, for the same period. The proposed policy to increase the number of banks covered by each staff member might risk greater delays and nonpayment.

The socioeconomic impact generated at beneficiary level is evident and traceable. The vast majority of the beneficiaries are women (95 percent of survey sample) and consistently show improvements in social living conditions and economic growth. A survey has indicated that close to 90 percent of the loans provided to poor women in urban and semi-urban settings are invested in working capital to expand their microenterprises, and the resulting revenues to repay the loans, generate monetary savings, increase investment in sale inventories, and add income for the families. The project has proven very effective in capital formation-project savings with a July 1993 total of $803,000.

The impact data indicate that employment generation occurs mostly within the families of project borrowers via self-employment. According to the national survey, non-family employment generation, an expected project output, occurred in only six percent of village bank participants and 17 percent in the case of microenterprises.

In contrast to the project's success in the field, the institutional development of CAM remains incomplete, particularly in the central office, and the staff is not yet fully developed. Management and information systems are still inappropriate and disarticulated in key areas. Organizational decisions and policies are often dysfunctional. The internal culture does not promote efficiency and competitiveness. Planning for program expansion needs to be more participatory and embrace a wider range of strategic variables. Ideas for achieving self-sufficiency seem unrealistic.

FINCA advisors were instrumental in providing the methodology that has successfully led CAM to a rapid expansion and effective implementation in the field. The quality of field and administrative staff in the regional offices is particularly high. They have managed well the task of administering a rapidly expanding program while maintaining high performance in the village bank portfolio. However, at the central office level, FINCA has not fully accomplished the institutional development goals. None of FINCA's resident advisors in El Salvador have the requisite expertise to design and monitor the sophisticated accounting and financial systems that the central office now needs. It is therefore urgent that AID aggressively recruit external technical institutional and management assistance to meet this management skills need.

B. Major Recommendations

B1. FINCA/PSO, CAM, and AID

AID should maintain FINCA's Cooperative Agreement in force until all project funds are disbursed, counterpart contributions are met, and methodological and technical issues are resolved. FINCA may consider hiring a local administrator to supervise CAM's expenditures and in general act as a liaison between AID, CAM, and FINCA in Alexandria, Virginia. FINCA may also want to consider institutional means and reporting to monitor and control CAM's operational and financial performance. FINCA's home-office direct project expenses should be stopped. Overhead gained on direct project expenses as provided for in the Cooperative Agreement should be sufficient to cover administrative costs at headquarters. Technical and methodological assistance to Village Banks and Microenterprises should be provided out of the home office.

FINCA should not get involved directly in CAM's operational and administrative matters any more. CAM should be allowed to grow and make mistakes. One of FINCA's major contribution at this stage should be to quickly identify and assist the CAM board hire a new executive director. The executive director and board should have independent institutional and managerial technical assistance and be responsible for making other changes in personnel as necessary.

AID has already ruled that it will not approve project principal reflows to be used for payment of an affiliation fee by CAM to FINCA. While the evaluators agree with this determination, they recognize that as an independent NGO the CAM is free to affiliate to any network or service that supports its interests. However, the CAM board should clearly understand and valuate their financial costs and implications, especially when self-sufficiency is at stake.

The evaluation team recommends that AID change the external auditor. Sound financial practices indicate that after three years of continuously evaluating FINCA and CAM, the auditors need to be replaced by another firm with a local representative. It is AID policy to change auditors every three years. FINCA should also do this.

It is possible that even after all the savings have been made with the recommendations of the evaluation team, AID will need to put more funds into technical assistance for CAM. AID's support of CAM should last at least for another two years, to allow the CAM to assimilate and incorporate the assistance provided. Moreover, if FINCA cannot come up with new counterpart financing for credit financial services to maintain and consolidate the impacts at the field and at the CAM, AID will have to add funding for financial services above what was provided for in the Cooperative Agreement. The level of funding for technical assistance and financial services should be defined after FINCA determines what the village banks model will look like after the ninth cycle.

If AID determines that no additional funding would be available, then stringent operational, income, and expense projections should be prepared. These projections should have two or three different scenarios and sensitivity analysis and should be based on realistic assumptions.

Based on the results of past project evaluations and audits, the Evaluation Team strongly recommends that once the recommendations are approved, they are followed up until final completion. This follow up should be done with the assistance of an independent institutional and financial technical advisor contracted by FINCA and reporting to FINCA/AID.

B2. Institutional Development

CAM urgently needs strengthened multidisciplinary technical advise and hands-on consulting through FINCA to revise and redesign the entire organization. This technical support must be highly qualified and with proven experience in hands-on consulting in institutional development for the private sector. This team should combine expertise in strategic planning, general management, credit management, MIS, financial management, accounting of banking operations, system analysis, computer programming, and human resource development. The head of this multidisciplinary team should have technical experience in organizational development and in management of consulting services so that he/she can coordinate the interventions of different specialists in assisting the CAM's board, CEO, and managers analyzing CAM's strategic institutional alternatives. The selection of this consultant should be in FINCA's and CAM Board's hands, with AID concurrence. Several individuals and/or firms shall be pre-qualified and invited to present a service proposal, including a work plan, which AID and the Board should review jointly.

The board should actively pursue the identification of a suitable candidate for CAM's CEO position and bring on board an above average candidate acceptable to AID. The current intervention from FINCA and the Board in CAM management activities should diminish when the new executive director takes office. FINCA's appointed "interventor" or trustee must return to his original role and the vice chairman must return to his role as a board member, or apply for a staff or management position in CAM.

The evaluation team recommends that the freeze at the field level continue; all changes to current operations, personnel structure, staff movements or replacements, decentralization plans, promotions and salary bonus packages should be frozen too. These measures should await an organized analysis that should be conducted promptly with the assistance of external consultants. The freezing endorsed by the evaluation team implies the continuation of field activities at the present level, with growth only achieved by the natural and gradual expansion of the loan portfolio.

With assistance from the consultants, CAM must prepare strategic and operational plans based on its own perspectives and possibilities. Each unit should participate using the information accumulated, including field, central office, managers, CEO and board. This plan should be used to devise the Fourth Annual Plan that FINCA has proposed and shall run from January to December 1994. From then on, the planning and accounting periods should be congruent.

CAM's short-term operational plans should include the following actions:

- Establish an internal auditing unit directly under the CEO, and prepare a plan of permanent control of financial management and accounting procedures.

- Establish basic procedures for financial management and planning fully tied to and consistent with the accounting reporting. These procedures should include budgetary mechanisms for planning and control.

- Establish a program directed to the development of CAM's human resources.

B3. Village Bank Program

Top priority must be given to defining the nature of this program: should a village bank become a permanent part of the participating community, or should the bank be transitory and only serve the initial needs of founding members? This definition is crucial for CAM to establish a long-term strategy. If a bank is to become permanent it needs to incorporate certain analytical aspects of a formal financial institution, continually train new participants, and not rely on voluntary staffing as is presently done. A corollary of this determination is if the individual member could continue indefinitely if a bank were permanent, or if s/he would leave after completing the standard number of cycle, thereby making room for others to participate. FINCA/PSO should assist CAM in making this determination as a starting point for many other operational decisions. This definition has enormous implications and will in the end determine CAM self-sufficiency potential, its planning, policies, personnel training, organization, operational procedures, etc. The evaluation team fully endorses the former as a viable alternative for self-sustainability.

The need for CAM to become financially self-sustaining virtually precludes a continuing dominance by the village bank program at the expense of the microenterprise division. CAM should utilize the positive behavioral training aspects of the village bank to strengthen acceptance and participation in the solidarity group and individual microenterprise lending.

Expansion of the coverage by village banks by CAM should remain on hold until the long-term institutional strategy is clearly defined, procedural and administrative modifications are examined and implemented, and staff training completed to support such changes.

Once the above definitions and modifications are in place, program expansion should respond to the demand for these services, instead of being based on a geographical formula. CAM's resources should be distributed to follow these market forces when CAM is certain of receiving additional funds for on-lending.

CAM needs to analyze its methodology in greater detail and if necessary make field trials of procedural changes aimed at improving program efficiency, especially in areas such as internal controls, safety in the handling of funds, measures to control past due and delinquent payments, and providing incentives to improve productivity.

B4. Microenterprise Program

CAM should not merge the microenterprise program into the village banking program. Each program serves a different clientele and the microenterprise program has a great potential for contributing to CAM's self-sufficiency goals.

FINCA should continue to provide short-term technical assistance to strengthen the microenterprise lending methodology, make it more cost efficient, and better controlled. This assistance should be provided out of FINCA's Alexandria Virginia office until the Cooperative Agreement is terminated.

Technical assistance should include the definition and determination of the microenterprise market forces, their location, segmentation, needs, etc. Future expansion of the loan portfolio should be determined by these forces.

The Microenterprise Division should continue to control late and delinquent payments. Any level of non performance or delinquency is not acceptable if the program is to achieve self-sufficiency. The criteria should be "0" late and delinquent payments. Control should start with the selection of beneficiaries, the analysis of associated risks, amounts granted, repayment terms and conditions, investment follow up and training. The Microenterprise Division should start using judicial help to recover delinquent loans.

CAM should provide the Microenterprise Division with equal treatment in financial resources (as it is finally proposing The Fourth year Annual Plan), technical assistance, and general support.

CAM should improve the productivity of credit officers and supervisors. The time spent in the regional office delivering training should be reduced to the minimum. Filling out payment forms and payment verification should be stopped as soon as the MIS is put in force. Training should be provided to credit officers in the use of computers. Growth should be planned and the plans rationally executed. Emphasis should be put where there are concentrations of microenterprises: cities, colonies, and markets. Cash collections by credit officers should be strictly regulated or eliminated.

B5. Training

The training function as such should support the marketing-of-credit-services concept, within its current concept of social promotion, and take a decisive role on behalf of the search for the self-sufficiency of CAM. It shall remain focused on promotion, creation, and monitoring of village banks in Division A, and promotion and monitoring of microenterprise lending, whether in solidarity groups or individual lending in Division B. The spirit of the training function should be to train beneficiaries of both divisions and to understand the usefulness of credit and the discipline required to make an effective use of it.

The unit should be renamed "Training and Credit Promotion" and relocated to report directly to the CEO with technical functions, not operational. The head of this unit should be a technical director. This person should have two assistants, one specialized in village bank credit and another specialized in microenterprise lending.

In CAM's operational divisions, everyone from the divisional director to the janitor in a field office should be a trainer and perform their duties with this in mind. Each regional office should maintain a trainer as part of the permanent staff, as it is now the case in Division A. This person should report directly to the regional director. Similarly, the Division B should establish the position of regional trainer and deploy one in each regional office under the direction of the heads of the regional office in the division.

B6. Relationship with Other Village Bank Programs

AID should not impose CAM's pace and methodology to other local programs. Instead, it should allow suitable NGOs to compete against CAM, since this will force CAM to maintain its effectiveness. AID should also promote an annual meeting on village banking between these institutions to exchange experiences and resolve conflicts.

SECTION V

LESSONS LEARNED

SECTION V
LESSONS LEARNED

A. Factors Critical to Project Performance

When a project is innovative in its concept, it is important that there be as much clarity as possible in the basic focus and targets. During implementation, changes may become necessary and might steer the project from the original purpose or create situations where different parts are working in isolation from each other or against each other. In this particular case, a microenterprise rationale superimposed on a village banking methodology has led to confusion in the true project focus.

A solid project design should provide the terms of reference to choose the most adequate provider of technical services through whichever contracting mechanism is most appropriate. It is important to recognize that institutions technically qualified for this activity often do not have the more mundane administrative expertise. In addition, this expertise frequently can be provided by local firms at a lower cost and with a quicker response time than outside technical assistance. It is important for both aspects of project assistance to be addressed specifically.

The rate of expenditure by a project needs to be carefully monitored, and especially if there is a counterpart source necessary for successful project implementation. Counterpart generation needs to be programmed so that the project gradually builds up its capacity without becoming overly dependent before project completion. Otherwise the options for USAID could be between a rescue through additional funding or risking a loss of the entire project.

The project strategy defines the starting point and initial coverage for implementation, but this is subject to change as experience is gained. This experience determines the market for the project activity and how the strategy should be modified to have optimum impact or acceptance. An example would be to seek geographic dispersion initially, and later within each area, to target sectors that allow the greatest project expansion while maintaining or improving the efficiency of carrying out the activities.

The function of training within a project aimed at modifying beneficiary behavior is crucial. Attention should be placed on defining the primary focuses, the strategies to be used, and the outputs and results to be measured. The central office should provide general guidelines and materials. The responsibility for making adaptations to and carrying out training should be assigned to staff close to the beneficiary to judge the effectiveness and make any further changes. It is the only way to incorporate beneficiary-level participation, which improves acceptance and effectiveness.

The second type of training that should be made an explicit part of implementation plans concerns administrative and other skills needed by staff. Personnel skills need to be improved continually as the project demands increase, especially in computer literacy, promotion and training techniques, and other topics dealing with institutional development.

The scale of implementation is a function of strategy, and should be explicitly considered at the design stage. Skill levels adequate for both technical and administrative implementation of small, localized projects typically undertaken by PVOs usually are inadequate for larger and more complex projects. For larger scale activities more staff alone is not sufficient to overcome technical deficiencies, and specialized assistance or training is required to fill this project need.

B. Techniques and Approaches

A microenterprise development project whose primary function is providing access to credit financing needs to develop much more than the credit delivery system to be successful. Training is required on techniques for determining an individual's credit requirements and how to use this resource, and also on strengthening the commitment to proper use of credit and to its repayment.

A second aspect in determining a strategy concerns the desired results. The village banking approach is ideal for the first level of credit needs and uses—helping to meet basic subsistence—but is not subject to much economies of scale and therefore remains relatively expensive to administer. The more traditional microenterprise lending mechanism is more applicable to the needs and uses of entrepreneurs and does lead to lower unit delivery costs with increased volumes. For village banking to become a permanent service, it must rely upon continual donor support or be subsidized by other operations which yield a surplus. Therefore the village banking component must remain conditioned on a profitable credit operation aimed at other users.

For the village bank-microenterprise combination to work a careful strategy is required, so that the second component can fund the first. Microenterprise groups need to be targeted to provide the potential demand, and this usually means urban and semi-rural areas that already are commercially active and largely without access to affordable credit.

Large, complex projects often must choose between (1) reaching out to their potential clientele at the risk of incurring excessive costs and thereby straining their funding to reach the end of the project, or (2) carefully and methodically developing the project based on continual fine-tuning of policies and procedures, with the possibility that they fall short of project targets. This quandary is probably unavoidable, but could be minimized by choosing several intermediate stages, each with its own set of approximate targets, funding and resource levels, and implementation strategies.

The village bank activity requires a very large dose of promotion not only at the outset to get people working together, but also to maintain their responsibility and identification with the discipline required once the novelty has worn off. The microenterprise activity is less dependent on promotion, but could have a more sustained requirement of specific training.

C. Self-sustainability

The CAM experience suggests that self-sufficiency is affected by a need to concentrate in local focus rather than in external management. An approach favoring assistance over intervention, even though it may be slower, should cultivate the learning process in the local institution toward self-sustainability. External funding is required to nurture the local institution and capital formation, until the institution can live on internal revenues solely.

Self-sufficiency is more likely to be achieved if efficient lending and financial intermediation receive priority over social promotion. Moreover, self-sufficiency implementation should be marketed and not socially driven, so that expansion decisions and services can be taken or defined upon market possibilities to reach the operational efficiency that self-sustainability needs. Projects motivated by social promotion are by nature dependent on external sources for funding and direction, and tend to end once such external sources terminate.

D. Project Replicability

FINCA's village banking model shows potential for successful replicability under certain restrictions. The model is not yet well developed or mature, and its implementation processes are not yet systematized.

Other Salvadorans and international institutions doing village banks in El Salvador recognize that upon testing the FINCA model, the manuals did not include operational and financial mechanisms for programmatic control and supervision, which made them create their own means to be able to manage their projects. However, they also recognize that the conceptual model is replicable.

Since the typical CAM beneficiary has particular characteristics and needs, and the project has been implemented under non-stabilized social and economic conditions, the replicability of the CAM experience will not necessarily work in any type of poverty environment. The population is ethnically homogeneous and concentrated, and CAM beneficiaries have easy access to markets in large non-formal economies, where women have always played a key role. Lastly, male Salvadorans were directly involved in the country's civil war, and this demanded a more active role of women in the family's economy, since men were dead, wounded or migrated.

E. Institutional Concentration or Multiplication

In the short and midterm, CAM/FINCA methodology cannot be imposed on other local, socially driven, and non-permanent programs. Institutions with integrated approaches to servicing the poor should not be restrained from including village banking as part of their assistance packages. The only compulsory requirement shall be full recovery of capital and opportunity cost.

ANNEX A

EVALUATION TEAM

ANNEX A
EVALUATION TEAM

A. Background and Experience

Chemonics International was awarded the contract to conduct the evaluation. This firm assigned the responsibility to three specialists, Mario Ganuza as team leader; Miguel A. Rivarola as financial/credit analyst, and Jeffrey R. Nash as rural financial analyst.

Mario Ganuza was selected as team leader based on his graduate background in management and finance in the Harvard Business School international program INCAE in Costa Rica, and his combined experience in microenterprise, business and institutional development. He has over 20 years of experience both as manager and consultant in El Salvador and Central America, with additional assignments in South America, the Caribbean, West Africa and Southeast Asia, Mr. Ganuza worked for the National Sugar Institute in El Salvador and directed the first integrated operation, production, and marketing of all the sugar mills in the country. He directed consulting services for Technoserve in El Salvador and Panama and assisted in the development of its regional expansion plans. He assisted Plan International, a multinational NGO, to systematize and institutionalize a worldwide microenterprise promotion and credit program, and trained over 50 local managers from 22 countries in programmatic and financial planning and in monitoring and evaluation of microenterprise loan projects. He evaluated the institutional development and training plans of Bangladesh Rural Advancement Committee, and currently advises on business development to private businesses in the United States and on international development to international organizations. Mr. Ganuza speaks native Spanish and fluent English.

Miguel Angel Rivarola has a degree in law and social sciences, and a degree in business administration and MBA from California Coast University in Santa Ana, California. He is a finance, credit, and cooperative specialist with more than 25 years of experience in institutional and financial analysis, microenterprise development, and management of agricultural cooperatives and credit union associations. He currently works with the Paraguayan Development Foundation and with the IDB as institutional advisor in a women's development project. He has been working with the International Fund for International Development to provide institutional analysis and develop technical assistance packages for three regional financial institutions in Latin America. He served as senior financial advisor and COP on the AID Agricultural Cooperative Marketing project in Panama and on the Integral Cooperatives project in Bolivia. For both projects, he provided senior leadership and technical assistance on feasibility study preparation and analysis, credit applications and analysis, financial projections, and budgets. He also provided short-term technical and training assistance to UNIOCOOP under USAID's Small Farmer Organization Strengthening project in Honduras. Mr. Rivarola has worked for USAID and private sector organizations throughout Central and South America and in western African countries. Native Spanish, fluent English.

Jeffrey R. Nash is an American consultant living in San Salvador and doing consulting to AID through major development consulting firms such as National Cooperative Business Association, Harvard Institute for International Development, and Arizona State University. He has a Masters degree in economics from Vanderbilt University in Nashville, Tennessee and is an expert in rural credit and cooperative development in Latin America. Mr. Nash has extensive hands-on experience in El Salvador and Bolivia developing and advising rural and agricultural credit and cooperative institutions. Experienced in the development of operational policies, loan and credit programs, and training workshops and manuals. He designed and implemented a pilot credit program in El Salvador and trained credit and loan staff in credit delivery and management in El Salvador, Bolivia, and Liberia. He currently writes policies and operations manuals for a loan program targeting agricultural reform cooperatives, small farmers, and labor union associations. He speaks fluent Spanish.

B. Roles in the Evaluation

Team Leader Mario Ganuza was responsible for the general direction and coordination of the team, and analysis of the institutional development and training. He established the general context for the analysis of the credit programs and participated in the analysis of the impact. He directed the design and implementation of the survey and contributed his expertise in the analysis of its results and kept the evaluation focussed on the key issues, particularly self-sustainability.

Microenterprise credit and financial specialist Miguel Angel Rivarola was responsible for the analysis of the individual loan program, known as microenterprise loan program or Division B, and for FINCA's project management performance and AID relations. He also contributed to the analysis of the institution's development and financial performance of both credit programs and potential self-sufficiency of the project.

Rural credit and financial specialist Jeffrey R. Nash was responsible for the analysis of the village bank's credit program, known as Division A, and for the financial analysis of the institution. He also contributed to the analysis of the institution's development and of the other small projects with village banks in the country. Early in the evaluation, he made a relevant contribution to the design of the survey and methodology.

ANNEX B

BIBLIOGRAPHY

ANNEX B
BIBLIOGRAPHY

AID. "Microenterprise Development Project Paper." USAID/El Salvador. August 31, 1990.

AID. "Project Official Files." USAID/El Salvador. August 1990 through August 1993. El Salvador.

AID. "Project Implementation Letters Nos. 1/28 of AID Project 519-0318." El Salvador.

AID. "Cooperative Agreement No. 519-0318-A-00-0352-00 (Microenterprise Development Project)." Washington, D.C. August 31, 1990.

AID. "Amendments Nos. 1 through 5 of Cooperative Agreement No. 519-0318-A-00-0352-00 (Microenterprise Development Project)." El Salvador May 15, 1991, June 19, 1992, October 28, 1992, January 13, 1993, and February 26, 1993.

Carana Corporation. "Institutional Assessment of Finca International." San Salvador, El Salvador. August, 1992.

Centro de Apoyo a la Microempresa. División de Capacitación y Asistencia Técnica. "Manual de Capacitación de Microempresas." El Salvador.

Centro de Apoyo a la Microempresa. "Estrategia de Dessarrollo de la División de Microempresas." Primero y Segundo Manual. El Salvador.

Centro de Apoyo a la Microempresa. "Manual de Procedimientos para Microempresas El Salvador." Junio de 1992.

Centro de Apoyo a la Microempresa. "Manual de Crédito para Grupos Solidarios y Programas de Crédito a la Microempresa." El Salvador. Junio de 1992.

Centro de Apoyo a la Microempresa. "Manual de Promoción de la Microempresa." Programa de Microempresas. Programa de Capacitación. El Salvador. Junio de 1992.

Centro de Apoyo a la Microempresa. "Manual de Liquidación de Fin de Ciclo." Dirección de Bancos Comunales. Capacitación y Asistencia Técnia. Borrador. El Salvador. Abril de 1993.

Centro de Apoyo a la Microempresa. "Manual de Normas y Procesos." Dirección de Bancos Comunales. Borrador. El Salvador.

Centro de Apoyo a la Microempresa. "Manual de Organización." Dirección de Bancos Comunales. Borrador. El Salvador.

Centro de Apoyo a la Microempresa. "Guía Planificada para el Desarrollo de la Actividad de Capacitación del Programa de Bancos Comunales 1992-1993." Dirección de Bancos Comunales. El Salvador. Octubre de 1992.

Centro de Apoyo a la Microempresa. "Manual de Capacitación de Bancos Comunales." División de Capacitación y Asistencia Técnica. El Salvador. Junio de 1992.

Centro de Apoyo a la Microempresa. "Manual de Capacitación Técnica." División de Capacitación y Asistencia Técnica. El Salvador. Setiembre de 1992.

Centro de Apoyo a la Microempresa. "Manual de Promoción de Bancos Comunales." El Salvador. Enero de 1992.

Centro de Apoyo a la Microempresa. "Manual de Procedimientos de Bancos Comunales." El Salvador. Junio de 1992.

Centro de Apoyo a la Microempresa. "El Cobro." Dirección de Bancos Comunales. El Salvador.

Centro de Apoyo a la Microempresa. "Manual de Capacitación de Bancos Comunales. Programación de la Capacitación y el Monitoreo del Seguimiento de Bancos Comunales." El Salvador. Junio de 1992.

Centro de Apoyo a la Microemepresa. "Catalogo de Cuentas." El Salvador.

Centro de Apoyo a la Microempresa. "Monitoreo Trimestral. Trimestre II de FY/92/93. Diciembre, 1992 a Febrero de 1993." San Salvador, El Salvador. Abril de 1993.

Centro de Apoyo a la Microempresa. "Monitoreo Trimestral. Trimestre III de FY/93. Marzo, Abril y Mayo de 1993." San Salvador, El Salvador. Julio de 1993.

Centro de Apoyo a la Microempresa. "Compliance with Targets of Third year Work Plan." San Salvador, El Salvador.

Checchi and Company Consulting Inc. "Evaluation of Program for Small and Microenterprises (PROPEMI)." Final Report. Washington, D.C. February, 1992.

Chemonics International/Daniel Carr & Associates. "CAM/FINCA Mid/Term Evaluation Project. Phase I. Survey Results of CAM//FINCA." San Salvador, El Salvador. July, 1993.

Foundation for International Community Assistance and the Microenterprise Support Center. "Third Year Action Plan." (Sept. 1992 - Aug. 1993). San Salvador, El Salvador. September, 1992.

Foundation for International Community Assistance and the Microenterprise Support Center. "Fourth Year Action Plan." (Sept. 1993 - Aug. 1994). San Salvador, El Salvador. August, 1993.

Fundación Salvadoreña para el Desarrollo Económico y Social. "Memoria de Labores 1991." El Salvador, 1992.

Fundación Salvadoreña para el Desarrollo Económico y Social. "El Empresario. Programa de Promoción a la Pequeña y Microempresa." Año 1, No. 1, 1993. Enero, Febrero y Marzo. El Salvador.

Fundación Salvadoreña para el Desarrollo Económico y Social. Centro de Desarrollo Social. "FUSADES. 10 AÑOS." La Prensa Gráfica. 22 de Abril de 1993. El Salvador.

Gomez, Arelis. "Informe sobre el Programa: Analisis del Punto de Equilibrio y Proyecciones de Autosuficiencia." FINCA International. San Salvador, El Salvador. Julio de 1992.

Gomez, Arelis. "Informe de Visita 26-31 de Octubre de 1992." FINCA-Centro de Apoyo a la Microempresa. San Salvador, El Salvador. Octubre, 1992.

Holt, Sharon L. "Gemini Working Paper No. 25." Village Banking: A Cross-Country Study of a Community-Based Lending Methology. Development Alternatives, Inc. and others. Washington, D.C. December, 1991.

KPMG Consultores. "Sistema de Encuesta Salarial." Reporte SESPR21. El Salvador. Octubre de 1992.

KPMG Consultores. "Encuesta Salarial Centroamericana." El Salvador. Julio de 1993.

ANNEX C

WORK SCHEDULES

ANNEX C
WORK SCHEDULES

GENERAL SCHEDULE FOR THE EVALUATION

ACTIVITIES	DATES
SURVEY	
1. Initial setup, travels and general planning	May 24-29
2. Project review, goals and methodology design	May 31-June 5
3. Survey planning and questionnaire design	June 7-9
4. Pilot test and adjustment of questionnaire	June 9-12
5. Survey implementation, processing, analysis	June 14-10
6. Survey reporting and presentation of results to AID	June 12-17
7. Mission's review of results	June 19-30
EVALUATION	
8. Team organization and planning	August 2-7
9. Interviewing, data gathering and analysis	August 9-21
10. Drafting findings, conclusions and recommendations	August 23-28
11. Presenting results to AID and finalizing report	August 30-September 4
12. Debriefing AID/WA	September 6-7

SCHEDULE FOR THE EVALUATION TEAM'S MEMBERS

ACTIVITIES	DATES
TEAM LEADER	
1. Evaluation setup in WA/DC and San Salvador	May 24-29
2. Evaluation work plan and survey methodology/local team	May 31-June 5
3. Survey planning and implementation start up	June 7-June 19
4. Off duty designed lap	June 21-July 10
5. Reporting on survey's results and presentation to AID	July 12-17
6. Off duty designed lap	July 19-31
7. Planning evaluation activities and Team organization	August 2-7
8. Coordinating Team and evaluating project	August 9-Sept. 4
9. Debriefing AID/WA	September 6-7

SPECIALISTS

1. Setup and team organization	August 5-7
2. Interviewing, data gathering and analysis	August 9-21
3. Drafting findings, conclusions and recommendations	August 23-28
4. Presenting results to AID and finalizing report	August 30-Sept. 4

SCHEDULE FOR THE SURVEY

ACTIVITIES	DATES
1. Survey methodology	June 2-5
2. Survey planning, questionnaire and pilot test	June 7-12
3. Interviews and data input	June 14-26
4. Data processing and analysis	June 28-July 10
5. Reporting on survey's results and presentation to AID	July 12-17

ANNEX D

LIST OF PERSONS AND INSTITUTIONS INTERVIEWED

ANNEX D
LIST OF PERSONS AND INSTITUTIONS INTERVIEWED

AID

John Lovaas, Deputy Director
James Stephenson, PRE
John Sullivan, PRE
Rosa Maria de Guirola, PRE
Jeannette Salamanca, PRE
Salvador Novellino, DPP
Karen Freeman, DPP
Carol Steele, DPP
Michael Deal, PRJ
Martin Shultz, CONT
Paula Miller, CO
Douglas Arnold, CONT
Parvis Shahidinejad, CONT

CAM

Beneficiaries Microenterprise Lending Program
Beneficiaries, Village Bank Program
María Elena Alfaro, CAM Chairman
Daniel Castellanos, CAM Vice-Chairman
Manuel Humberto Rivera, Member of the CAM Board
Jose Osvaldo Aguilar, Human Resources
Angel Herrera, Finance
Magda de Sánchez, Finance
Salvador Muñoz, Village Banks
Ricardo Segovia, Training
Julia Mena, Training
Marta Alicia Palma, Microenterprises
Morena Fuentes, Microenterprises
Noel Espinoza, Information Systems
Concepción Maravilla, Public Relations
María de los Angeles de Valle, Microenterprise Supervisor, Western Region
Blanca Blanco, Microenterprise Supervisor, Central Region
Minia de Fernandez, Microenterprise Supervisor, Eastern Region
Sonia de Rodríguez, Microenterprise Supervisor, Mid-East Region
Evelyn López, Regional Director Central Region
Eugenia Sandoval, Central Region
Dixie de Arévalo, Eastern Region

97

María Elizabeth Hernández, Eastern Region
Gloria María Garzona, Chief Accountant
José Burgos, Credit Programs Accountant
David Polanco, former CAM Executive Director

CATHOLIC RELIEF SERVICE

Miguel Arturo Aguirre, Manager
Ginger Mc Nally, Project Manager

COMCORDE

Roberto Rivas Iglesias, President
Luís Angel Zelaya, General Manager
José Concepción Velázquez, Project Manager

FINCA

Rupert Scofield, Chief Executive Officer
John Hatch, Chief of Party
Joann Hall, Project Assistant
Lawrence Yanovitch, Technical Support Manager
Andrew Krefft, Interim CAM Executive Director
Joann Ramlow, Auditor
Arelis Gomez, FINCA

FIS

Guadalupe de Pacas, Public Relations
Carlos Flores, Microenterprises

FIS/ALA/EEC

Haydee de Trigueros, FIS National Coordinator

FUSADES/PROPEMI

Geannina de Tobar, Microenterprise Credit Manager

IDB

Stephen McGaughey, El Salvador Representative
Roberto Linares, Small Projects
Juan Vicente Fruet, Financial Analyst

SNF

Ana Isabel de Paredes, Village Bank Program Director
Arturo Rosales, Executive Director FINCA/El Salvador

ANNEX E

STATEMENT OF WORK

ANNEX E
STATEMENT OF WORK

The purpose of this evaluation is two-fold: (1) to assess progress under the Microenterprise Development Project No. 519-0318 and (2) to look at the current implementation of the village bank model by surveying other AID-funded organizations currently implementing this model in El Salvador. In order to accomplish these objectives, the valuative process outlined below will concentrate on the Microenterprise Development Project (519-0318). Survey work will be expanded to include sampling of other activities. The final report will contain an annex which provides an analysis of the implementation of the village bank model in terms of its effectiveness, sustainability and impact on beneficiaries. This section will also include an assessment of the effectiveness of the Mission's current bi-model implementation, i.e., dispersion vs. concentration. Does it make sense to have several organizations involved or should one implementing agency take the lead and specialize its role?

A. The Contractor Will Be Required to Analyze the Following Aspects of the Microenterprise Development Project

- **Basic project design elements.** Review the basic Project design, i.e., three components (Institutional Development, Financial Services, Non-Financial Services) and key people (CAM staff, CAM Board of Directors, Credit Committees, Promoters, Trainers, etc.) and assess whether the Project, as currently designed is appropriate, relevant, and actually producing the desired results.

  The Contractor will make recommendations for improvement, if deemed necessary, in the basic Project design to meet the Project goal and purpose.

- **Financial self-sufficiency** of great interest and importance to AID is the degree to which CAM is financially viable and able to continue lending/training activities beyond the Life-of-Project, since it is only in the fashion that the Project will have the maximum impact. The Contractor will assess CAM's cost structure, in order to determine the cost per loan, cost-sharing mechanisms, and the costs of implementing the Project, as designed, to determine progress made toward self-sufficiency. The evaluators will also evaluate present supervisory ratios and, where appropriate, make recommendations to improve the cost-effectiveness of the program.

- **Institutional effectiveness and role of CAM.** The Contractor will assess CAM's institutional capability to serve as a lender to village bankers and microentrepreneurs, its needs for trained personnel, and the other requirements described under Components One, Two and Three of the 519-0318 Project.

Specific examples will be discussed in the final report, and recommendations will be made on how this role can be enhanced if appropriate.

In addition, the Contractor will review CAM's organization philosophy according to the design of the project, which proposes a role for the CAM as a lending institution, to promote the democratization of credit by making resources for productive investment available to a large number of microentrepreneurs with limited access to formal financial markets. Contractor will recommend what the CAM should and should not be doing and what should be the direction of the Project in this regard. Included in this section will be an analysis of the role of the Foundation for International Community Assistance - FINCA and FINCA/PSO in meeting the CAM's Project purpose, and self-sufficiency.

- **Effectiveness and relevance of training.** With respect to the Project purpose of Component Three, the Contractor shall assess the role of training under the project, i.e. appropriateness to needs, cost effectiveness, impact and optimal length (when does training reach diminishing returns vis-a-vis serving more clients).

- **Financial and management procedures.** The Contractor shall review financial and monitoring systems and procedures to ensure that they are being carried out in accordance with the Project Agreement and in accordance with prudent management and financial accountability procedures. The Contractor will assess whether appropriate and accurate controls and monitoring procedures are being utilized to support Project implementation in compliance with A.I.D. requirements. Has CAM established an effective system for providing and monitoring loans to village bankers and microentrepreneurs? Are loan collection policies established, effective, and enforced?

- **Managerial and administrative capabilities and systems.** The Contractor shall review the managerial and administrative systems and procedures which CAM has put in place to implement the 519-0318 Project to determine the effectiveness thereof. This will include a review of CAM's planning capabilities to assess, for example, whether annual action plans are realistic and relevant, and what monitoring systems are in place to enable CAM to measure progress throughout the year and over the Life-of-Project. Are computer programs being used effectively as management tools?

- **Women in development.** The Contractor shall address the following questions:

  <u>Design, Appraisal and Implementation</u>

  How were the interests and role of women (compared to men) taken into account in the design and implementation stages of the project?

  In what ways did women (compared to men) participate in these processes?

Effects and Impacts

What were the effects, positive or negative, of the project concerning women's (compared to men's) access to income, education and training, and with respect to workloads, role in household and community, and health conditions?

Are the results achieved by the project equally sustainable between men and women beneficiaries?

- **Relationship to program objectives.** Contractor will assess the extent of this project's contribution to USAID Strategic Objectives, as expressed in the USAID/El Salvador Program Objectives Document, and how this contribution might be enhanced.

B. Methodology

The evaluation methodology should include, but not be limited to:

Part I: Impact Survey to provide data to support recommendations

A. The Contractor shall review the original proposal from FINCA for an AID-funded Cooperative Agreement for the 519-0318 Project and amendments thereto, CAM's annual action plans, the most recent Semi-Annual Reports on the Project, the Suan Arce Puican Report on CAM's Training Methods, the Lanao-Salinas Report on CAM's Lending Procedures, the Arelis Gomez Report on Division B (Microenterprises) of the CAM, the CARANA Institutional Assessment on FINCA//CAM and the German report for IDB.

B. Interviews with FINCA International/CAM and AID personnel involved in the Project in order to develop data to make the questionnaire used for the survey.

C. Team Leader will design survey, contract and organi~e a Salvadoran survey team.

D. Randomly select a statistically valid sample and conduct interviews in a group setting in the 14 departments for: (1) CAM's Village Banks; (2) CAM's Division A and B users,

   a. A random sampling of not less than 20 percent of all CAM and SNF village banks that have completed three (3) credit cycles will be conducted to obtain comments on their training course, impact of credit on their business and on their lives.

   b. A random sampling of not less than 20 percent of all CAM loans to Div. B users will be interviewed on a random basis to obtain their comments on the impact of credit on their business and lives.

E. Contractor must present final results of survey to AID before start of Part II.

F. Team Leader will spend at least 2 days in Washington with AID Contracting Officials and FINCA Alexandria staff, before he starts the first part of this evaluation, in order to get the necessary data to organize this contract.

Part II: Project Evaluation

A. The Contractor shall conduct interviews with CAM personnel involved in the Project and clients of the Centro de Apoyo a la Microempresa (CAM). Based on survey results, the Contractor shall visit selected clients of CAM and ascertain their views on the services provided by CAM.

The Contractor shall interview CAM's designated representatives and obtain their input for the subject evaluation. This will include representatives from the Foundation for International Community Assistance Alexandria Office, and their Project Support Office in San Salvador, the CAM Board of Directors, the CAM Credit Commission, the CAM Executive Director, CAM Div. A Manager (Village Banks) CAM Div. B Manager (Microenterprises), CAM Div. C Manager (Training), and CAM Regional Directors.

B. The Contractor shall meet with representatives of the following Mission Offices to gain their perspectives and insights on the Project: Mission Deputy Director, the Private Sector Office, Mission Program and Development Office, the Projects Office, and the Controller's Office.

C. In this part, the Team leader should spend no more than 5 days in Washington, D.C. to organize his team before arrival in El Salvador. The two other specialists who will be part of this team will spend no more than 3 days in Washington to make the necessary arrangements before arrival in El Salvador and 3 days in Washington after they leave El Salvador upon completion of the second part of this contract.

Procedures. The effort required under this Delivery Order will be divided into two parts:

Part I: Survey (up to 30 working days). During Part I, the Contractor will develop//organize the appropriate support necessary to carry out a survey among the CAM's beneficiaries. This will include developing data gathering instruments and hiring local (Salvadoran) administrative and research personnel to formulate a questionnaire that will be used for the survey, and provide it to the Mission for review/approval before initiating the process. Along with the questionnaire, the Contractor shall present a methodology to the Mission which will include a work plan detailing steps to be taken during the survey process, etc. USAID, based on the Contractor's comments, may agree to changes in the scope of work provided however, that such changes do not result in an increase to the level of effort from that stated in the IQC work order. Private Sector Office and Mission Evaluation Office will provide their comments to the Contractor's on the proposal survey questionnaire.

<u>Part II: Evaluation Process</u>. (up to 30 working days). The Contractors shall commence Part II upon receipt of USAID acceptance of Contractor effort under Part I. During Part II the actual evaluation will be accomplished and an acceptable draft report submitted to USAID prior to any team member departing El Salvador.

ANNEX F

SURVEY QUESTIONNAIRE

IMPACTO SOCIOECONOMICO DE BANCOS COMUNALES

CAM/FINCA 693 USO OFICINA

REGION	CICLOS	SEXO	EDAD	POB.
1..... AMSS 2..... OCC 3..... CTL 4..... PCTL 5..... OTE	3 4 5 6 7	1..... FEM. 2.... MAS.	1.... 18 o menos 2.... 19 a 34 años 3.... 35 a 54 años 4.... 55 o más	1..... URB. 2..... RUR.

CUESTIONARIO NO. ____________

ENTREVISTADOR ____________

FECHA __ __ / __ __ / 93

SUPERVISOR ____________

CODIFICADOR ____________

BANCO ____________ SOCIO ____________

MUNICIPIO ____________ DEPARTAMENTO ____________

BUENOS DIAS/BUENAS TARDES. Mi nombre es _______ y trabajo para la empresa Daniel Carr y Asociados. Hoy estamos realizando un encuesta para conocer las diferentes experiencias de los socios de bancos comunales de CAM, y su sincera opinión acerca de los resultados obtenidos en su trabajo y en el hogar.

1. Para comenzar, ¿a cuántos minutos queda el banco comunal de su casa? ____________ Minutos

2. ¿En que fecha ingresó a bancos comunales? ____________ Mes/Año

3. ¿Y cuál fue la razón principal que le motivó a pertenecer al banco? ____________

4. ¿A qué se dedica usted actualmente? ____________

5. ¿Y en qué zonas desempeña su trabajo? MISMA COMUNIDAD..... 1 FUERA..... 2

6. Antes de pertenecer a bancos comunales, ¿a qué tipo de actividad se dedicaba? ____________

7. En el tiempo que usted tiene de ser socio, ¿cuántos préstamos ha recibido de su banco comunal? (CUENTA EXTERNA - SEGUN NUMERO DE CICLOS) ____________ (MINIMO 2)

8. ¿Y cuántas veces ha hecho uso de la cuenta interna? ____________

9. ¿Ocupa algún cargo en la directiva del banco? SI.......... 1 NO.......... 2

DATOS PERSONALES DEL SOCIO

10. Ahora me gustaría conocer algunas características de los miembros de su familia. Empezando con usted, ¿qué edad tiene? (FECHA DE NACIMIENTO) ____________

11. ¿Hasta qué grado escolar estudió?
    - NINGUNO (0) ____________
    - PRIMARIA (1-6) ____________
    - BASICA (7-9) ____________
    - OTROS (ESPECIFICAR) ____________

12. ¿Sabe usted leer y escribir? SI.......... 1 NO.......... 2

13. Aparte de la escuela, ¿ha realizado algún estudio vocacional? SI.......... 1 NO.......... 2

14. Ahora hablemos de su hogar.

14. # PERSONAS	15. ¿Quién es el jefe de la familia? ¿Qué otras personas dependen económicamente del jefe de la familia? Empecemos con los de mayor edad.	16. PARENTESCO CON JEFE HOGAR Identifique el parentesco con: 1. Jefe 2. Conyuge 3. Hijo 4. Nieto 5. Otros	17. EDAD	18. ¿Cuál fue el último grado escolar aprobado? Ningúno = 0	19. ¿A qué se dedica? 1. Banco 2. Otro trabajo 3. Estudios 4. Hogar 19. ACTUAL	20. ANTES DEL BANCO	21. *SI HAY CAMBIO* (códigos de preguntas 19/20) ¿Por qué cambió? ***SI el banco comunal influyó en el cambio, anote 1. SI no influyó anote 2.***
1	ENTREVISTADO						
2							
3							
4							
5							
6							
7							
8							
9							
10							

Asegúrese de incluir todas las personas, incluyendo niños menores de 1 año de edad, que dependen económicamente del jefe de la familia

DATOS DEL NEGOCIO

Ahora me interesaría conocer algunos aspectos de su negocio.

22. Cuénteme, ¿qué clase de trabajo realiza (con los préstamos del banco)?

(NO LEA - ANOTE LA PRINCIPAL)

COMPRA/REVENTA DIARIA (COMERCIANTE).............................. 1
COMPRA INVENTARIO/REVENTA DIARIA (COMERCIO)............... 2
OTRO (ESPECIFICAR)________________________________ 3

23. ¿Y este trabajo (del banco comunal) es de temporada o permanente?

TEMPORADA.............................. 1
PERMANENTE.......................... 2

24. Incluyendo a usted, ¿cuántas personas familiares y no familiares trabajan actualmente en su negocio?

25. Y antes de recibir su primer préstamo de su banco comunal, ¿cuántas personas trabajaban en su negocio, incluyendo a usted?

	TOTAL		TOTAL	
	MASC.	FEM.	FAMILIARES	NO FAMILIARES
P. 24 ACTUALMENTE				
P. 25 ANTES				

26. ¿Veamos ahora cuánto tiempo le dedican al negocio. Empecemos con usted. Durante los siete días de la semana, comenzando con el día Lunes, ¿cuántas horas dedica usted a su negocio?

ENTREVISTADOR : Pregunte para cada día de la semana y repita para cada una de las personas que trabaja en el negocio.

	LUN.	MAR.	MIE.	JUE.	VIE.	SAB.	DOM.	TOTAL
1. ENTREVISTADO								
2.								
3.								
4.								
5.								
6.								
7.								
8.								
9.								
10.								
TOTAL HORAS								

27. Para su familia, ¿diría usted que su negocio es la fuente de ingreso más importante (primaria) o complementaria?

UNICA.. 1
MUY IMPORTANTE.................... 2
COMPLEMENTARIA.................. 3

28. Cambiando de tema,
¿cuál fue la cantidad del ***último préstamo*** que recibió de CAM? ¢ ____________

29. ¿Qué uso específico le dió al dinero del último préstamo?

COMPRA DE PRODUCTOS PARA LA REVENTA............ 1 ____________
MATERIA PRIMA/MATERIALES DE TRABAJO............ 2 ____________
COMPRA O REPARACION DE MOBILIARIO/EQUIPO DE TRABAJO............ 3 ____________
MEJORAMIENTO AL LUGAR DE TRABAJO............ 4 ____________
CANCELACION DE DEUDAS DEL NEGOCIO............ 5 ____________
USOS PERSONALES (ESPECIFICAR) ____________ 6 ____________

30. Para usted, ¿qué tan difícil es pagar sus cuotas?

MUY DIFICIL............ 1
ALGO DIFICIL............ 2
FACIL............ 3

31. Y actualmente, ¿está al día con sus pagos o tiene algún atraso o mora?

AL DIA............ 1
MORA............ 2

32. Y desde que recibió ese último préstamo, ¿tuvo algún atraso o mora en el pago de las cuotas semanales?

SI............ 1 (PASE A P. 33)
NO............ 2 (PASE A P. 34)

33. ¿Por qué? ____________

____

34. Ahora vamos a hablar acerca de las reuniones de la promotora. Aproximadamente, ¿cuántas veces al mes asiste ***usted*** a las reuniones del banco? ____________

35. Y qué tipo de capacitación ha recibido en las reuniones con la promotora?

NO LEA

ORGANIZAR EL BANCO............ 1
MEJORAR EL NEGOCIO............ 2
MEJORAMIENTO FAMILIAR............ 3
CONTROL Y PAGO DEL PRESTAMO............ 4
OTROS (ESPECIFICAR) ____________ 5

IMPACTO ECONOMICO

Ahora me gustaría hablar sobre algunos aspectos económicos. La información que le voy a pedir es muy importante para conocer el efecto del programa en la condición de vida de los diferentes socios de bancos comunales.

36. ¿Actualmente, mantiene inventarios de productos o mercadería para la venta?

SI............ 1 (PASE A P.37)
NO............ 2 (PASE A P.39)

37. ¿En cuánto estima usted el valor de los inventarios de productos o mercadería para la venta que tiene actualmente? ¢ ____________

38. Y ***antes*** de pertenocer a bancos comunales, ¿cuánto era el valor del inventario? ¢ ____________

39. ¿Cuánto gasta usted en la compra de productos, materias primas o materiales para su negocio en un día normal? Y en la semana, ¿cuánto es el monto total que gasta en la compra de productos para su negocio?

40. Y ***antes*** de pertenecer a bancos comunales, ¿cuánto gastaba en un día normal en la compra de productos para su negocio?

41. Ahora, ¿cuánto vende diario? ¿Y por semana?

42. Antes de pertenecer a bancos comunales, ¿cuánto vendía diario? ¿Y por semana?

43. Actualmente, ¿cuánto paga de cuota semanal?

44. ¿Y cuánto le queda diario para cubrir sus gastos familiares? ¿Y por semana?

45. Y antes de pertenecer a bancos comunales, ¿cuánto le quedaba diario para cubrir sus gastos familiares? ¿Y por semana?

	AHORA		ANTES	
	DIARIO	SEMANAL	DIARIO	SEMANAL
39/40. COMPRAS/NEGOCIO				
41/42. VALOR DE VENTAS				
43. CUOTA SEMANAL				
44/45. INGRESO NETO				

---

46. Actualmente, ¿cuánto tiene ahorrado en el banco comunal? ¢ ________

47. ¿Y cuánto tiene ahorrado en la casa o en otra institución? ***EXCLUYENDO AL BANCO COMUNAL*** ¢ ________

48. Y antes de pertenecer a bancos comunales, ¿cuánto había logrado ahorrar en total? ¢ ________

---

49. Y ahora, aparte del banco comunal, ¿de cuáles fuentes recibe préstamos y créditos, ya sea para su negocio o para sus gastos personales? ***Incluye crédito obtenido en tiendas, almacenes, de proveedores, etc.***

50. Antes de ingresar al banco comunal, ¿de cuáles fuentes recibía préstamos, ya sea para su negocio o para sus gastos personales? ***INSISTIR Y AYUDA A RECORDAR***

FUENTES	49. AHORA	50. ANTES
PROVEEDORES	1	1
PARIENTES O AMIGOS	2	2
PRESTAMISTAS	3	3
BANCOS FORMALES	4	4
ASOC. DE AHORRO Y CREDITO	5	5
COOP. DE AHORRO Y CREDITO	6	6
OTROS (ESPECIFICAR)	7	7
NINGUNA	8	8

---

51. ¿Estaría usted dispuesto a dejar su negocio si alguien le ofreciera trabajo pe.manente y bien pagado?

SI..................... 1 (PASE A P. 52)
NO..................... 2 (PASE A P. 53)

52. ¿Cuánto le tendrían que pagar para dejar su negocio? ¢ ________

(Especificar sueldo semanal, quincenal o mensual)

53. Ahora, quisiera hacerle algunas preguntas para comparar las condiciones de vida que tenía antes de pertenecer al banco. ¿Cuándo su familia............

	HOY	ANTES/BANCO	IGUAL
53. ¿...vivía mejor?	1	2	3
54. ¿...comía mejor?	1	2	3
55. ¿...podía comprar más medicinas?	1	2	3
56. ¿...podía mandar los hijos a la escuela?	1	2	3
57. ¿...tenía más tiempo para pasear y descansar?	1	2	3

58. En esta tarjeta aparece una escalera con diez gradas que representan los niveles de vida que el hombre o muj puede llegar a alcanzar. Vamos a suponer que la grada más alta, es decir la número 10 representa la mejor vid posible que usted podría alcanzar, y la grada más baja, la número 1, representa la peor forma de vida que uste puede tener. En su caso, ¿en cuál de las gradas diría usted que se encuentra en este momento

59. ¿Y en cuál diría usted que estuvo parado antes de pertenecer a bancos comunales?

60. Finalmente, pensando en el próximo año, ¿en cuál de las gradas cree usted que estará parado?

	VALORIZACION DE LA VIDA									
58. HOY	1	2	3	4	5	6	7	8	9	10
59. ANTES DEL BANCO	1	2	3	4	5	6	7	8	9	10
60. PROXIMO AÑO	1	2	3	4	5	6	7	8	9	10

61. Después de pagar el préstamo actual, ¿tiene usted planes de seguir obteniendo prestamos de su banco comunal?

SI...................... 1 (PASE A P. 62)
NO.................... 2 (PASE A P. 63)

62. ¿Cuántos ciclos más? ____________

63. ¿Cuál es su meta de ahorros con su banco comunal? ¢ ____________

64. Cuando cumpla con esa meta, ¿en qué piensa invertir el dinero ahorrado?

NEGOCIO ACTUAL/NUEVO........ 1
DEUDAS PERSONALES............ 2
MEJORAS EN LA CASA............ 3
OTROS (ESPECIFICAR)............ 4
NO SABE.................................. 5

HAGA LA SIGUIENTE PREGUNTA SOLO SI LA PERSONA ENTREVISTADA ES MUJER

65. Para finalizar, le voy a leer algunos comentarios de socias de otros bancos comunales, y quisiera saber cuál de ellos describe mejor su experiencia con su banco comunal.

[1] Mi vida no ha cambiado mucho en los últimos años.

[2] A mi marido no le gusta que yo salga a reuniones, pero yo hago el esfuerzo para asistir, aunque él después se enoje.

[3] Ahora ya no siento pena de hablar a gente desconocida, y me siento más segura de mi misma.

[4] Ahora entiendo mejor las necesidades de mi familia, y me siento con posibilidades de ayudar a resolverlas.

[5] Ahora que gano dinero, ya tomo más decisiones, y estoy contribuyendo grandemente a resolver las necesidades de la familia.

AGRADECER Y DESPEDIRSE

IMPACTO SOCIOECONOMICO DE MICROEMPRESARIOS

CAM/FINCA 693 USO OFICINA

REGION	SEXO	EDAD	POB.
1..... AMSS 2..... OCC 3..... CTL 4..... PCTL 5..... OTE	1..... FEM. 2.... MAS.	1.... 18 a 34 años 2.... 35 a 54 años 3.... 55 o más	1..... URB. 2..... RUR.

CUESTIONARIO NO. ______

ENTREVISTADOR ______

FECHA __ __ / __ __ / 93

SUPERVISOR ______

CODIFICADOR ______

NOMBRE DEL MICROEMPRESARIO ______

MUNICIPIO ______ DEPARTAMENTO ______

BUENOS DIAS/BUENAS TARDES. Mi nombre es ______ y trabajo para la empresa Daniel Carr y Asociados. Hoy estamos realizando un encuesta para conocer las diferentes experiencias de los socios del CAM, y su sincera opinión acerca de los resultados obtenidos en su trabajo.

---

1. Para comenzar, quisiera que me confirmara si usted está participando en el programa de microempresarios del CAM.
   SI...................... 1
   NO.................... 2 (TERMINAR)

---

2. ¿Es usted miembro de un grupo solidario o tiene un préstamo individual?
   SOLIDARIO....... 1
   INDIVIDUAL...... 2

3. ¿Y cuál fue la razón principal que le motivó a pertenecer al CAM? ______

4. ¿Cuántos meses hace que usted recibió su primer préstamo del CAM? ______ Mes/Año

5. ¿Cuántos préstamos de CAM ha recibido usted en total? ______ No. Préstamos

6. ¿Cuándo recibió el último préstamo del CAM? ______ Mes/Año

7. Antes de entrar al programa, ¿cuál era su ocupación?
   MISMA QUE HOY...................... 1
   OTRA (Especificar).....................2

8. ¿Qué tipo de negocio tiene usted ahora? ______

9. *(SI prepara o elabora algún producto)* ¿A dónde prepara/elabora el producto que vende?

10. *(TODOS)* ¿A dónde vende sus productos?

LEA :	P.9 PREPARA/ELABORA COMUNIDAD	P.9 PREPARA/ELABORA FUERA	P.10 VENDE COMUNIDAD	P.10 VENDE FUERA
....en su casa/anexo a la casa?	10		10	
....en el mercado?	20	21	20	21
....en un local independiente?	30	31	30	31
Venta ambulante			40	41

11. ¿Qué tipo de clientes compran sus productos?

	COMUNIDAD	FUERA
FABRICAS	10	11
MAYORISTAS/DETALLISTAS	20	21
PARTICULARES	30	31
OTROS (Especificar)	40	41

12. Y el producto que usted vende es un producto intermediario (insumo de producción) o para consumo final?
    INTERMEDIARIO................ 1
    CONSUMO FINAL................2

DATOS DEMOGRAFICOS DEL HOGAR

13. Ahora me gustaría conocer algunas características de los miembros de su familia. Empezando con usted, ¿qué edad tiene? (FECHA DE NACIMIENTO) ______________

14. ¿Hasta qué grado escolar estudió?

NINGUNO (0) ______________
PRIMARIA (1-6) ______________
BASICA (7-9) ______________
OTROS (ESPECIFICAR) ______________

15. (SI NINGUN GRADO) ¿Sabe usted leer y escribir? SI.......... 1 NO.......... 2

16. Aparte de la escuela, ¿ha realizado algún estudio vocacional? SI.......... 1 NO.......... 2

17. Ahora hablemos de su hogar.

17. # PERSONAS	18. ¿Quién es el jefe de la familia? ¿Qué otras personas dependen económicamente del jefe de la familia? Empecemos con los de mayor edad.	19. PARENTESCO CON JEFE HOGAR Identifique el parentesco con: 1. Jefe 2. Conyuge 3. Hijo 4. Nieto 5. Otros	20. EDAD	21. ¿Cuál fue el último grado escolar aprobado? Ningúno = 0	22. ¿A qué se dedica? 1. CAM 2. Otro trabajo 3. Estudios 4. Hogar		24. ***SI HAY CAMBIO*** (códigos de preguntas 22/23) ¿Por qué cambió? ***Si el CAM influyó en el cambio anote 1. Si no influyó anote 2.***
					22. ACTUAL	23. ANTES DEL CAM	
1	ENTREVISTADO						
2							
3							
4							
5							
6							
7							
8							
9							
10							

Asegúrese de incluir todas las personas, incluyendo niños menores de 1 año de edad, que dependen económicamente del jefe de la familia

DATOS DEL NEGOCIO

Ahora me interesaría conocer algunos aspectos de su negocio.

25. Cuénteme, ¿qué clase de trabajo realiza (con los préstamos del CAM)?

(NO LEA - ANOTE LA PRINCIPAL)

COMPRA/REVENTA DIARIA (COMERCIANTE).............................1
COMPRA INVENTARIO/REVENTA DIARIA (COMERCIO).............2
OTRO (ESPECIFICAR)______________________________3

26. ¿Y este trabajo (del CAM) es de temporada o permanente?

TEMPORADA.............................1
PERMANENTE..........................2

---

27. Incluyendo a usted, ¿cuántas personas familiares y no familiares trabajan actualmente en su negocio?

28. Y antes de recibir su primer préstamo del CAM, ¿cuántas personas trabajaban en su negocio, incluyendo a usted?

	TOTAL		TOTAL	
	MASC.	FEM.	FAMILIARES	NO FAMILIARES
P. 27 ACTUALMENTE				
P. 28 ANTES				

29. ¿Veamos ahora cuánto tiempo le dedican al negocio. Empecemos con usted. Durante los siete días de la semana, comenzando con el día Lunes, ¿cuántas horas dedica usted a su negocio?
ENTREVISTADOR : Pregunte para cada día de la semana y repita para cada una de las personas que trabaje en el negocio.

	LUN.	MAR.	MIE.	JUE.	VIE.	SAB.	DOM.	TOTAL
1. ENTREVISTADO								
2.								
3.								
4.								
5.								
6.								
7.								
8.								
9.								
10.								
TOTAL HORAS								

---

30. Para su familia, ¿diría usted que su negocio es la fuente de ingreso más importante (primaria) o complementaria?

UNICA...1
MUY IMPORTANTE...................2
COMPLEMENTARIA.................. 3

31. Cambiando de tema,
¿cuál fue la cantidad del ***último préstamo*** que recibió de CAM? ¢ ______

32. ¿Qué uso específico le dió al dinero del último préstamo?

COMPRA DE PRODUCTOS PARA LA REVENTA.......... 1 ______
MATERIA PRIMA/MATERIALES DE TRABAJO (INSUMOS).......... 2 ______
COMPRA O REPARACION DE MOBILIARIO/EQUIPO DE TRABAJO (ACTIVO FIJO).......... 3 ______
MEJORAMIENTO AL LUGAR DE TRABAJO.......... 4 ______
CANCELACION DE DEUDAS DEL NEGOCIO.......... 5 ______
USOS PERSONALES (ESPECIFICAR) ______ 6 ______

33. ¿Cuál fue el plazo que le dieron para cancelar ese préstamo? ______

34. ¿Cada cuánto tiempo hace usted un abono para pagar el préstamo? ______

35. Para usted, ¿qué tan difícil es pagar sus cuotas?

MUY DIFICIL.......... 1
ALGO DIFICIL.......... 2
FACIL.......... 3

36. Y actualmente, ¿está al día con sus pagos o tiene algún atraso?

AL DIA.......... 1
ATRASO.......... 2

37. Y desde que recibió su último préstamo, ¿tuvo algún atraso en el pago de las cuotas?

SI.......... 1 (PASE A P. 38)
NO.......... 2 (PASE A P. 39)

38. ¿Por qué? ______

______

---

39. Ahora vamos a hablar acerca de ***capacitación***. Aproximadamente, ¿cuántas veces al mes reune ***usted*** con la promotora del CAM, ya sea en grupo o en forma individual? ______

40. Y qué tipo de capacitación ha recibido en esas reuniones?

NO LEA

MEJORAR EL NEGOCIO.......... 1
CONTROL Y PAGO DEL PRESTAMO.......... 2
MEJORAMIENTO FAMILIAR.......... 3
OTROS (ESPECIFICAR) ______ 4

IMPACTO ECONOMICO

Ahora me gustaría hablar sobre algunos aspectos económicos. La información que le voy a pedir es muy importante para conocer el efecto del programa en la condición de vida de los beneficiarios del CAM.

41. ¿Actualmente, mantiene inventarios de productos o mercadería para la venta?

SI.......... 1 (PASE A P.42)
NO.......... 2 (PASE A P.44)

42. ¿En cuánto estima usted el valor de los inventarios de productos o mercadería para la venta que tiene actualmente? ¢ ____________

43. Y **antes** de pertenecer al CAM, ¿cuánto era el valor del inventario? ¢ ____________

44. ¿Cuánto gasta usted en la compra de productos, materias primas o materiales para su negocio en un día normal? Y en la semana, ¿cuánto es el monto total que gasta en la compra de productos para su negocio?

45. Y **antes** de pertenecer al CAM, ¿cuánto gastaba en un día normal en la compra de productos para su negocio? Y en la semana, ¿cuánto gastaba?

46. Ahora, ¿cuánto vende diario? ¿Y por semana?

47. Antes de pertenecer al CAM, ¿cuánto vendía diario? ¿Y por semana?

48. Actualmente, ¿cuánto paga de cuota del préstamo del CAM? ¢ ____________

49. ¿Y cuánto le queda diario para cubrir sus gastos familiares? ¿Y por semana/mes? (Especificar período)

50. Y antes de pertenecer al CAM, ¿cuánto le quedaba diario para cubrir sus gastos familiares? ¿Y por semana/mes?

	AHORA		ANTES	
	DIARIO	SEM./MES	DIARIO	SEM./MES
44/45. COMPRAS/NEGOCIO				
46/47. VALOR DE VENTAS				
49/50. INGRESO NETO				

---

51. Actualmente, ¿cuánto tiene ahorrado en el CAM? ¢ ____________

52. ¿Y cuánto tiene ahorrado en la casa o en otra institución? ***EXCLUYENDO AL CAM*** ¢ ____________

53. Y antes de pertenecer al CAM, ¿cuánto había logrado ahorrar en total? ¢ ____________

---

54. Y ahora, aparte del CAM, ¿de cuáles fuentes recibe préstamos y créditos, ya sea para su negocio o para sus gastos personales? ***Incluye crédito obtenido en tiendas, almacenes, de proveedores, etc.***

55. Antes de ingresar al CAM, ¿de cuáles fuentes recibía préstamos, ya sea para su negocio o para sus gastos personales? ***INSISTIR Y AYUDA A RECORDAR***

FUENTES	54. AHORA	55. ANTES
PROVEEDORES	1	1
PARIENTES O AMIGOS	2	2
PRESTAMISTAS	3	3
BANCOS FORMALES	4	4
ASOC. DE AHORRO Y CREDITO	5	5
COOP. DE AHORRO Y CREDITO	6	6
OTROS (ESPECIFICAR)	7	7
NINGUNA	8	8

---

56. ¿Estaría usted dispuesto a dejar su negocio si alguien le ofreciera trabajo permanente y bien pagado?

SI........................ 1 (PASE A P. 57)
NO...................... 2 (PASE A P. 58)

57. ¿Cuánto le tendrían que pagar para dejar su negocio? ¢ ____________

(Especificar sueldo semanal, quincenal o mensual)

58. Ahora, quisiera hacerle algunas preguntas para comparar las condiciones de vida que tenía antes de pertenecer al CAM. ¿Cuándo su familia............

	HOY	ANTES/CAM	IGUAL
58. ¿...vivía mejor?	1	2	3
59. ¿...se alimentaba mejor?	1	2	3
60. ¿...gozaba de mejor salud?	1	2	3
61. ¿...contaba con los ingresos para mandar los hijos a la escuela?	1	2	3
62. ¿...podía disponer de recursos para pasear?	1	2	3

---

63. En esta tarjeta aparece una escalera con diez gradas que representan los niveles de vida que el hombre o mujer puede llegar a alcanzar. Vamos a suponer que la grada más alta, es decir la número 10 representa la mejor vida posible que usted podría alcanzar, y la grada más baja, la número 1, representa la peor forma de vida que usted puede tener. En su caso, ¿en cuál de las gradas diría usted que se encuentra en este momento?

64. ¿Y en cuál diría usted que estuvo parado antes de pertenecer al CAM?

65. Finalmente, pensando en el próximo año, ¿en cuál de las gradas cree usted que estará parado?

	VALORIZACION DE LA VIDA									
63. HOY	1	2	3	4	5	6	7	8	9	10
64. ANTES DEL CAM	1	2	3	4	5	6	7	8	9	10
65. PROXIMO AÑO	1	2	3	4	5	6	7	8	9	10

---

66. Después de pagar el préstamo actual, ¿tiene usted planes de seguir obteniendo prestamos del CAM?

SI...................... 1 (PASE A P. 67)
NO.................... 2 (PASE A P. 68)

67. ¿Cuántos créditos más? ______________

68. ¿Cuál es su meta de ahorros con el CAM? ¢ ______________

69. Cuando cumpla con esa meta, ¿en qué piensa invertir el dinero ahorrado?

NEGOCIO ACTUAL/NUEVO........ 1
DEUDAS PERSONALES............2
MEJORAS EN LA CASA............3
OTROS (ESPECIFICAR).............4
NO SABE.................................. 5

AGRADECER Y DESPEDIRSE