

PD-ABK-360  
92874

INVESTMENT PROPOSAL  
FOR  
REVOLVING FUND

US\$2,000,000 UMBRELLA LOAN GUARANTEE FACILITY  
ON BEHALF OF  
PRIVATE  
GUATEMALAN COMMERCIAL FINANCIAL INSTITUTIONS  
and the  
CAMARA EMPRESARIAL (CAEM), ADMINISTRATOR

OFFICE OF INVESTMENT  
BUREAU FOR PRIVATE ENTERPRISE

July 28, 1987

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

INVESTMENT PROPOSAL  
FOR  
REVOLVING FUND  
  
GUATEMALAN PRIVATE FINANCIAL INSTITUTIONS  
UMBRELLA LOAN GUARANTEE FACILITY

Table of Contents

	Page
I. Executive Summary	1
II. Terms and Conditions	3
III. Background	6
IV. Current Problems and Credit Needs	16
V. Administrator	18
VI. Participating Financial Institutions	25
VII. Technical Analysis	34
VIII. Contribution to Development	36
IX. Monitoring and Evaluation	39
X. Environmental Impact	40
XI. Project Implementation Procedures	41
XII. Risk Analysis	42
XIII. Proposed Timetable	43
ANNEXES:	
A. Sub-Borrower Loan Application Form	
B. Loan Profile	
C. Bank Profiles	
D. Comparative Bank Financial Statements	

I. EXECUTIVE SUMMARY

Objective: The purpose of this US\$2,000,000 facility is to encourage the extension of new loans to small and medium size enterprises by private Guatemalan banks and financial institutions under market terms and conditions.

Project: Under terms described hereunder the Bureau for Private Enterprise (PRE), in collaboration with the USAID Mission to Guatemala which, under its Private Enterprise Development Project #520-0341, is providing US\$5.5 million in additional local currency guarantees, will backstop the unconditional guarantee of repayment of up to 50% of the principal amount of new foreign or domestic currency loans extended by qualified participating private financial institutions to clients engaged in developmentally productive business activities. The aggregate amount of guarantees issued under PRE's facility will not exceed US\$ 2,000,000. By matching on a two to one basis the total amount of credit extended, the project, when combined with USAID/Guatemala's \$5.5 million facility, will create a pool of lendable resources equivalent to US\$15 million or Q37,500,000 million at a current exchange rate of Q2.5 to \$1. Since the proposed structure is guaranteeing third party indebtedness there is no incremental foreign exchange exposure created or assumed by either the participating financial institutions or SME borrowers, with the exception of liability for payment of offshore fees and commissions.

Beneficiaries: The target borrower group will be small businesses engaged in private productive enterprises. Considerable flexibility will be applied in designing the parameters that will govern the tenor and maximum amount of any loans extended, as well as the size of any eligible borrowers. It is contemplated that small enterprises shall be defined as those employing between 10 and 30 people and possessing assets valued at between ten thousand and fifty thousand Quetzales (US\$4M - \$20M), while medium-size businesses will be those employing between 31 and 100 people and with assets of between Q51,000 and Q300,000 (US\$21M - \$120M).

Guatemala's Camara Empresarial (CAEM) will serve as Administrator of this project. Its function will be to facilitate the efficient and timely processing of guarantee claims by serving as a central clearer for processing of all information and documentation between the participating Guatemalan banks, A.I.D. and the U.S.

letter of credit bank. CAEM will additionally be encouraged to offer lending institutions and their borrowers technical assistance in the area of small business lending and credit administration - a key sub-project to this undertaking to be funded under the Small and Medium Enterprise Technical Support component of USAID/Guatemala's PED Project #520-00341. (See page of this Investment Proposal for a more complete description). Private financial institutions and commercial banks deemed eligible to participate in this program will be selected on the basis of criteria agreed upon by the banks, CAEM membership and A.I.D.

Structure: A five-year loan in an original principal amount of US\$2 million will be entered into between A.I.D. and a U.S. commercial bank, the proceeds of which will serve to offset standby letters of credit for up to an equivalent amount issued by that bank guaranteeing repayment of up to 50% of the principal amount of the Segregated Portfolios of the Qualified Participating Financial Institutions, each of which will retain primary credit responsibility for the balance of their respective exposures. A.I.D./PRE will, in turn, also conclude a supporting Project Agreement with the Guatemalan Camara Empresarial (CAEM) as Administrator. The program's operating procedures will be set forth in that agreement and subscribed to by each participating institution.

Interest payable by the U.S. Letter of Credit Bank to A.I.D. will be at a negotiated spread above the yield on U.S. Government obligations and would be for the account of the Revolving Fund. The participating financial institutions, through the Administrator, would in turn pay A.I.D./PRE both a guarantee fee and a facility fee for issuance and maintenance of the facility. Any additional charges for the opening, confirmation and/or payment under the standby letter of credit will be for the account of the local lending institution.

II. SUMMARY TERMS AND CONDITIONS

Amount US\$ 2,000,000 (Two million U.S. Dollars)

Facility A guarantee of repayment of up to 50% of eligible loans extended by pre-qualified Guatemalan Banks and financial institutions for amounts up to 20% of each participating bank's paid-in capital but not to exceed the local currency equivalent of US\$1,000,000 (2,500,000 Quetzales) for any one institution for more than a 180-day period.

Mechanism Qualified banks and financieras will lend from Q2,500 to Q100,000 to small and medium sized industrial, agro-industrial or artesanal enterprises. Prospective SME's will provide up-to-date personal or corporate balance sheets and profit & loss statements in substantially the form of Annex A to this document. The financial statements will, to the greatest extent possible, be certified by an independent accountant.

When a loan is approved by the financial institution, its terms and conditions will be confirmed in documentation in substantially the form of Annex B and submitted to the Administrator who will certify its eligibility for coverage to A.I.D. and the U.S. letter of credit bank.

The guarantee will cover 50% of the principal amount of the loan and will specify the conditions under which the guarantee will be payable, including collection procedures to be complied with, and term within which payment under the guarantee will be effected.

Term: The loan from A.I.D. to the U.S. bank to fund the letter of credit will have a term of five years from the initial date of disbursement, amortizable over a two-year period with a three-year grace. Claims for payment under any drafts submitted under the standby L/C(s) may not be dated later than six months after the date that the relevant L/C is opened.

Sub-Loan Terms

Loans made by the financial institutions will be primarily for the purchase of capital goods (equipment, machinery, transportation, etc.) for periods of up to 5 years.

Interest

Interest payable to A.I.D. by the Letter of Credit Bank will be at the rate of approximately 1/2 of 1% above the yield on 90-day U.S. Treasury Bills as quoted in the Wall Street Journal on the day of disbursement.

Documentation

1. Loan Agreement between A.I.D./PRE and the U.S. Letter of Credit Bank.
- 2) Project Agreement between A.I.D., the Guatemalan Administrator and the participating financial institution.

Fees

- 1) A facility fee of 1% flat, payable upon opening of the L/C by each of the participating banks in US dollars, proportional to each institution's share of the facility.
- 2) A guarantee Fee payable quarterly to A.I.D. by each eligible participating bank at a per annum rate of 1% (one percent) per annum of the outstanding amount of loans.
- 3) Additional charges connected with issuance, confirmation or drawing under the standby L/C (estimated to be on the order of approximately .35% per annum) would be for the account of the participating banks.

Reporting Requirements

Loan Profiles substantially in the form of Annex B will be provided to A.I.D. as loans are made. Performance of such loans booked in each bank's Segregated Portfolio will be

reported on in the aggregate by the Agent on a semi-annual basis. Additionally, each participating bank shall submit to A.I.D. a copy of its audited annual balance sheet and report of accounts no later than 180 days after the close of its fiscal year, together with any additional or interim financial information deemed appropriate and reasonably requested by A.I.D.

Qualifying Bank

Institutions satisfying the qualification criteria detailed in Sec. VI.

### III. PROJECT BACKGROUND AND RATIONALE

#### A. Recent Economic Situation

Reactivation of private investment and export development has become a centerpiece of the democratically elected government of Guatemala. With the private sector accounting for 85 percent of the country's gross domestic product, the continued economic development of Guatemala depends heavily on the success of these efforts.

Prior to the 1980's, Guatemala enjoyed decades of steady economic growth. This era came to an abrupt end in 1980-81 due to a combination of factors, the most important of which were regional political instability and capital flight, declining export commodity prices and counterproductive macroeconomic policies. These factors combined to cause a prolonged recession in Guatemala during the first half of the 1980's which reduced real per capita income by 16.5 percent. This period also brought a substantial decline in both public and private investment, with investment as a percentage of GDP falling from 12.0 percent in 1980 to 7.6 percent in 1985.

During this time, government efforts to correct Guatemala's economic policy problems were weak and incomplete. These policies served to aggravate unemployment, intensified poverty, eliminated investment opportunities and encouraged excessive productive capacity. They also increased uncertainty, distorted foreign exchange transactions, and polarized public opinion.

After the social, political and economic turmoil of the early 1980's the government of President Vinicio Cerezo has restored a significant measure of calm and hope for a democratic political and economic future. But the realization of that hope in the near future will require extraordinary efforts. Unemployment remains high. The effects of faulty economic policy in the past haunt current development efforts.

A positive sign in the current situation is GCG policy that political and economic democratization must go hand in hand. Influential private sector leaders as well as the Government recognize the need for economic as well as political democratization in Guatemala.

Further, they recognize that economic democratization requires a private sector with broader participation, deeper competence, and greater influence on economic and social policy.

Guatemala today has an historic opportunity to change the nature of its economy by broadening participation and extending benefits of economic growth beyond traditional limits.

While the GOG has made substantial progress to improve the overall policy framework for expanding the development potential of the private sector, there are still a number of areas which impede the rate of private enterprise development. Among these are: (1) imperfect capital and financial markets, limiting access of small and medium size enterprises to the necessary credit to expand production for both the domestic and export markets; (2) imperfect market competition and inappropriate business practices, which limit the development and dissemination of technical and managerial knowledge and skills required for existing entrepreneurs to expand their operations and for potential ones to enter the market; (3) scarce foreign exchange needed to import goods and services; and (4) weak private sector institutions to support small and medium size enterprises. The results of this situation has been historically a highly inequitable distribution of income and wealth that has inhibited the development of a private market characterized by broad participation of the population in the market and consequent benefits of economic and social development. While some aspects of these constraints will obviously require public policy changes, many aspects can be improved through working within the private sector itself.

The objective of A.I.D.'s private sector development initiative in Guatemala will be to enhance technological transfer, nontraditional export expansion, and financial markets development. It will do so by encouraging incremental improvement in the day-to-day policy environment of business, rather than by forcing sweeping reform. Complementary support will be provided to GOG agencies to improve their capacity to meet private sector needs.

The project strategy is to work with established organizations rather than to create new ones; to leverage resources already in place rather than to create new programs; to encourage leadership in policy dialogue and program development by the

Guatemalan private sector rather than to provide that leadership. Above all, the project seeks to promote Guatemalan ideas, assist Guatemalan initiatives, and capitalize on Guatemalan energies in pursuit of economic democratization.

USAID/Guatemala Mission Objectives

In pursuit of these objectives, USAID/Guatemala is completing design of a comprehensive Private Sector Development initiative calling for \$10,000,000 in grant funds and \$5.4 million in local currency to finance highly focused technical assistance, training and institutional strengthening services including:

- a. the management of technical assistance and training to assure not only the delivery of services to SME clients but also that project resources are directed toward forms of assistance and clients which demonstrate measurable impact in terms of increased sales, employment, investment, and profitability;
- b. development of an indigenous capability to deliver such technical services in the future;
- c. training Guatemalan managers, entrepreneurs, and technical personnel in skills essential to the successful running of small and medium enterprise;
- d. promotion of export expansion services;
- e. improvement of the viability and competitiveness of Guatemalan enterprises, primarily small and medium ones, in export as well as domestic markets;
- f. analytical activities focused on identifying policy and operational problems which directly or indirectly constrain the growth of private enterprise in Guatemala;
- g. feasibility studies, investor support, and promotional assistance focused on rapid implementation of a free trade production facilities strategy, including the opening of at least one export promotion zone; and
- h. promotional and business intelligence efforts designed to expand foreign markets for Guatemalan private enterprise, and to promote domestic and foreign investment.

The Project finally, incorporates a loan guaranty program which will be available primarily for SME borrowers. This mechanism provides \$5.5 million in local currency to capitalize a Guaranty Fund which will complement PRE/I's \$2 million Revolving Fund guarantee facility

Additional components may be added to the project by amendment when, as, and if other opportunities to strengthen private enterprise mature. To this end, an important element of the project is the research, development, and promotion of new initiatives.

The operational core of the project will be a Project Management Unit (PMU) which will assure the availability of managerial, administrative, and technical resources to implement the project. The project encourages extensive participation by private sector organizations and, indeed, views such participation as one of the purposes of the project. However, implementation of the project by a number of different organizations with different levels of staff capability and experience with A.I.D. requirements would invite serious implementation difficulties. At a minimum it would be wasteful of resources and cause costly delays.

USAID wants the energies of Guatemalan organizations focused on substantive problems and what to do about them. USAID does not want the energies of Guatemalan organizations - and particularly their leaders - focused on how to understand A.I.D. regulations and culture, or on how to accommodate A.I.D.'s contractual requirements.

Thus the Chamber of Entrepreneurs, the key coordinating organization, will take the lead in policy dialogue and in building constituencies for new initiatives, such as Export Processing Zones (EPZ) and privatization, rather than attending to A.I.D. paperwork requirements.

The PMU will administer procurement, monitoring, and evaluation of technical assistance and training services, and management of the Project Management Information System (PMIS).

CAEM, in turn, will manage coordination with the GOG and USAID, and between the participating organizations. The foregoing distribution of responsibilities leaves to the sponsoring organizations considerable scope for leadership and operational activity.

## D. Financial Market Development Program

### a. Introduction

Guatemala has relatively well developed financial institutions which serve the traditional needs of major economic interests fairly effectively. However, in several areas Guatemalan financial markets do not function as effectively as they might - or indeed must - if the country is to accomplish its goals of economic democratization and growth.

Among the more important problems of financial market performance in Guatemala are the following:

- (1) Commercial bank lending policies are extremely conservative as evidenced by:
  - (a) typical requirement of 200% collateral on loans;
  - (b) difficulty of obtaining medium-term borrowing;
  - (c) relatively small number of borrowers; and
  - (d) asset based lending rather than project financing based on analysis of projected revenues and commercial viability lending procedures.
- (2) There are many impediments to competition in Guatemalan financial markets including:
  - (a) interest rates are set by monetary authorities, not by the market;
  - (b) existence of groups of enterprises with interlocking control minimizes competitive incentives; and
  - (c) legislation limits market options and discourages expansion.
- (3) The lack of competition results in a limitation on the financial products and services available.
- (4) A protected, non-competitive market which has discouraged the emergence of modern banking skills.
- (5) A weak capital market which has led to excessive dependence on demand deposits and short term instruments to finance long term requirements of the economy.

This project will address some of these problems directly through creation of new financial facilities and through policy dialogue. The most important action activity under this component will be the creation of a local currency Guaranty Fund.

A summary analysis of financial market conditions and recommendations for strategy development are set out in Annex J-3.

b. Assistance Elements

There are two activities under the Financial Markets Development Program:

- (1) Development of a Guaranty Fund to promote lending to small and medium Enterprise;
- (2) Financial Market Research, Development, Promotion, and Policy Dialogue.

(1) The Guaranty Fund

(a) Introduction

One of the major defects in Guatemalan financial markets is the lack of access to credit by credit worthy enterprises. Consultants have confirmed USAID's understanding that commercial banks routinely insist on 200% collateral for business loans. Further, valuations for collateralization purposes often drive the effective coverage to 300% or more. Effective channels for credit must be established if small and medium enterprise is to have any chance to play the role required of it in the economy. The problem is especially acute for SME which typically lack the financial depth or connections to secure financing required to conduct a modern business enterprise.

The possibility of establishing a guaranty fund which would supplant or partially reduce the need for collateral was studied by several consultants and found to be a viable option for immediate relief of credit constraints for SME.

(b) How the Fund Will Work

The following summarizes the primary features of the USAID/Guatemala's \$5.5 million equivalent local currency guaranty fund:

i) Government of Guatemala-owned local currency in an amount equivalent to \$5.5 million will be placed in an account in the Central Bank to form the corpus of the Guaranty Fund.

ii) A trust or committee will be established to manage the Guaranty Fund. The trustees of the trust will be:

a representative of CAEM;  
a representative of the Guatemalan Bankers Association; and,  
a representative of the Bank of Guatemala.

An A.I.D. observer will attend meetings of the trustees during the first three years.

iii) Participating financial institutions will be qualified by the Trustees and enter into agreements with the trustee administrator which will specify their rights and obligations under the guaranty arrangement. Agreements have been reached in principle with three major banks willing to participate in the guaranty fund activity: Banco del Cafe, Banco Industrial, and Banco Granai & Towson.

iv) Participating financial institutions may obtain guarantees for loans from Q2,500 to Q100,000 to SME meeting project criteria. These criteria include:

- 10 to 100 employees;
- industrial or agro-industrial;
- certified financial statements; and
- submission of acceptable business plan and related documentation.

v) The guaranty will be for up to 50% of the loss of principle (but not interest or other charges) experienced by the bank.

vi) When a loan is approved by the participating financial institution, the file will be submitted to the trustee/administrator which will verify that the documentation is complete and issue the guaranty. A guaranty fee of 1/2 of 1% annually will be charged over the total principal amount of the loan outstanding.

vii) Guarantees will be made of two types of loans:

Working capital loans to one year, renewable after total repayment within one year, partial drawing permitted; and

Loans for purchase of capital goods for up to five years with monthly payment of interest and amortization.

viii) In the event of default, the guaranteed participating financial institutions (PFI) will attempt to collect for a period of six months. Failure to cure the default within six months, the PFI may present the defaulted note and guaranty to the trustee/administrator for payment. The PFI may elect to withhold presentation of the defaulted note without prejudice to later presentation.

ix) When the defaulted loan is presented for payment, the trustee/administrator determines if the criteria for realizing on the criteria have been met, so, the guaranty is paid.

x) Upon payment, the PFI will continue to pressure the defaulting borrower. Proceeds of any collection will be shared equally by the Guaranty Fund and the PFI until principal guaranty and collection funds are fully paid. Any residual recovery will be paid to PFI as a recovery of unpaid interest and other fees.

xi) Training for bank officials involved in the program will be financed from the Fund and not from the A.I.D. grant. \$50,000 of local currency is provided to initiate, develop and promote the use of the guarantee fund in the first year.

xii) USAID and PRE will continue the close cooperation established in developing the guaranty fund in coordinating utilization of the PRE \$2 million dollar guaranty facility.

As of July 21, 1987 negotiations for all significant aspects of the fund were completed with one exception: whether the Central Bank would independently review the extension of credit by the participating bank as a precondition to approving the guaranty. The participating banks, other private sector interests, the Ministry of Finance, and USAID consider automatic approval of the guaranty essential. Within the Central Bank, opinion appears to be divided on this subject.

USAID believes that the "automatic" approval principle will prevail; however, if it does not, the Mission will not accept independent Central Bank approval of guarantees of credit extension by banks. Nor will the Mission accept guarantees of loans where the private bank is not at risk for at least 50% of principal.

#### History of Prior Guarantee Programs

In 1971 Guatemala's Central Bank (Banco de Guatemala) initiated a highly inflexible credit guarantee program which was to have reached a total amount of Q2,000,000. The program's scope covered 85% of the principal value of loans made. The project was available to all banks and financieras in the country who were urged to disburse funds as rapidly as possible. Qualification was never rigorous and selectivity criteria very broad. Chattel mortgages were required by banks on equipment financed. Loans were relatively small and encompassed sewing and weaving machines, typewriters, trucks, etc, which frequently disappeared after default, together with the borrower.

No more than Q500,000 are understood to have ever been disbursed under this program, and no less than 80% ended in default. When banks attempted to recuperate losses under the guarantee, claim procedures were onerous and many were never honored. The program was unceremoniously cancelled in 1975 and several banks have yet to collect under the scheme.

The guarantee program being proposed herein reflects due consideration of numerous concerns raised related to the failure of A.I.D.-sponsored credit guarantee programs in the past. USAID/Guatemala and PRE believe that the single greatest constraint to successful implementation of such programs has been the absence of sufficient incentive on the part of local lending institutions providing the liquidity to perform adequate due diligence or the credit worthiness of the individual borrowers. This deficiency has been addressed by requiring the local lending institution to retain a minimum exposure in local underlying transactions of not less than 50% of the principal balance at risk plus full exposure on all interest, commissions and fees guaranteed by the transactions.

Other difficulties which have stymied similar projects in the past and their proposed of treatment under this facility are as follows:

Problems with Other Guaranty Funds

Proposed Treatment In This Case

- |   |   |
|---|---|
| (a) Guaranty fund operated as political instrument.   | (a) Fund controlled by private sector and by strict contractual commitments.  |
| (b) Failure to pay guaranty when criteria for payment met.  | (b) Payment essentially automatic under strict contractual arrangements.  |
| (c) Excessive paperwork.  | (c) Issuance of guaranty essentially automatic.   |
| (d) Failure of bank to assess risk of default properly.   | (d) Technical assistance to banks to be provided.   |
| (e) Bank views guaranteed loan as riskless transaction exposing fund to loss.                       | (e) Bank has 50% exposure to loss.  |
| (f) Fund decapitalizes.   | (f) Fund will be invested in revenue producing securities.  |
| (g) Inadequate borrower business competence and financial planning to meet basic bank requirements. | (g) Project SME Component provides SME access to technical assistance and training including preparation of business plans. |

# PRIVATE ENTERPRISE DEVELOPMENT PROJECT

Coordination:

CAEM ----- USAID

Component:

SME  
AGG

Export  
Guild/CAEM/  
CONAPEX

Financial  
Markets  
Financial  
Chamber  
GF\* Steering  
Committee

New Private  
Enterprise  
Initiatives  
USAID

Program  
Content:

- Training
- Technical Assistance
- Policy Dialogue
- Institutional Development

- Technical Assistance
- Training
- Policy Dialogue
- Institutional Development

- \*Guaranty Fund
- Financial Market Research, Development and Promotin (RDP)
- Policy Dialogue

- Privatization
- Policy Studies
- Institutional Support in GOG & CAEM - FIPF RDP

Administration:  
Project Management  
Information  
System:  
Evaluation:

P M U  
(located in  
CAEM under  
USAID  
oversight)

154

1

#### IV. a) CURRENT PROBLEMS AND CREDIT NEEDS

As with the Central Bank-sponsored guarantee project, the borrowers eligible for guaranteed loans under this facility will be small Guatemalan private businesses engaged in productive enterprises. The maximum size of an eligible borrower will be the Guatemalan Quetzal equivalent of US\$120,000 (including land and buildings) calculated at a rate of exchange of Q2.5:US\$1. For the small business borrower, regardless of its legal form of organization or incorporation, the project must also represent his primary source of income.

Business activity in Guatemala can be roughly divided into three categories according to size. The largest businesses already have reasonable access to commercial bank credit and would probably find the added costs of this facility excessively burdensome. At the other end of the spectrum, businesses on the smallest scale have no access to formal credit markets. These include street vendors and small scale farmers and artisans. Although this target market is not categorically excluded from this facility, it is not expected that private Guatemalan banks would be prepared to lend aggressively to it even under a 50% guarantee. This segment of the market is, accordingly, the focus of separate initiatives being explored by USAID/Guatemala at the present time.

#### TARGET BENEFICIARIES

The target of this particular facility is the intermediate group of farmers, agro-industrial businesses, artisans and small urban or rural entrepreneurs who would benefit from and could afford bank loans but that do not now have access to commercial bank credit. One reason for the banks' reluctance to lend to smaller borrowers is the proportionately higher administrative expense of booking such loans. While it is not the purpose of the guarantee facility to directly address this problem, the technical assistance component of USAID/Guatemala's PED's project is designed to help the banks establish more efficient small business lending procedures.

The reluctance of banks to lend into this particular segment of the market is, of course, due to the higher level of risk intrinsic to this size of business. Banks will universally seek to extract levels of collateral commensurate with their perception of risk. In the case of small to intermediate scale borrowers this level may sometimes reach as high as 200% of the principal being financed. Not only does the level of collateral required often present a serious barrier to the borrower but the added cost and delay of taking and registering a perfected security interest adds significantly to the cost of the transaction from both the borrower and the bank's point of view.

The facility proposed by this paper is predicated on conclusions by the Mission, PRE and the prospective financial institutions that there is a significant number of small businesses that generate adequate levels of cash flow to service reasonable levels of bank debt but lack the assets necessary to pledge as collateral under current banking standards.

A survey of potential beneficiaries of a guarantee scheme has revealed a significant level of interest in entering new markets. It is believed that once the nature of the credit risk being assumed is better understood by bank marketing or credit officers, competitive forces will stimulate the application of more flexible standards in their credit policy and implementation procedures. Targeted beneficiaries, as stated, will have assets not exceeding the Quetzal equivalent of US\$120,000 - including land and buildings, calculated according to the official rate of exchange. They may be existing but non-borrowing clients of the bank or former borrowers who have not been indebted to the bank for at least two years.

It is proposed that credits guaranteed under this facility may not exceed the local currency equivalent of US\$70,000 for incorporated borrowers. Because it is not possible to determine and fix in advance a single appropriate level of collateral for the variety of enterprises to be influenced by this program, no attempt will be made to set either maximum or minimum collateral requirements beyond those that the banks would naturally require for that portion of the exposure they would retain for each transaction.

## V. THE TRUSTEE/ADMINISTRATOR

Since the credit guarantee facility may be accessed by a number of separate financial institutions, an independent Administrator will act as trustee on their behalf in negotiations, communication and processing of documentation between themselves, A.I.D. and the U.S. letter of credit bank.

The Administrator will specifically be expected to: 1) Collaborate with USAID/Guatemala and A.I.D./PRE on a continuing basis in the equitable allocation of the guarantee facility; 2) monitor and furnish quarterly reports to A.I.D. documenting the credit being delivered; and 3) additional responsibilities as identified and mutually agreed to throughout project implementation.

The most logical choice among indigenous institutions to assume this important responsibility is the Guatemalan Enterprise Chamber, CAEM, already the beneficiary of significant A.I.D. support and the targeted primary carrier of the Mission's PED project as well.

### THE CHAMBER OF ENTREPRENEURS

Camara Empresarial, or CAEM, is a nonprofit organization, autonomous, apolitical, and with legal capacity. CAEM was formed by the chambers and associations of the Guatemalan private sector and represents the linking institution for the sector's development. Founded in December of 1981, the Chamber's statutes were approved by the GOG in March 1982. CAEM, led by young entrepreneurs, was established to capitalize on the benefits of the Caribbean Basin Initiative, and to negotiate policies that accelerate economic development via the private sector. The founding organizations were the Chambers of Commerce, Industry, Tourism, Construction and the General Association of Agriculturists. CAEM represents a broad section of the private sector and has successfully coordinated USAID/Guatemala's ongoing private sector development coordination programs.

CAEM has as its main purpose the coordination of efforts towards an integral and sustained development process of the Guatemalan private sector. In this regard, CAEM supports the development of the small and medium entrepreneurial sector with the objective of benefitting all sectors of the country and improving Guatemala's social conditions and quality of life.

A Board of Directors consisting of representatives from each of the chambers and associations affiliated to CAEM is the highest administrative body under which CAEM's different working committees operate. A General Manager is in charge of administration and reports to the Board of Directors.

CAEM carries out its activities through a group of working committees. The individual committees are tasked as follows:

The Private Sector Committee is in charge of all development activities among CAEM's associated organizations. It establishes contacts and is the linking

GENERAL ASSEMBLY  
 |  
 CHAIRMAN ASSEMBLY  
 |  
 BOARD OF DIRECTORS

EXTERNAL AUDIT

LEGAL ADVISORY

PRIVATE SECTOR COMMITTEE	PUBLIC SECTOR DEVELOPMENT COMMITTEE	INTERNATIONAL & INTERNATIONAL ORGANIZATIONS COMMITTEE	COMMUNICATIONS AND INFORMATION COMMITTEE	TECHNICAL ASSISTANCE COMMITTEE	EXPORTS COMMITTEE	ECONOMIC AND SOCIAL DEVELOPMENT COMMITTEE	STEERING COMMITTEE
- CHAMBERS COOPERATION - VISITS TO ENTERPRISES - SERVICES TO AFFILIATED SPEERS	- MINISTRIES Economy Agriculture Finance - BANK OF GUATEMALA - EXPORT COUNCIL - LEGISLATION Taxes Labor Tariffs Constitutional	- FOREIGN CHAMBERS American Spanish Germany - AID - FINANCIAL INSTITUTIONS - PRIVATE SECTOR FINANCIAL INSTITUTIONS - SOURCES OF FINANCING - NATIONAL DEVELOPMENT ORGANIZATIONS	- MAGAZINES - NEWSLETTERS - PUBLICITY - CONVENTIONS - REPORTS - SERVICES TO VISITORS - TRAVEL ABROAD	- ADVISORY - TEACHING - TRAINING - TECHNICAL ASPECTS - SPECIFIC PROJECTS	MARKETS TRANSPORTATION CREDITS INCENTIVES EXPORTS PROMOTION FOREIGN EXCHANGE SPECIFIC PROJECTS	- CAER'S PLANS AND PROGRAMS - ECONOMIC INVESTIGATION - INDUSTRIAL DECENTRALIZATION - BANK FOR ECONOMIC DEVELOPMENT INFORMATION - SPECIFIC PROJECTS	- PROJECT MANAGEMENT - APPROVAL OF PROJECT ACTIVITIES - INFORMATION TO FINANCIAL INSTITUTIONS

18a

GENERAL MANAGEMENT  
 |  
 ADMINISTRATION  
 FINANCE  
 BUDGETS  
 PROJECT PROGRESS  
 LEGAL ASPECTS  
 FEES AND GRANTS  
 COMPLIANCE WITH PLANS AND PROGRAMS  
 COORDINATION OF COMMITTEES

element between CAEM and the different foreign chambers that operate in Guatemala. It is also in charge of promoting development of CAEM's activities through organizations and entities that support the same objectives as CAEM. Under this committee's activities several working meetings have been held to coordinate programs and activities of the organized private sector.

The Public Sector Development Committee is in charge of coordinating with Government agencies activities to support small and medium enterprises. In this regard, meetings have been held with the Ministry of Development and with the Guatemalan League of Cooperative Federations, as well as with the Vice-Presidency of the Republic. From these meetings four Working Commissions have been formed:

- a) Shrimp Production Commission;
- b) Vegetable Development Commission;
- c) Draw-back Industry Development Commission; and
- d) Hog Raising Commission

The International Organization Committee is in charge of developing projects which require special financing, and is responsible for maintaining contracts with international financial institutions; with potential sources of financing, embassies, AMCHAM, German Chamber of Commerce, Spanish Chamber of Commerce, UN, and OAS; and with international development agencies such as A.I.D., IDB, CABEI, and IBRD.

The Communication and Information Committee is responsible for planning, organizing and implementing activities through the different programs and projects that CAEM carries out; at the same time, it has the responsibility of publishing newsletters, magazines and pamphlets related with those activities. Its responsibilities include the establishment of an "information center" for data on new projects and projects being implemented, as well as statistical, economic, financial and social information on Guatemala.

The Technical Transfer Committee has the responsibility of programming training projects, coordinating technical seminars in the country as well as abroad, and the provision of advisory services for the supervision of operational and marketing processes.

The Exports Committee is responsible for promoting and increasing exports, an essential function of CAEM, since it is through this means that the national economy will most likely recover. This Committee is also responsible for efforts to identify new markets, provide the means of transportation, and encourage exports. It is through this Committee that the National Export Coordination Commission was integrated as a constituent part of the National Export Promotion Council (CONAFEX). The National Export Coordination Commission is integrated by the Ministers of Economy, Finance, Agriculture, and Foreign Affairs; the President of the Bank of Guatemala; and five representatives of the private sector.

The Economic and Social Development Committee establishes the needs and feasibility of projects to be developed within the sectors that represent the activities of affiliated institutions such as agribusiness, manufacturing industry, commerce and tourism. The committee pays especial attention to the development of economic and social activity of medium, small and microenterprises.

The Steering Committee was established to carry out a development program financed with USAID resources, and is responsible for reviewing, selecting and approving proposals for subprojects to be carried out, as well as for supervising the development of the program and periodically informing USAID on its progress. Similar Steering Committees may be established for other programs financed with international resources.

During March of 1985 a US\$1.5 million Grant Agreement was signed between CAEM and USAID to finance a "Private Sector Development Coordination Program." Through this agreement, CAEM assumed responsibility for increasing private sector participation in programs promoting production of nontraditional export products, and in events of the Caribbean Basin Initiative.

Activities contemplated under Grant Agreement include:

- a) Promotion of Wool Exports from Momostenango.

Grant: US\$350,000

Counterpart Contribution: Q100,000

- b) Microenterprise Development

Grant: US\$25,000

Under this sub-project and with, provided a study for "Micro-Enterprise Development in Guatemala City and Quetzaltenango" carried out by ACCION/AITEC.

- c) IESC Technical Assistance to FUNTEC

Grant: US\$250,000

Counterpart Contribution: Q143,000

Under this sub-project, the Technological Foundation (FUNTEC) receives technical assistance from the International Executive Service Corps (IESC).

- d) Development of Small Enterprise Sub-Projects

Grant: US\$98,000

Under this sub-project FUNTEC is carryiing out an industrial sewing training activity, and a training program for sewing-machine mechanics.

- e) Training for Private Sector Executive Leaders on Nontraditional Exports

Grant: US\$200,000

This sub-project includes studies to promote the formation and improvement of business climate such as: drawback industry, commercial and industrial free zones; parastatal enterprises; and other private sector policy areas such as supporting activities in conjunction with CONAPEX.

Under this sub-project, CAEM submitted for A.I.D.'s approval the proposal to contract Kurt Salmon Associates to carry out a study for the drawbackindustry in the country, to increase Guatemalan participation under this activity within the Caribbean Basin Initiative. The study had a cost of US\$141,250.

- f) Caribbean Basin Initiative (CBI) Promotional Activities

Grant: US\$248,000

Counterpart Contribution: Q90,000

Under this activity, CAEM has coordinated the Guatemalan participation at the C/CAA conference in Miami. Among other events on the CBI, CAEM has organized a retreat on "Preparing a Strategy and Action Plan for the Private Sector to Increase Exports through the Caribbean Basin Initiative," as well as a seminra on "Guatemala's Situation in Relation to the Other Countries Participating in the Caribbean Basin Initiative."

- g) Study of Privatization of Parastatal Enterprises

Grant: US\$50,000

To carry out a feasibility study on the privatization of parastatals, USAID contracted the services of Keene, Monk Associates, who initiated their activities in April 1986. The commitment for this study was for US\$100,000, of which CAEM contributed half and USAID the other half.

CAEM has proven to be an active and efficient channel for resources destined to private sector development. Indeed, no other nonprofit private sector organization has demonstrated the same breadth of coverage or implementing capacity. Thus, as an administratively competent umbrella organization, broadly representative of private interests in the field, CAEM is a logical

choice for Administrator of this project. For CAEM to perform satisfactorily with an additional project work load, it will need at least three additional supporting staff: a chief of party/senior advisor; an executive assistant to backstop the senior advisor, e.g., in functions related to free trade production facilities; and an economist.

The USAID/Guatemala's PED Project will support CAEM in maintaining its existing base, implement policy dialogue activities, and deepen its relations with the targeted small and medium entrepreneurs and nontraditional exporters. On the basis of the foregoing, in other words, USAID/Guatemala has determined that the Chamber of entrepreneurs is administratively capable of carrying out its functions under the project.

CHAMBER OF ENTREPRENEURS  
BALANCE SHEET  
MAY 31, 1987

(IN QUETZALES)

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ASSETS

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CURRENT ASSETS

Cash and banks	37,749.03	
Accounts receivable	<u>43,254.46</u>	
TOTAL CURRENT ASSETS		81,003.49

FIXED ASSETS

Furniture & fixtures	24,180.33	
Office equipment & supplies	1,558.61	
(-) Accumulated depreciation	<u>(3,571.96)</u>	
TOTAL FIXED ASSETS		22,166.98

DEFERRED ASSETS

Organizational expense	24,000.00	
Charges prepaid	<u>8,777.25</u>	
TOTAL DEFERRED ASSETS		32,777.25

TOTAL ASSETS 135,947.72

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LIABILITIES AND EQUITY

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LIABILITIES

Accounts payable	21,304.69	
Creditors (Chamber of Comm.)	<u>25,250.00</u>	
TOTAL LIABILITIES		46,554.69

EQUITY

Accumulated surplus	9,322.85	
Appropriated surplus	20,276.56	
Counterpart contribution (CBI)	22,615.00	
Unappropriated surplus	<u>37,178.62</u>	
TOTAL EQUITY		89,393.03

TOTAL LIABILITIES AND EQUITY 135,947.72

THE CHAMBER OF ENTREPRENEURS

INCOME STATEMENT

FOR THE YEAR ENDED MAY 31, 1987

(IN QUETZALES)

REVENUES

Ordinary Dues	132,000.00	
Extraordinary Dues	28,100.68	
Various Contributions	12,778.47	
A.I.D. Donation	250,879.34	
TOTAL REVENUES	<u>423,758.49</u>	423,758.49

EXPENSES

A.I.D. Donation	250,879.34	
Petty Cash	2,177.40	
Publications	1,818.73	
Travel	74,979.19	
Office Supplies	3,980.19	
Repairs and Maintenance	461.95	
Representation Affairs	4,763.47	
Seminars	770.00	
Training	90.00	
Telephone and Telex	707.89	
Christmas Bonus	1,500.00	
CONAPEX	5,484.59	
Severance Pay	6,422.00	
IGSS Employer's Contribution	3,752.70	
Professional Fees	1,040.00	
Depreciation	1,354.48	
Wages	37,000.00	
Fees & Contributions	5,400.00	
Taxes	900.00	
TOTAL EXPENSES	<u>403,481.93</u>	403,481.93
NET INCOME		20,276.56

VI. PARTICIPATING LENDING INSTITUTIONS AND BANKS

The benefits of this credit guarantee facility are intended to be available to all qualified private sector members of the Guatemalan financial community. The solvency of each of the participating institutions is ultimately of primary significance for the success of the program. Only the more credit-worthy financial institutions, in other words, are expected to be eligible to participate.

To be eligible to apply for certification as a Qualified Bank, unless A.I.D. agrees otherwise in writing, a financial institution must meet the following qualifications:

- A. If a civil association has been appointed by A.I.D. as Administrator, be a member directly or indirectly of that association and have endorsed A.I.D./PRE's Project Agreement with that association;
- B. Be headquartered in the Republic of Guatemala and be privately owned and controlled by citizens of Guatemala;
- C. Be a corporation duly organized and validly existing under the laws of Guatemala, duly qualified to do business in each jurisdiction which required such qualifications;
- D. Is more than fifty-percent owned by citizens of the Republic of Guatemala;
- E. Be registered with and currently licensed by the appropriate banking authority to operate as a bank primarily engaged in commercial credit activities;
- F. Possess capital and reserves of not less than Q.10,000,000;
- G. Have demonstrable profitable performance including earnings from continuing operations of at least 5% on assets before technical adjustments for the six months preceding the date of certification and for the entire period of participation in the Project;
- H. Carry on its balance sheet total non-performing loans of not more than twelve percent of its total loan portfolio (including Central Bank discounts);
- I. Provide for and fund a loan loss of not less than one percent of its total average loans outstanding;
- J. Has credit approval, extension, collection and monitoring standards and procedures acceptable to A.I.D.;

K. Unaware of any facts or circumstances which would be likely to have a material adverse effect on its ability to fulfill its obligations under this Project Agreement;

Application for Certification. To apply for certification as a Qualified Bank for participation in the Project and to maintain current certification thereafter, a financial institution must submit to CAEM evidence, in form and substance satisfactory to it and to A.I.D., that it meets criteria set forth in the Project Agreement.

Institutions failing initially to meet the agreed liquidity targets would enjoy one year in which to meet those requirements. If there is any subsequent material adverse change in the financial condition of any participating bank it will be the additional responsibility of the Administrator to notify A.I.D. of the event and at the same time arrange for the affected bank to authorize the U.S. letter of credit bank to either cancel or temporarily suspend the standby letter of credit. Until recertification, the Issuer may not honor new claims by the Qualified Bank under the Standby Facility. Should the Administrator conclude that the Qualified Bank will not be able to obtain recertification, it shall notify A.I.D. that the Qualified Bank should be disqualified to participate in the Project.

Each participating Qualified Bank shall diligently and expeditiously take each action that it is required to take under the Project Agreement to enable the Project to proceed, including, but not limited to, analyzing the credit risk of each Eligible Private Enterprise in accordance with commercially reasonable standards and the same degree of care that is applied to loans that are not covered by the Standby Facility, to require such security as may be reasonably necessary to secure repayment of the Eligible Loan in accordance with commercially reasonable standards applied to loans that are not covered by the Standby Facility, to apply that collateral on a pro-rata basis to all principal amounts due, to ensure that all Eligible Loans are in compliance with this Project Agreement, and to take every reasonable action necessary to recover any amounts due and owing to A.I.D.

At this point in time, the banks which have demonstrated the highest level of interest in the objectives of this project and the institutions most likely to lead the implementation of the guarantee facility are the Banco Industrial, the Banco del Cafe and Banco Grand & Towson. These three banks, in addition to being among the stronger financial institutions in Guatemala, are also the most widely represented, having retail branch networks throughout the country. Detailed financial statements

on each of these are not available at the time of this writing and a thorough analysis of their true financial condition is accordingly not possible at the present time. Highlights of their operations based on their most recent annual reports and commentaries by USAID/Guatemala's Financial Industries services staff are as follows:

A. Banco Industrial

Capitalized through investments from the industrial private sector in June of 1968, the "Banco Industrial S.A." initiated its operations with paid-in capital of Q4,900,500 and authorized capital of Q25,000,000. Mainly oriented to industrial, commercial and mortgage transactions, by 1986 the Bank had total assets in the amount of Q520,600,000.

The bank provides services through a system of 12 agencies, two of which are located in the Departments of Escuintla and Quezaltenango. The other agencies are located in five commercial zones in the capital city.

According to bank statistics, loans have been provided to the following sectors, by order of importance: Industrial (73.1%), Construction (8.9%), Commerce (9.4%), Agriculture (3%), Livestock (2%) and others (3.6%).

"Banco Industrial S.A." is the largest bank of the banking system, ranked in order of total assets under management, surpassed only by the Bank of Guatemala.

Between 1985 and 1986, its ratio of loans to paid-in capital increased 8 percent. This indicator shows an increased number of loans or a higher average loan size during 1986 as compared to 1985.

During 1985 the ratio of deposits to loans and discounts was 1.4. In 1986 it increased to 1.8, suggesting a greater ability to attract resources in the form of savings.

The ratio of paid-in capital plus deposits to loans and discounts grew from 1.5 in 1985 to 1.9 in 1986, evidencing the bank's financial stability since, for each Quetzal lent, it had 150-200 percent more in available resources in the form of deposits and corporate capital. Deposits increased by 38.3 percent in 1986 over 1985.

Between the years 1985 and 1986, the bank's ratios of net income to assets, revenues and paid-in capital showed increases on all accounts. This result derived from a greater volume of activity and a greater level of administrative efficiency. For each Quetzal revenues generated 19 cents went to the bottom line. These ratios indicate a respectable rate of return on assets and on owner's equity. A 37.6 percent rate of return on owner's equity for 1986 measured the ultimate, attractive profitability of this bank. The net income to revenues ratio, exceeding 9 percent in 1986, is also an important measure of the bank's operating performance.

B. Banco Del Cafe, S.A.

"Banco del Cafe, S.A." operated with paid-in capital of Q9,150,000 during fiscal year 1986. This capital will be increased by Q850,000 in 1987 to support greater lending.

The bank's legal reserve increased during 1986 by Q99,987.40 to a December 31, 1986 balance of Q301,138.28.

The bank's income exceeded expenses by Q3,313,703 during the fiscal year, representing 35 percent of paid-in capital and of capital reserves, which left a net profit of Q2,599,490 after deduction of personnel and bonuses and rewards.

Deposits entrusted to the bank continued to increase as in previous fiscal years, reaching Q203.2 million in December 31, 1986. This included an increase of Q21.0 million over the amount of the period ending December 31, 1985. The greatest increase was in savings deposits. The above increase occurred despite a government withdrawal of Social Security system deposits from the private commercial

banking system last year amounting to Q24.0 million in the case of this bank.

Given the liquidity level which "Banco del Cafe" had in 1986, it did not have to seek credit from the Central Bank or from other sources.

#### Ratio of Loans and Discounts to Paid-in Capital

Comparisons between the years 1986 and 1985 show an increase in paid-in capital.

The ratio 11.6 increased to 11.7 in relative terms. In absolute terms, there was also an increase in the volume of loan and discount transactions evidencing the healthy growth of the institution.

#### 2. Ratio of Deposits to Loans and Discounts

These ratios increased from 1.7 to 1.9 due to greater attraction of resources in the form of deposits in 1986 over 1985. Deposits grew by 11.6 percent in 1986. On the other hand, the increase in loan and discount transactions was more moderate during this period, only reaching one percent, in spite of the bank's advantageous liquidity position.

#### 3. Ratio of Paid-in Capital Plus Deposits to Loans and Discounts

The bank shows in this ratio that, for each Quetzal lent, Q1.80-Q2.00 is available in the form of corporate capital and deposits. Comparing the year 1986 with 1985 we can detect an overall increase in the number of transactions of the institution.

#### 4. Ratios of Net Income to Assets, Revenues and Paid-in Capital

All profit ratios improved during 1986 over 1984. The ratio of net income to paid-in capital can be taken as proof of the bank's positive income-yield capacity since in 1986 the ratio reached 28.4 percent. This return on investment is a valuable indicator of the bank's to attract new capital.

#### C. Banco Granai & Towson, S.A.

Established as a publicly held company in September of 1962, the "Banco Granai & Towson" is today one of the largest commercial and mortgage banking institutions in Guatemala.

Until 1985 the bank had 22 agencies, 9 of which were located outside of Guatemala City, making it one of the private banks with the greatest representation within the country. The other 13 agencies are distributed in different zones of the capital city.

The bank's authorized and fully paid-in capital amounts to Q10,000,000. Its total assets, according to the bank's financial statements through December 1985, amount to Q287,650,000.

1. Ratio of Loans and Discounts to Paid-in Capital

A comparison of the years 1985 and 1986 indicates a small decrease of 6 percent for 1986 in relative terms. In absolute terms more loans and discounts were provided in 1986 than in 1985. The 6 percent decrease is accounted for by an increase in the bank's corporate capital, which reached one million quetzales in 1986.

2. Ratio of Deposits to Loans and Discounts

The 1986 ratio versus 1985 increased from 1.4 to 1.7 due to a greater attraction of resources in the form of deposits. Deposits increased by 28.7 percent in 1986 over the previous year.

The activity in the loans and discounts item was positive but of lesser magnitude, notwithstanding the bank's propitious liquidity.

3. Ratio of Paid-in Capital Plus Deposits to Loans and Discounts

The ratios for the years 1985 and 1986 indicate that for each Quetzal lent the bank has available as much as Q1.5 to Q1.8 in the form of corporate capital plus loans and discounts. This indicator shows that the institution had adequate financial stability.

The overall analysis supports the claim that all three banks share a very favorable liquidity position which, added to more flexible or less conservative lending practices, would enable them to increase their portfolio of loans by the amounts anticipated by this proposal facility. The three banks are profitable and enjoy, by Guatemalan standards, adequate financial strength and management efficiency to successfully implement this project.

## VII. TECHNICAL ASSISTANCE

The project contemplates two levels of technical assistance: (1) from A.I.D. to the local lending institutions, and (2) from the local lending institutions to the ultimate borrowers. It is anticipated that specific attention will be incorporated into this segment of the project to address gender-related issues in local banking practices. These issues may take into account, if relevant, the need to eliminate formal or informal barriers to delivery of credit to women (such as the requirement of discriminatory or blatantly unreasonable collateral requirements).

These program components are to be covered by the small and medium enterprise technical support component of USAID/Guatemala's PED's project. At the core of the component is a non-profit organization, the Guatemalan Management Association (Asociacion de Gerentes de Guatemala, AGG), which is dedicated to the professional development of SME management. AGG will operate an SME Development Center under the project. A network for SME managers which will provide information on resources and opportunities available, and will as well as share experiences and alert SME managers to matters affecting their interests. In this connection, the Center will also undertake to identify, analyze, and support SME policy dialogue with the government and major private interests.

Over a period of five years, there will be four annual cycles of 50 students each for a total of 200 per year or 1,000 over the five-year project term.

Each of the four annual training cycles will be composed of 50 SME owners and managers. A group of six experienced advisors and twelve assistants in different business specialities, such as accounting and marketing, will teach classes and attend all sessions. These advisors will be available for one-on-one technical assistance to SME as a part of the program. Thus, the SME course participants, and their instructors and advisors will form a group in which a high degree of interaction, focused on the client taking impact producing action in the firm will take place. A centerpiece of the program will be the development of a fully elaborated business plan for his or her own enterprise. Both the students and the advisors will be engaged in an intense and practical learning environment.

In addition to the basic course material, students and advisors will have access to AGG and American Management Association materials relating to the needs of the participants.

One important reason that the Guatemalan banks have not been more active in small business lending has been the high cost of administering that type of portfolio relative to the average size and gross interest turn of the loans. These costs can be significantly reduced if the targeted SME lenders are encouraged to develop efficient small business skills including standardized loan solicitation forms and personal and corporate financial procedures:

During the initial years of operation of this facility, the banks expect to have a very low staff and operating budget and therefore a limited in-house

capability of providing technical assistance to the SME borrowers. Ultimately the Administrator may be expected to assess an additional fee to the lenders (to be passed on to the borrower) to fund the retention of outside financial service assistance in the preparation and delivery of credible business development plans. In the interim, USAID/Guatemala is prepared to underwrite a substantial portion of this supplemental technical assistance and is in the process of assessing the actual needs and costs of such an undertaking.

AGG, with PMU assistance will seek out new, better and more cost-effective ways to provide business and technical training to SME managers and employees. It is believed that many possibilities exist within Guatemala to encourage effective training beyond the basic AGG program around which SME training will be built. In particular, means will be found to encourage such training in the provinces as well as in Guatemala City. For example, an excellent short management training course was developed by local people and presented to local managers in the town of Quetzaltenango. This is precisely the kind of activity that PED would wish to promote. But it is not clear that that particular program is replicable in other areas or that an appropriate mix of instructors - or participants - would live in other locations. The Project through AGG and CAEM, will explore these possibilities and develop appropriate means for assisting private initiative wherever possible. \$250,000 equivalent in local currency has been provided for specialized training activity outside the basic course described above.

Under some circumstances, project funds will be available for training programs outside Guatemala but this will be only in unusual cases and involve training of trainers or course designers. This overseas training will be financed by the \$100,000 Overseas Training Fund established as part of this project. The fundamental thrust of this activity is to build training capability for SME within the country.

AGG will purchase at reduced cost certain specialized management training course packages from the American Management Associations. These course packages include Spanish-language written and audio visual material, training of trainers, and rights of reproduction. These materials will bolster an already strong AGG training program.

VIII. CONTRIBUTION TO DEVELOPMENT

a) Impact of PRE Participation on USAID Policy Areas

As already noted, only small scale productive enterprises will be eligible to borrow under this facility. The project may involve hundreds of partially guaranteed loans to small businesses. The data submitted under the record collection processes of this facility will measure the increase in production or employment directly generated by these projects. The success and impact of the borrowers' activities can, however, to a great extent be inferred from their ability to service their loans. The purpose and developmental merit of the loans in any event, can be evaluated from each borrower's loan application form, a copy of which A.I.D. will have a right to inspect upon request.

With respect to A.I.D.'s "Four Pillars" of development, the project entails institution building, private sector development and technology transfer. By being induced to lend to a new market of borrowers, and by receiving the technical assistance proposed under the grant component of this facility, the Participating Bank will enhance their internal capabilities to lend to small businesses. The facility may furthermore serve as an instrument to further USAID/Guatemala's policy dialogue with local bank regulatory authorities to encourage the introduction of key accounting and reporting disciplines within the local banking community. The project is consistent with USAID/Guatemala Mission objectives in the development of Guatemalan financial market.

b) Women in Development.

A substantial number of all sub-borrower beneficiaries under this facility and a majority of artisan credit users may be expected to be women. As recent PISCES and ARIES studies of micro-enterprise projects in African, Latin American and Asian countries revealed, credit projects aimed at small businesses mostly assist women entrepreneurs "...because, in general, the smaller the size of the business reached, the larger the proportion of women business owners". To this extent the design of this project will take into account a gender analysis of lending patterns experienced in Guatemala and will, to the extent necessary, make provisions for legal, regulatory or conventional practices that inhibit the delivery of credit to women.

c) Relationship to USAID/G Strategy and Other Projects

This project represents a significant step in the evolution of USAID Guatemala's private sector strategy. It presents a comprehensive approach to areas of need identified in numerous Mission-funded studies and earlier projects. While complementing at the same time other A.I.D projects, those of the GOG, World Bank, IDB, and the U.N.

The USAID/Guatemala private sector strategy concentrates its efforts on policy dialogue with both the public and private sectors enhancing the access of small and medium size enterprises to financial and technical inputs to expand private investment and exports. This strategy capitalizes on the pro-private sector attitude demonstrated by the Cerezo government towards improved public and private sector policy dialogue.

The project is designed to support the USAID/G Sector Strategy by working with private sector interest groups in their efforts to identify and eliminate policy constraints hampering the development of a competitive private sector:

- Expanding the private sector base in the policy dialogue by incorporating sectors currently excluded, specifically small and medium size enterprises;
- Revising fiscal and monetary policies which impede the efficient allocation of resources and which cause disincentives to productivity and nontraditional exports;
- Supporting policy and other donor initiatives aimed at removing CACM tariff distortions which limit Guatemala's export competitiveness;
- Reviewing financial legislation and suggesting modifications which facilitate improved financial services and more flexible financial instruments;
- Assessing credit policies and promoting internal savings mobilization and allocation to productive investments;
- Assessing policies oriented to give unfair advantage to GOG owned or operated commercial ventures, and recommending targets of opportunity for privatization;
- Developing recommendations on business personnel management and training as well as other measures to expand the demand for productive employment, especially of the female labor force;
- Evaluation of policies affecting the import of inputs vital to expanded production, particularly of the export sector.

d) The project's complementarity with USAID ongoing projects has already been illustrated in the earlier description of A.I.D.'s relationship with CAEM as Project Administrator.

The Private Sector Development Coordination \$1.5 million OPG is a successful umbrella project which strengthens the Chamber of Entrepreneurs (CAEM) while that body, in turn, oversees a variety of sub-projects including:

CAEM as the Grantee agency for USAID/Guatemala's PED project, will be administratively strengthened, and its impact and responsibilities further enhanced by this project.

Complementing the credit component of the Mission's existing and under utilized Agribusiness Project with PED's local currency guaranty fund will help move the former's pipeline towards SME in that subsector, while expanding PEDs impact in agribusiness.

ROCAP, A.I.D.'s regional counterpart, has undertaken a wide variety of private sector initiatives, including an Export Promotion Fund; Non-Traditional Agricultural Support; Export Agribusiness and Development Promotion; and Export Management Training. It has also sponsored studies on regional transportation and capital markets. PED projects management and ROCAP project management will continue to coordinate closely to optimize the impact of their resources.

IX. Monitoring and Evaluation.

The USAID/Guatemala and A.I.D./PRE will share responsibility for monitoring and providing continuing evaluation of the project. This exercise will consist of:

1. Annual reviews of the financial condition of the Participating Banks.
2. Interim contacts by correspondence and/or personal visitation to maintain a current perspective on their respective lending activities.
3. Periodic certifications by Participating Banks regarding the number and amount of sub-borrower obligations incurred.
4. Review of the Sub-Borrower Information Reports submitted by the Participating Banks.

The evaluation of this project will be conducted in Guatemala by A.I.D./PRE two years following initial disbursement of loan funds. The evaluation is intended to provide guidance with respect to any adjustments that might be made in the project's implementation which might enhance its developmental impact. The evaluation process should serve additionally to determine the project's replicability in other A.I.D.-assisted countries.

Notwithstanding A.I.D.'s ability to request at any future time reasonable additional information, the reporting requirements provided for in the Project Agreement are expected to generate sufficient base-line data from which to perform the evaluation. Data for economic overview will be gathered from secondary sources and from interviews with USAID, GOB officials, borrowers and participating bank management.

The following topics will be of particular interest to A.I.D. and will be addressed in the evaluation reports:

1. Analysis of the Guatemalan capital market, competitive and regulatory environment and the economic climate in which the project is being carried out, with particular reference to the constraints, if any, which continue to inhibit delivery of credit to small and medium-sized enterprises.
2. A summary of each bank's system for delivering credit to the sub-borrowers and how management indicates that this may have changed as a result of the guarantee facility and conclusions with respect to the bank's institutional capability and interest in servicing the target sector absent this guarantee facility.
3. Profitability of the lending program as calculated from statistics reported by the participating banks. Terms, rates and loss data will be reported semiannually to A.I.D./PRE.

4. The institutionalization of this lending program as indicated by the portion of the portfolios made up of such credit, the number and type of staff involved and extent to which plans have been made to extend the program beyond the expiration of the standby L/C.

5. Costs and performance of the loan guarantee structure for sharing risk loss. The cost of the standby letter of credit and the timeliness with which the mechanism was able to respond to claims. This information will largely be available from data submitted by the borrower and issuing bank.

6. A study of the compiled data describing the portfolios to determine the profile of the beneficiaries and the developmental impacts of credit availability, particularly regarding any gender differentiations in impacts for which correction in this or replicated facilities may be appropriate.

Elaboration of these topics as part of the evaluation will result in conclusions as to: (a) projects success in achieving its objectives; and (b) generic approach for replication of the project. A.I.D./PRE will provide grant funding for evaluation, a portion of which may be used by the participating banks to defray any extraordinary costs they might sustain by virtue of their willingness to collaborate in such a process.

#### X. ENVIRONMENTAL IMPACT

PRE will apply for and expects to receive from the responsible LAC environmental officer a categorical exclusion under A.I.D. Regulation 16, 22 CFR 216.2(c) (2) (x) on the grounds that this project provides assistance through an intermediate credit institution.

## XI. PROJECT IMPLEMENTATION PROCEDURES

### Project Methodology

1. PRE/I will negotiate with an appropriate U.S. commercial bank terms of a parallel Loan Agreement providing for execution of the standby letter of credit. In the course of determining the basis for selection of the most appropriate U.S. letter of credit issuing bank, PRE/I will take into account not only the relative costs of executing the facility but also the degree of ingenuity and interest displayed by each bank in optimizing the use of the facility to promote the export of U.S. goods and services under the facilities supported by our guarantee.
2. PRE/I concludes a Project Agreement substantially in the form of Annex with the Guatemalan Project Administrator under which operating terms and eligibility for participation in the credit guarantee facility are established.
3. The participating pre-qualified Guatemalan banks proceed to identify potential sub-borrowers and extend credit to them in accordance with the agreed terms and procedures. The pre-qualified Guatemalan banks will concurrently request CAEM to notify the U.S. Letter of Credit Bank of the amount of eligible credit extended and to request confirmation of an irrevocable standby letter of credit in their favor in an amount equal to the U.S. dollar equivalent of 50% of their principal anticipated exposure.
4. Under the proposed PRE \$2,000,000 and USAID/Guatemala \$5.5 million umbrella loan guarantee facility, the participating Guatemalan banks would in effect create a potential pool of Quetzal funds equivalent to US\$15 million. With the exception of liability for payment of offshore fees and commissions, there is no foreign exchange risk created or assumed by the Guatemalan parties to this transaction.
5. The Government of Guatemala by authorizing issuance of the commercial letter of credit, will enable the participating lending institutions to meet their hard currency obligations under this facility, primarily payment of letters of credit fees and commissions and principal and interest repayments of FX borrowings under LC.

## XII. Risk Analysis

A.I.D. assumes a significant level of risk in underwriting the proposed structure of this facility. While a reasonable effort will be made to ensure that only responsible, adequately capitalized financial institutions with proven managerial ability will be able to access this facility, a number of sub-projects may be expected to default on account of the level of commercial risk involved or exposure to business cycles beyond their control. This will result in a potential claim against the Revolving Fund for up to 50% of the amount lent. Actuarial records of banks loss experience in this field do not exist for Guatemala. Any analysis of the Central Bank's experience with the guarantee program in place during the late seventies fails to draw any conclusions relevant to the design of this facility in light of the fact that banks, under the old program, were never required to retain a portion of the underlying risk sufficient to ensure adequate due diligence.

While less significant from the standpoint of the absolute values involved, both A.I.D. and the U.S. letter of credit bank assumed the risk of delayed payment of letters of credit fees and commissions in the event the Central Bank in any way inhibits free access to the hard currency required. This risk, however, is deemed to be minimal.

XIII. PROPOSED TIMETABLE

Design Loan banks Guarantee Facility (TDY)	April 1, 1987
Review Investment Opportunity Proposal	June 15, 1987
Draft Terms of Project Agreement	June 15, 1987
Reviews by USAID/Guatemala and banks (TDY)	July 20, 1987
Selection U.S. Letter of Credit Bank	August 6, 1987
Agree Terms L/C Bank Loan Agreement	August 25, 1987
Investment Proposal Reviewed	August 7, 1987
Review by PRE/I Loan Review Board	August 10, 1987
Signing - Loan Agreement with U.S. Bank	September 15, 1987
Sign banks/A.I.D./Bank Project Agreement(TDY)	September 15, 1987
Banks/US Bank Letter of Credit Agreement	September 15, 1987
Selection Initial Participating Banks	September 15, 1987
Conditions Precedent & Disbursement	October 1, 1987
Opening of Standby Letters of Credit	November 1, 1987
First Loan Installment Due and Reduction of Standby L/C	November 1, 1990
Second Loan Installment Due and Reduction of Standby L/C	November 1, 1991
Final Loan Installment Due and Expiration of Standby L/C	November 1, 1992

CREDIT APPLICATION FORM  
FOR AN  
UNSECURED CORPORATE LOAN

CREDIT APPLICATION FORM  
FOR A  
SECURED CORPORATE LOAN

CREDIT APPLICATION FORM  
FOR AN  
UNSECURED PERSONAL LOAN

Annex B

Loan No. \_\_\_\_\_

LOAN PROFILE

1. Name of Borrower:
2. Contact Person(s):
3. Business Address:
4. Telephone
5. Business Location/Geographic Scope of Enterprise
  - Community of
  - Region of
  - Province of
  - National
6. Nature of enterprise or business activity
7. Loan Amount (Quetzals)
8. Date Granted
9. Terms
10. Repayment Schedule:
11. Purpose of Loan:
12. Description and Value of Collateral/Security provided:
13. Size of Enterprise (As of / / )
  - a) Form of association or corporation
  - b) Nature of ownership:
  - c) Employees Male \_\_\_\_\_ Female \_\_\_\_\_
  - d) Annual Sales /Revenues B\$ \_\_\_\_\_
  - e) Net Income
  - f) Total Assets
  - g) Total Liabilities
14. New Customer \_\_\_\_\_  
Previous Customer \_\_\_\_\_  
Date Last Loan \_\_\_\_\_  
What is new aspect of borrowing relationship? \_\_\_\_\_

BANK PROFILE

Name of Bank:

Head Office:

Established:

Branches:

Personnel:

Ownership"

Key Management:

Key Rankings as of / / among 15 private banks:

Loans	the	Net Income	the
Total Deposits	the	Market Share	
Capital & Reserves	the	Loans	%
		Deposits	%

Summary Financial Statements (Date, Currency, Conversion Rate):

	<u>1983</u>	<u>1984</u>	<u>1985</u>
Primary Assets			
Loans			
Other			

Total Assets

Total Deposits

Other

Total Liabilities

Capital Funds

Total Liab. & Cap. Funds

Net Income

Ref. FS Rate Quetzals:US\$:

FINANCIAL STATEMENTS  
PARTICIPATING FINANCIAL INSTITUTIONS

IIIa - Comparative Financial Statistics & Ration Analysis

IIIb - Comparative Portfolio Analysis

IIIc - Comparative Balance Sheets and Income Statements

(Attached)

BEST AVAILABLE COPY

CUADRO No. 43

BANCO GRANAI & TOWNSON, S. A.

BALANCE GENERAL CONDENSADO AL FINAL DE CADA PERIODO

(Cifras en Miles de Quetzales)

	1983	1984	1985			1986		
	DICIEMBRE	DICIEMBRE	JUNIO	SEPTIEMBRE	DICIEMBRE	MARZO	JUNIO	SEPTIEMBRE
<b>A C T I V O</b>								
DISPONIBILIDADES.....	39 527	40 078	44 778	44 760	72 969	65 552	57 432	83 822
En Moneda Nacional.....	34 816	37 406	42 889	42 662	72 032	64 294	54 941	81 333
Caja.....	2 372	2 321	1 989	2 916	3 350	4 368	2 324	3 374
Banco Central.....	32 444	35 085	34 301	34 587	68 682	54 328	43 180	71 979
Otros Bancos del País.....	-	-	-	-	-	-	-	-
Cheques en poder de los Bancos del País.....	-	-	5 599	5 179	-	4 498	3 837	5 980
Disponibilidades.....	-	-	-	-	-	-	-	-
En Moneda Extranjera.....	4 711	2 672	1 889	2 098	937	1 258	2 491	2 489
Caja.....	43	62	117	62	76	125	23	81
Banco Central.....	-	-	-	-	-	-	-	-
Bancos del Exterior.....	4 668	2 574	1 575	2 014	359	1 116	2 454	2 401
Giros sobre el Exterior.....	-	36	197	22	2	17	14	7
PRESTAMOS Y DESCUENTOS (NETO)	133 986	147 837	155 745	166 391	167 103	179 395	177 319	177 131
Prestamos.....	127 515	144 296	150 822	160 962	164 743	176 889	175 490	174 580
Documentos Descuotados.....	5 450	-3 516	4 887	5 307	2 345	2 496	1 829	2 551
Documentos a Cobrar en M/E.....	21	25	36	22	15	10	-	-
INVERSIONES EN VALORES (NETO)	42 870	60 294	65 008	62 335	47 579	69 126	84 580	78 907
Nacionales.....	42 370	60 294	64 996	62 323	47 567	69 114	84 568	78 895
Valores del Gob. y Entda. Oficiales.....	391	17 900	21 936	18 870	4 082	25 920	42 424	31 574
Valores de Instituciones Financieras.....	-	-	-	-	-	-	-	6 000
Acciones y Participaciones.....	62	62	50	50	50	50	50	50
Cedulas Hipotecarias.....	41 817	42 332	43 010	43 403	43 435	43 144	42 094	41 271
Estranjeros.....	-	-	12	12	12	12	12	12
Valores en M/E.....	-	-	12	12	12	12	12	12
OTRAS INVERSIONES (NETO)	705	745	591	858	708	1 413	1 291	1 682
Inversiones para Promocion de Empresas Urbanizaciones y Viviendas.....	-	-	-	-	-	-	-	-
Fondos Especiales.....	705	745	591	858	708	1 413	1 291	1 682
Inversiones Diversas.....	-	-	-	-	-	-	-	-
SUCURSALES Y AGENCIAS, CTA. CTE.....	-	-	-	-	-	-	-	-
OTROS ACTIVOS (NETO)	8 430	9 306	14 871	11 966	5 884	6 920	13 136	11 728
Productos por Cobrar.....	2 838	3 252	3 916	3 918	3 205	3 817	3 899	4 481
Pagos por Cuenta Ajena.....	20	36	887	72	43	259	223	222
Activos Extraordinarios.....	342	311	310	311	321	443	419	441
Diversos.....	5 230	5 707	9 758	7 665	2 315	2 401	8 595	6 624
MUEBLES E INMUEBLES (NETO)	323	184	217	243	257	317	323	381
CARGOS DIFERIDOS.....	242	420	525	597	705	1 117	1 025	1 678
<b>SUMA DEL ACTIVO</b>	<b>226 083</b>	<b>258 864</b>	<b>281 735</b>	<b>287 650</b>	<b>295 205</b>	<b>323 840</b>	<b>335 106</b>	<b>355 329</b>
<b>P A S I V O</b>								
DEPOSITOS.....	183 264	213 156	232 525	233 853	253 450	280 335	286 612	300 938
En Moneda Nacional.....	183 264	213 156	232 525	233 853	253 450	280 335	286 612	300 938
Depositos a la Vista en Cta. de Cheq.....	37 224	37 643	50 199	54 305	57 884	65 926	72 411	74 757
Otros Depositos a la Vista.....	861	756	1 042	1 328	870	792	1 553	1 030
Depositos de Ahorro.....	129 958	153 689	159 382	156 667	171 408	190 676	207 255	218 948
Depositos a Plazo.....	15 221	21 068	21 902	21 553	23 288	22 941	5 393	6 193
En Moneda Extranjera.....	-	-	-	-	-	-	-	-
Depositos a la Vista en Cta. de Cheq.....	-	-	-	-	-	-	-	-
Otros Depositos a la Vista.....	-	-	-	-	-	-	-	-
Depositos a Plazo.....	-	-	-	-	-	-	-	-
TITULOS DE CAPITALIZACION.....	-	-	-	-	-	-	-	-
Reservas Tecnicas.....	-	-	-	-	-	-	-	-
Obligaciones Pendientes de Pago.....	-	-	-	-	-	-	-	-
OTRAS EXIGIBILIDADES.....	8 585	10 128	14 462	13 776	5 280	6 724	13 599	12 311
En Moneda Nacional.....	3 140	5 181	9 829	9 132	4 170	5 650	10 197	8 535
En Moneda Extranjera.....	5 445	4 947	4 633	4 644	1 110	1 074	3 402	3 776
CREDITOS DEL BANCO CENTRAL.....	804	2 078	1 413	3 449	2 497	1 289	1 270	3 042
Adelantos.....	804	2 078	1 413	3 449	2 497	1 289	1 270	3 042
Descuentos y Redescuentos.....	-	-	-	-	-	-	-	-
Otros Creditos.....	-	-	-	-	-	-	-	-
CREDITOS DE OTRAS ENTIDADES (NETO)	-	-	-	-	-	-	-	-
Creditos de Bancos del País.....	-	-	-	-	-	-	-	-
Cred. de Entidades no Bancos del País.....	-	-	-	-	-	-	-	-
Creditos de Bancos del Exterior.....	-	-	-	-	-	-	-	-
Cred. de Entidades no Bancos del Exter.....	-	-	-	-	-	-	-	-
OBLIGACIONES FINANCIERAS EN CIRCULACION CASA MATRIZ EXTRANJERA, CTA. CTE.....	16 190	15 390	14 855	14 805	14 545	14 335	13 995	13 945
OTROS PASIVOS.....	640	555	720	3 308	566	3 370	581	4 482
En Moneda Nacional.....	640	555	720	3 308	566	3 370	581	4 482
En Moneda Extranjera.....	-	-	-	-	-	-	-	-
CREDITOS DIFERIDOS.....	183	82	124	138	60	63	86	133
<b>SUMA EL PASIVO EXIGIBLE</b>	<b>209 666</b>	<b>241 389</b>	<b>264 099</b>	<b>269 329</b>	<b>276 398</b>	<b>306 116</b>	<b>316 143</b>	<b>334 851</b>
OTRAS CUENTAS ACREEDORAS.....	-	-	-	-	-	-	-	-
UTILIDADES DIFERIDAS.....	2 907	3 307	3 864	3 847	3 245	3 757	3 695	4 369
<b>SUB TOTAL</b>	<b>212 573</b>	<b>244 696</b>	<b>267 963</b>	<b>273 176</b>	<b>279 643</b>	<b>309 873</b>	<b>319 838</b>	<b>339 220</b>
<b>CAPITAL CONTABLE</b>								
CAPITAL SOCIAL.....	8 000	9 200	9 978	10 000	10 000	11 000	11 000	11 000
Capital Autorizado.....	10 000	10 000	10 000	10 000	10 000	20 000	20 000	20 000
Capital no Pagado.....	(2 000)	(3 000)	(22)	-	-	(9 000)	(9 000)	(9 000)
Aportes para Acciones.....	-	-	-	-	-	-	-	-
Casa Matriz Extranjera, Capital Asigdo.....	-	-	-	-	-	-	-	-
OTRAS APORTACIONES.....	-	-	-	-	-	-	-	-
RESERVAS.....	2 764	2 279	2 459	2 459	2 458	2 562	2 562	2 562
REVALUACIONES DE ACTIVOS.....	-	-	-	-	-	-	-	-
UTILIDADES RETENIDAS.....	-	-	-	-	-	-	-	-
PERDIDAS POR APLICAR.....	-	-	-	-	-	-	-	-
RESULTADOS DEL EJERCICIO.....	2 746	2 689	-	-	3 104	-	-	-
Cuentas de Resultados (NETO)	-	-	1 335	2 015	-	405	1 706	2 547
<b>SUMAN LAS CUENTAS DE CAPITAL</b>	<b>13 510</b>	<b>14 168</b>	<b>13 772</b>	<b>14 474</b>	<b>15 562</b>	<b>13 967</b>	<b>15 268</b>	<b>16 109</b>
<b>TOTAL IGUAL A LA SUMA DEL ACTIVO</b>	<b>226 083</b>	<b>258 864</b>	<b>281 735</b>	<b>287 650</b>	<b>295 205</b>	<b>323 840</b>	<b>335 106</b>	<b>355 329</b>

47

	1983		1984			1985			1986			
	DICIEMBRE	DICIEMBRE	JUNIO	SEPTIEMBRE	DICIEMBRE	MARZO	JUNIO	SEPTIEMBRE	DICIEMBRE	MARZO	JUNIO	SEPTIEMBRE
<b>A C T I V O</b>												
DISPONIBILIDADES.....												
En Moneda Nacional.....	49 069	40 098	61 624	46 203	46 618	65 334	70 397	100 301				
Caja.....	28 099	34 320	55 424	39 761	42 051	59 365	67 303	90 452				
Banco Central.....	1 398	2 434	1 511	2 350	3 389	4 489	2 098	3 275				
Otros Bancos del Pais.....	26 701	31 536	37 976	27 796	38 662	45 377	52 613	70 232				
Ches. a cargo de otros Bancos del pais.	-	-	-	-	-	-	-	-				
Otras Disponibilidades.....	-	-	15 837	9 115	-	-	-	-				
En Moneda Extranjera.....												
Caja.....	20 970	6 378	6 200	6 442	4 567	5 969	3 594	9 849				
Banco Central.....	19	95	24	11	172	4	34	9				
Bancos del Exterior.....	-	-	-	-	-	-	-	-				
Ciros sobre el Exterior.....	20 951	5 983	6 159	6 426	4 395	5 965	3 550	9 840				
PRESTAMOS Y DESCUENTOS (NETO)												
Prestamos.....	204 245	203 720	226 424	219 003	218 021	231 974	237 325	219 334				
Documentos descontados.....	194 439	195 418	219 812	213 277	211 994	225 698	232 046	214 660				
Documentos a Cobrar en M/E.....	7 019	4 374	4 604	5 233	5 480	5 525	4 798	4 289				
INVERSIONES EN VALORES (NETO)												
Nacionales.....	48 492	71 014	66 844	68 493	92 768	91 770	119 054	132 435				
Valores del Gob. y Entds. Oficiales.....	48 480	70 954	66 784	67 740	91 770	96 369	119 042	132 423				
Valores de Instituciones Financieras.....	10 210	18 498	14 876	15 471	37 049	40 003	63 144	76 708				
Acciones y Participaciones.....	28 547	40 665	40 048	40 047	44 267	46 267	46 251	46 231				
Cedulas Hipotecarias.....	4 029	4 629	4 629	4 629	3 128	3 129	2 859	2 859				
Extranjeras.....	5 694	7 162	7 231	7 593	7 326	6 970	6 788	6 625				
Valores en M/E.....	12	60	60	998	998	1 878	12	12				
OTRAS INVERSIONES (NETO)												
Inversiones para Promocion de Empresas	63	225	325	325	408	558	558	658				
Urbanizaciones y Viviendas.....	-	-	-	-	-	-	-	-				
Fondos Especiales.....	-	-	-	-	-	-	-	-				
Inversiones Diversas.....	63	225	325	325	408	558	558	658				
SUCURSALES Y AGENCIAS, CTA. CTE.....	-	-	-	-	-	-	-	-				
OTROS ACTIVOS (NETO)												
Productos por Cobrar.....	38 703	48 697	35 344	48 693	26 041	24 684	31 930	63 385				
Pagos por Cuenta Ajena.....	3 756	4 934	5 363	6 804	6 140	5 928	6 453	9 212				
Activos Extraordinarios.....	268	324	257	96	152	55	81	705				
Diversos.....	284	828	1 012	986	776	473	7	7				
MUEBLES E INSTRUMENTOS (NETO)	34 395	42 611	28 612	40 807	18 973	18 228	25 389	53 461				
CARGOS DIFERIDOS.....	5 294	5 081	5 172	5 275	2 999	3 008	2 697	2 699				
1 327	1 486	1 349	2 374	1 244	1 600	1 215	1 243					
<b>SUMA DEL ACTIVO</b>	<b>347 193</b>	<b>370 321</b>	<b>397 082</b>	<b>390 611</b>	<b>388 099</b>	<b>425 405</b>	<b>463 676</b>	<b>520 055</b>				
<b>P A S I V O</b>												
DEPOSITOS.....												
En Moneda Nacional.....	247 552	268 318	300 367	274 370	312 426	357 619	388 507	417 407				
Depositos a la Vista en Cta. de Ches.....	247 552	268 318	300 367	274 370	312 426	357 619	388 507	417 407				
Otros Depositos a la Vista.....	44 956	49 626	63 203	59 188	67 911	74 569	86 529	93 330				
Depositos de Ahorro.....	471	436	2 396	322	349	440	491	452				
Depositos a Plazo.....	201 319	215 083	226 628	203 398	227 904	265 740	288 796	319 528				
En Moneda Extranjera.....	806	3 173	8 140	11 462	16 262	16 870	12 691	3 897				
Depositos a la Vista en Cta. de Ches.....	-	-	-	-	-	-	-	-				
Otros Depositos a la Vista.....	-	-	-	-	-	-	-	-				
Depositos a Plazo.....	-	-	-	-	-	-	-	-				
TITULOS DE CAPITALIZACION.....												
Reservas Tecnicas.....	-	-	-	-	-	-	-	-				
Obligaciones Pendientes de Pago.....	-	-	-	-	-	-	-	-				
OTRAS EXIGIBILIDADES.....												
En Moneda Nacional.....	46 592	53 567	42 787	59 940	26 391	21 261	31 094	53 355				
En Moneda Extranjera.....	22 342	26 806	30 467	32 690	17 731	13 633	24 716	34 926				
CREDITOS DEL BANCO CENTRAL.....	24 250	26 761	12 320	27 250	8 660	7 628	6 378	18 429				
Adelantos.....	14 047	7 535	13 568	11 460	5 703	4 295	2 807	3 030				
Descuentos y Redescuentos.....	14 047	7 535	13 568	11 460	5 703	4 295	2 807	3 030				
Otros Creditos.....	-	-	-	-	-	-	-	-				
CREDITOS DE OTRAS ENTIDADES (NETO)												
Creditos de Bancos del Pais.....	-	625	-	-	-	-	-	-				
Cred. de Entidades no Bancos del Pais.....	-	-	-	-	-	-	-	-				
Creditos de Bancos del Exterior.....	-	-	-	-	-	-	-	-				
Cred. de Entidades no Bancos del Exter.....	-	625	-	-	-	-	-	-				
OBLIGACIONES FINANCIERAS EN CIRCULACION												
CASA MADRE EXTRANJERA, CTA. CTE.....	1 695	1 602	-	-	1 909	1 875	1 875	1 782				
OTROS PASIVOS.....												
En Moneda Nacional.....	351	215	419	2 710	442	2 806	554	3 262				
En Moneda Extranjera.....	351	215	419	2 710	442	2 806	554	3 262				
CREDITOS DIFERIDOS.....	284	271	233	252	229	203	176	191				
<b>SUMA EL PASIVO EXIGIBLE</b>	<b>310 521</b>	<b>332 133</b>	<b>359 376</b>	<b>350 641</b>	<b>347 100</b>	<b>388 059</b>	<b>425 013</b>	<b>479 027</b>				
OTRAS CUENTAS A CREDITORES.....	-	-	-	-	-	-	-	-				
..... ADEUDADAS.....	3 806	5 080	5 607	7 045	6 316	6 037	6 869	9 615				
<b>SUB TOTAL</b>	<b>314 327</b>	<b>337 213</b>	<b>364 983</b>	<b>357 686</b>	<b>353 416</b>	<b>394 096</b>	<b>431 882</b>	<b>488 642</b>				
<b>CAPITAL CONTABLE</b>												
CAPITAL SOCIAL.....												
Capital Autorizado.....	25 000	25 000	25 000	25 000	25 000	25 000	25 000	25 000				
Capital no Pagado.....	25 000	25 000	25 000	25 000	25 000	25 000	25 000	25 000				
Aportas para Acciones.....	-	-	-	-	-	-	-	-				
Casa Matriz Extranjera, Capital Asigdo.....	-	-	-	-	-	-	-	-				
TRAS APORTACIONES.....												
RESERVAS.....												
EVALUACIONES DE ACTIVOS.....	3 763	4 028	4 233	4 233	4 233	4 519	4 486	4 486				
UTILIDADES RETENIDAS.....	1 914	-	-	-	-	-	-	-				
ERUDIDAS POR APLICAR.....	2 189	4 080	-	-	-	-	-	-				
RESULTADOS DEL EJERCICIO.....	-	-	2 866	3 692	5 450	1 790	2 308	1 927				
ventas de Resultados (NETO)	-	-	-	-	-	-	-	-				
<b>SUMAS LAS CUENTAS DE CAPITAL</b>	<b>32 866</b>	<b>33 108</b>	<b>32 099</b>	<b>32 925</b>	<b>34 683</b>	<b>31 309</b>	<b>31 794</b>	<b>31 413</b>				
<b>TOTAL IGUAL A LA SUMA DEL ACTIVO</b>	<b>347 193</b>	<b>370 321</b>	<b>397 082</b>	<b>390 611</b>	<b>388 099</b>	<b>425 405</b>	<b>463 676</b>	<b>520 055</b>				

*Handwritten signature or initials*

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CUADRO No. 49

BANCO DEL CAFE, S. A.

BALANCE GENERAL CONDENSADO AL FINAL DE CADA PERIODO

( Cifras en Miles de Quetzales )

	1983	1984	1985			1986		
	DICIEMBRE	DICIEMBRE	JUNIO	SEPTIEMBRE	DICIEMBRE	MARZO	JUNIO	SEPTIEMBRE
<b>A C T I V O</b>								
DISPONIBILIDADES.....	40 585	41 308	45 166	48 198	79 390	79 479	60 464	78 753
En Moneda Nacional.....	18 638	27 754	33 141	32 431	66 369	70 397	56 644	70 210
Caja.....	2 914	3 390	3 263	4 567	6 233	7 038	4 039	5 813
Banco Central.....	15 724	23 264	18 958	21 902	50 736	56 370	41 560	49 364
Otros Bancos.....	-	-	-	-	-	-	-	-
Checa a cargo de otros Bancos del país.....	-	600	-	-	-	6 389	11 045	14 533
Otras Disponibilidades.....	-	-	10 920	5 862	-	-	-	-
En Moneda Extranjera.....	21 947	13 554	12 025	15 767	12 421	9 082	3 320	8 543
Caja.....	129	290	594	127	150	25	22	89
Banco Central.....	-	-	-	-	-	-	-	-
Bancos del Exterior.....	21 818	13 238	9 569	10 896	12 151	8 719	3 090	7 389
Otros sobre el Exterior.....	-	26	1 362	4 744	120	338	708	565
PRESTAMOS Y DESCUENTOS ( NETO )	91 389	100 323	95 379	38 255	106 640	114 447	109 611	101 508
Préstamos.....	78 872	92 253	89 494	92 835	101 167	99 697	99 753	97 159
Documentos Descontados.....	8 413	5 394	4 354	3 336	3 371	12 384	8 223	2 763
Documentos a Cobrar en M/E.....	4 104	2 676	2 131	2 084	2 102	2 366	1 635	1 586
INVERSIONES EN VALORES ( NETO )	22 631	20 343	44 877	46 067	25 820	35 652	31 646	49 372
Nacionales.....	22 631	20 343	44 877	46 067	25 820	35 652	31 646	49 372
Valores del Gob. y Entds. Oficiales.....	2 592	92	20 092	19 181	5 024	13 109	11 228	29 175
Valores de Instituciones Financieras.....	11 500	9 600	10 600	10 600	10 600	10 600	10 600	10 600
Acciones y Participaciones.....	525	525	525	525	525	525	525	525
Cedulas Hipotecarias.....	7 914	10 126	13 660	15 761	9 671	11 418	9 293	9 072
Extranjeras.....	-	-	-	-	-	-	-	-
Valores en M/E.....	-	-	-	-	-	-	-	-
OTRAS INVERSIONES ( NETO )	157	174	441	830	436	606	687	618
Inversiones para Promoción de Empresas Urbanizaciones y Viviendas.....	-	-	-	-	-	-	-	-
Fondos Especiales.....	157	174	441	830	436	606	687	618
Inversiones Diversas.....	-	-	-	-	-	-	-	-
SUCURSALES Y AGENCIAS, CTA. CTE.....	-	-	-	-	-	-	-	-
OTROS ACTIVOS ( NETO )	32 813	40 973	32 950	29 748	21 919	23 140	15 088	26 843
Productos por Cobrar.....	564	1 112	1 852	2 078	2 118	2 232	2 391	2 508
Pagos por Cuenta Ajena.....	2 552	5 665	5 795	4 988	1 334	1 148	773	636
Activos Extraordinarios.....	281	314	306	280	263	262	257	273
Diversos.....	29 316	33 882	24 997	22 402	18 204	19 498	11 667	23 426
MUEBLES E INMUEBLES ( NETO )	80	109	109	107	115	158	154	150
CARGOS DIFERIDOS.....	676	810	2 234	2 456	1 240	1 171	4 183	8 024
<b>SUMA DEL ACTIVO</b>	<b>188 331</b>	<b>204 040</b>	<b>221 756</b>	<b>225 661</b>	<b>235 560</b>	<b>254 653</b>	<b>221 833</b>	<b>265 268</b>
<b>P A S I V O</b>								
DEPOSITOS.....	122 925	132 919	149 234	147 106	182 114	197 050	181 104	210 453
En Moneda Nacional.....	122 925	132 919	149 234	147 106	182 114	197 050	181 104	210 453
Depositos a la Vista en Cta. de Checa.....	22 553	27 875	40 337	40 765	59 086	55 512	57 872	72 716
Otros Depositos a la Vista.....	346	235	1 056	885	529	666	533	430
Depositos de Ahorro.....	92 237	90 902	91 982	89 101	105 805	124 230	112 954	124 921
Depositos a Plazo.....	7 789	13 907	15 959	16 355	16 694	16 642	9 745	12 386
En Moneda Extranjera.....	-	-	-	-	-	-	-	-
Depositos a la Vista en Cta. de Checa.....	-	-	-	-	-	-	-	-
Otros Depositos a la Vista.....	-	-	-	-	-	-	-	-
Depositos a Plazo.....	-	-	-	-	-	-	-	-
TITULOS DE CAPITALIZACION.....	-	-	-	-	-	-	-	-
Reservas Técnicas.....	-	-	-	-	-	-	-	-
Obligaciones Pendientes de Pago.....	-	-	-	-	-	-	-	-
OTRAS EXIGIBILIDADES.....	36 707	42 389	45 626	51 048	27 791	30 875	17 295	30 922
En Moneda Nacional.....	7 981	12 994	25 706	34 334	13 705	16 515	12 280	13 259
En Moneda Extranjera.....	28 726	29 395	19 920	16 714	14 086	14 360	5 015	17 663
CREDITOS DEL BANCO CENTRAL.....	11 577	8 173	4 604	4 379	4 289	3 481	2 133	0
Adelantos.....	11 577	8 173	4 604	4 379	4 289	3 481	2 133	0
Descuentos y Redescuentos.....	-	-	-	-	-	-	-	-
Otros Creditos.....	-	-	-	-	-	-	-	-
CREDITOS DE OTRAS ENTIDADES ( NETO )	4 222	2 183	2 060	1 777	1 775	1 702	1 701	1 701
Creditos de Bancos del País.....	-	-	-	-	-	-	-	-
Cred. de Entidades no Bancas del País.....	-	-	-	-	-	-	-	-
Creditos de Bancos del Exterior.....	4 222	2 183	2 060	1 777	1 775	1 702	1 701	1 701
Cred. de Entidades no Bancas del Exter.....	-	-	-	-	-	-	-	-
OBLIGACIONES FINANCIERAS EN CIRCULACION CASA MATRIZ EXTRANJERA, CTA. CTE.....	2 500	6 425	6 345	6 195	6 150	6 150	6 070	5 920
OTROS PASIVOS.....	153	347	488	1 614	377	1 655	425	2 174
En Moneda Nacional.....	153	347	488	1 614	377	1 655	425	2 174
En Moneda Extranjera.....	-	-	-	-	-	-	-	-
CREDITOS DIFERIDOS.....	292	139	68	38	82	323	111	38
<b>SUMA EL PASIVO EXIGIBLE</b>	<b>178 376</b>	<b>192 575</b>	<b>208 425</b>	<b>212 157</b>	<b>222 574</b>	<b>241 236</b>	<b>208 839</b>	<b>251 208</b>
OTRAS CUENTAS ACREEDORAS.....	-	-	-	-	-	-	-	-
UTILIDADES DIFERIDAS.....	663	1 113	1 772	2 018	2 116	2 203	2 373	2 389
<b>SUB TOTAL</b>	<b>179 039</b>	<b>193 688</b>	<b>210 197</b>	<b>214 175</b>	<b>224 690</b>	<b>243 439</b>	<b>211 212</b>	<b>253 597</b>
<b>CAPITAL CONTABLE</b>								
CAPITAL SOCIAL.....	7 500	7 500	7 500	9 150	9 150	9 150	9 150	9 150
Capital Autorizado.....	10 000	10 000	10 000	10 000	10 000	10 000	10 000	10 000
Capital no Pagado.....	(2 500)	(2 500)	(2 500)	( 850)	( 850)	( 850)	( 850)	( 850)
Aportes para Acciones.....	-	-	-	-	-	-	-	-
Casa Matriz Extranjera, Capital Asigdo.....	-	-	-	-	-	-	-	-
OTRAS APORTACIONES.....	-	-	-	-	-	-	-	-
RESERVAS.....	67	68	1 793	201	201	201	301	301
REVALUACIONES DE ACTIVOS.....	-	-	-	-	-	-	-	-
UTILIDADES RETENIDAS.....	-	1 724	1 061	-	-	1 695	-	-
PERDIDAS POR APLICAR.....	-	-	-	(52)	( 177)	( 177)	-	-
RESULTADOS DEL EJERCICIO.....	1 725	1 060	-	-	1 696	-	-	-
Cuentas de Resultados ( NETO )	-	-	1 205	2 187	-	345	1 170	2 220
<b>SUMAN LAS CUENTAS DE CAPITAL</b>	<b>9 292</b>	<b>10 352</b>	<b>11 559</b>	<b>11 486</b>	<b>10 870</b>	<b>11 214</b>	<b>10 621</b>	<b>11 671</b>
<b>TOTAL IGUAL A LA SUMA DEL ACTIVO</b>	<b>188 331</b>	<b>204 040</b>	<b>221 756</b>	<b>225 661</b>	<b>235 560</b>	<b>254 653</b>	<b>221 833</b>	<b>265 268</b>

449