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**Draft Final Report**

**EVALUATION OF SOLIDARIOS AND  
SELECTED DEVELOPMENT FOUNDATIONS**

**Contract No. LAC-0000-C-00-5073-00**

**Prepared for:**

**U.S. Agency for International Development  
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We wish to express our particular gratitude to the management and staff of SOLIDARIOS and the five national development foundations which were evaluated, and to their beneficiaries who were interviewed.

We hope that the information developed during the evaluation will contribute to the financial resurgence of the SOLIDARIOS system and to the continued growth of the development foundation movement.

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NOTE: Complete Tables of Contents for Foundation Evaluation Reports  
are located at the beginning of each report.

## LIST OF ABBREVIATIONS

|            |   |  |
|------------|---|--|
| AID        | - | Agency for International Development                               |
| EEC        | - | European Economic Community  |
| DESEC      | - | Center for Economic Social and Economic Development (Bolivia)      |
| FDD        | - | Dominican Development Foundation                                   |
| FED        | - | Ecuadorian Development Foundation                                  |
| FMDR       | - | Mexican Foundation for Rural Development                           |
| FUCODES    | - | Costa Rican Development Foundation                                 |
| FUNDACEN   | - | The Penney Foundation (Guatemala)                                  |
| FUNDE      | - | Nicaraguan Development Foundation                                  |
| FUNDES     | - | Colombian Development Foundation                                   |
| FUNHDESA   | - | Honduran Development Foundation                                    |
| IAF        | - | InterAmerican Foundation   |
| IBRD       | - | International Bank for Reconstruction and Development (World Bank) |
| IDB        | - | InterAmerican Development Bank (also BID)                          |
| INDES      | - | Institute of Social Development and Human Wel (Argentina)          |
| IPRU       | - | Institute for Economic and Social Promotion (Uruguay)              |
| NDF        | - | National Development Foundation                                    |
| PACT       | - | Private Agencies Collaborating Together                            |
| PADF       | - | Pan American Development Foundation                                |
| SOLIDARIOS | - | ouncil of American Development Foundations                         |

## PREFACE

### 1. Origin of SOLIDARIOS

The Council of American Development Foundations (SOLIDARIOS), a membership organization representing twenty private development foundations in fifteen nations of Latin America and the Caribbean, was founded in 1972. Its primary objectives were to serve as an umbrella organization for its membership, and to mobilize financial resources to fund the credit assistance programs of the member NDF's for their clientele of low-income, informal sector beneficiaries. The SOLIDARIOS' secretariat has been located in Santo Domingo, Dominican Republic since 1976.

### 2. The USAID Grant

On August 28, 1978, USAID authorized AID Grant No. AID/LAC-G-1291 of \$4,000,000 to SOLIDARIOS, of which \$3,550,000 was to be used to capitalize the SOLIDARIOS Development Fund. The remainder was to finance managerial and technical assistance to SOLIDARIOS and its member NDFs. The grant authorization was increased in 1983 to a limit of \$5,100,000.

Under terms of the grant, the donated resources were to be disbursed by SOLIDARIOS to member NDFs in the form of income generating, dollar-denominated loans. The NDFs would establish revolving credit funds with the proceeds for the purpose of financing productive development activities of low-income beneficiaries.

3. Other Development FUND Support

In addition to the AID grant, SOLIDARIOS also received authorizations of \$400,000 from PACT, \$2,350,000 in local currency equivalents from the IDB, and \$2,250,000 from the European Economic Community between 1977 and 1983 to finance the Development Fund. As of 31 December 1984, SOLIDARIOS had approved loans with ten member organizations and had disbursed \$7,599,000 of that amount. Loan conditions were typically 5% annual interest with a two or three year grace period on repayment of principal, and amortization over a period of six to fifteen years.

4. The Latin American Economic Crisis and SOLIDARIOS

Sharp devaluations of local currencies against the US dollar in recent years have affected the national economies of many nations whose member NDFs have received SOLIDARIOS credit.

Since 1983, it has become increasingly clear that many NDFs are either absolutely unable to repay dollar denominated debt, or would have to reduce or eliminate credit services to beneficiaries, and decapitalize if repayments were to be made. Consequently, many foundations have suspended payment on SOLIDARIOS debt, pending renegotiation of terms; and demands for additional dollar denominated credit had fallen to zero by 1985.

It has become increasingly clear that if SOLIDARIOS is to remain a viable, effective umbrella group and financial intermediary for its membership, the form of its activities will require modification.

5. Need for Evaluation

In response to the impasse in which the SOLIDARIOS movement finds itself at this time, USAID/LAC/DP/SD commissioned Miranda Associates, Inc. to carry out an "Evaluation of SOLIDARIOS and Selected National Development Foundations" during the last quarter of Calendar 1985.

The five member foundations to be evaluated were:

|  |                    |
|--|--------------------|
| Fundacion Costarricense de Desarrollo (FUCODES)            | Costa Rica         |
| Fundacion Dominicana de Desarrollo (FDD)                   | Dominican Rep.     |
| Federacion Ecuatoriana de Desarrollo Zona Norte (FEDNORTE) | Quito, Ecuador     |
| Fundacion Ecuatoriana de Desarrollo Zona Sur (FEDEQUIL)    | Guayaquil, Ecuador |
| Fundacion del Centavo (FUNDACEN)                           | Guatemala          |

The stated purpose of the evaluation was threefold:

- (1) to determine if the AID Grant to SOLIDARIOS has been met;
- (2) to ascertain what impact the grant has had at the NDF and grass roots levels; and
- (3) to make some judgment as to the viability of SOLIDARIOS to implement future AID projects. This judgment would include what, if any, technical assistance might be required to enhance SOLIDARIOS viability.

The complete statement of work for the evaluation is contained in Appendix I to this report.

The purpose of the AID Grant, the baseline reference for this evaluation, as stated in the Grant Letter of August 28, 1978, is found in Appendix II.

## 6. Evaluation Methodology

The evaluation was based upon field visits of an average of one week's duration each<sup>1/</sup>, which were made to the headquarters of SOLIDARIOS in Santo Domingo, and to each of the five evaluated NDFs. The field work took place during the period 13 October-23 November 1985.

In response to the need for information at the grass roots level, an average of two days per NDF was allocated to field visits and interviews with beneficiaries at their farms or in their workplace. Field trip reports of thirty group or individual beneficiary encounters are included in the annexes of the evaluation report for each foundation. Other evaluation information was based upon interviews with foundation staff and officials of organizations such as USAID and IDB National Missions, donor foundations such as the PADF, IAF and PACT, and review of available documentation concerning each foundation.

## 7. Report Format

The Evaluation Report has been organized into an Executive Summary and six individual foundation case studies. The case study format for the NDF's responds to questions B.2 through B.9 of the statement of work. The SOLIDARIOS case format responds to questions A.1 through A.4 and B.1 of the statement of work.

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<sup>1/</sup> Slightly more time was allocated to SOLIDARIOS and FEDNORTE and less to FEDEQUIL due to the latter's relative inactivity at present.

The Executive Summary presents the general conclusions and recommendations of the evaluation. For ease of readability, the Summary and Recommendations section for each individual foundation evaluation has been included in the Executive Summary.

## EXECUTIVE SUMMARY

Part 1 of the Executive Summary responds directly to the threefold purpose of the evaluation posed in the Statement of Work. These responses have been based upon the information developed in the individual case studies of SOLIDARIOS and the five evaluated NDF's.

Part 2 of the Executive Summary presents summaries of findings, and action recommendations for each of the six foundations evaluated.

### Part 1

#### 1. Purpose of the Evaluations

##### 1.1. Has the purpose of the AID Grant to SOLIDARIOS been met?

The purpose of the grant, to improve the access of low income groups to capital resources from private non-governmental development institutions, has been met. Virtually all of the SOLIDARIOS disbursements totalling \$7,600,000 were loaned by the NDF's to beneficiaries who with few exceptions would not have had access to credit from other sources. (If) a representative figure of \$750/loan is used, close to 5,000 direct beneficiaries would have benefitted on the first round of disbursement of the \$3,440,000 in AID funded loans.

*See grant document.*

*fractional*

The repayment status of NDF credit to ultimate beneficiaries should not be confused with the difficult repayment situation of SOLIDARIOS credit to the NDF's themselves.

The impending write off of a major portion of dollar denominated principal owed SOLIDARIOS by the NDF's is largely a result of macro economic circumstances, not financial mismanagement by the NDF's or SOLIDARIOS.

X 10

Account records and field inspections confirm that the revolving funds of the four credit receiving NDF's evaluated are currently functioning in acceptable fashion. Beneficiary arrears are being held to levels ranging from manageable to highly satisfactory depending upon the NDF.

**1.2. What impact has the grant had at the NDF and grass roots levels?**

This issue is treated at length in the individual evaluations. In summary, the grant in conjunction with other SOLIDARIOS credits and SOLIDARIOS supplied technical assistance, assisted all credit receiving NDF's to simultaneously upgrade internal management and expand loan portfolios. SOLIDARIOS supplied credit was a useful source of additional resources for the larger, already well established foundations such as the FMDR (Mexico), FUNDE (Nicaragua), FDD (Dominican Republic) and FUNDACEN (Guatemala). Its relative impact was more significant in the case of smaller foundations such as FEDNORTE (Quito) and FUCODES (Costa Rica). They are now well managed, effective organizations. In the absence of SOLIDARIOS assistance, the scale of their operations and impact would be extremely limited.

Impact at the grass roots level is discussed in Chapter 6 of each NDF evaluation. The principal categories of activities for which SOLIDARIOS credit was used and general impacts are as follows:

- Crop financing: Employment impact limited, but creates a more favorable pattern of rural income distribution to producer beneficiaries; income generating impact variable.
- Productive micro enterprise: decidedly favorable employment and income generating impacts, given satisfactory market demand situation.
- Cattle purchase; agricultural infrastructure, etc.: Higher risk, longer term payback activities. If successful can significantly elevate level of economic activity and beneficiary income.

- Marketing cooperatives: The more notable project failures were projects where NDF's or beneficiaries attempted to get directly involved in marketing of agricultural produce or livestock. Their inexperience generally resulted in an uneven match with competitors.

As a general rule, NDF's have most successfully used credit in less complex, lower risk activities such as crop financing. The cycle of financial difficulties which most foundations seem to pass through at some time during their first ten years of operation has generally resulted from perhaps overly idealistic involvement in more complex activities which were beyond the ability of poorly prepared beneficiaries to implement successfully, or was due to natural calamity.

**1.3. Judgement as to the viability of SOLIDARIOS to implement future AID projects; technical assistance requirements?**

Within a period of only several years after capitalization of the Development Fund, and with a staff with no prior experience in credit management, SOLIDARIOS evolved from a small coordination and information dissemination office to a role as a financial intermediary managing a nearly \$8 million portfolio, and providing institution strengthening technical assistance to permit competent management of this credit.

Though one might question the timing of dollar denominated disbursements to some NDF's located in nations with collapsing currencies during the 1982-84 period, it should be borne in mind that:

- Credit selection decisions were basically sound. Money did not flow to NDF's who were not capable of absorbing the approved amounts. xHD
- The current repayment crisis of the SOLIDARIOS system is a product of having dealt in dollar denominated credit in a soft currency environment. It is not the result of incompetence or mismanagement on the part of the NDF's or SOLIDARIOS.

- Both the general conditions of SOLIDARIOS credit and the requirement that transactions be denominated in U.S. dollars were grant conditions mandated by USAID. There appears to have been little input into project design from SOLIDARIOS leadership, many of whom are entrepreneurs familiar with credit operations in soft currency environments.

The future of SOLIDARIOS and the role which USAID can play in it are discussed in the SOLIDARIOS foundation evaluation.

The considerations upon which this relationship should be structured are as follows:

- Future credit obligations between NDF's and SOLIDARIOS should be denominated in local currencies, not dollars, insofar as practicable. Existing debt renegotiations should be based upon this principle.
- Currently authorized but frozen, and any future additional USAID resources can most profitably be employed as dollar deposits to guarantee local currency denominated lines of credit for member NDF's. Renegotiated principal repayments of existing debt denominated in local currencies could also be deposited in a common revolving fund with the guaranteed lines of credit. Allocation of credit guarantees should be the responsibility of the SOLIDARIOS system, not donors.
- The NDF movement is highly committed to the continuance of an effective Latin American umbrella organization capable of marshalling donor resources for the membership. Such an organization also serves as a buffer between the NDF's and original donors, permitting more local autonomy, and demanding more responsibility at the NDF level in the development of program agendas. SOLIDARIOS, by virtue of its established infrastructure, membership commitment, and experience in development foundation credit management is the recommended vehicle for continuing to play this role, and administering the proposed guarantee fund system.
- SOLIDARIOS finances are so structured that it can continue to support its operating budget from internally generated sources of income without direct donor support of the budget, but only if the credit receiving NDF's can maintain interest payments on existing credit balances.
- The mutual dependency of the fund administering umbrella group being dependent upon its clientele to directly support its operating budget, and the clientele being dependent upon a viable SOLIDARIOS to channel guaranteed resources should be maintained and even encouraged. A balance of this nature

will be conducive to a more collegial spirit in the relationships between the SOLIDARIOS Secretariat and the NDFs; tempering the tendency towards hierarchical relationships which have sometimes manifested themselves since establishment of the Development Fund.

In consideration of the above it is recommended that USAID:

- Acknowledge that maintenance of dollar value of reloaned grant funds disbursed is not feasible due to macro economic circumstances beyond the possibility of the SOLIDARIOS system to control, rather than due to deficiencies within the system.
- Work with SOLIDARIOS to establish principles for renegotiation of existing balances based upon principal repayments in local currencies, and insofar as possible, interest payments in dollars.
- Provide support to SOLIDARIOS for technical assistance required to facilitate implementation of guaranteed lines of credit, and financial reorganization as required of certain NDF's. The requirements, as discussed in the SOLIDARIOS evaluation are for:
  - An experienced banking or foundation management advisor who can assist in packaging of guarantee fund agreements and negotiations;
  - A SOLIDARIOS staff representative with competence in financial planning and management;
- Authorize use of the still unassigned \$1,000,000<sup>+</sup> of the original grant authorization to fund the establishment of guaranteed lines of credit for selected NDF's, and as required for the suggested technical assistance.

Of the five NDF's studied in this evaluation, those which would be the highest priority candidates for access to guaranteed lines of credit are FUCODES (Costa Rica) and FUNDACEM (Guatemala). FEDNORTE (Quito) is the beneficiary of an already established guaranteed credit line. Extension of further SOLIDARIOS credit to the FDD (Dominican Republic) is not recommended before a required financial reorganization of the foundation, and ability to reestablish payments on existing debt is demonstrated. Credit relationships with FEDEQUIL

(Guayaquil) are not recommended until this foundation resolves its institutional and programmatic deficiencies.

No judgments can be made concerning priorities for the remaining NDF's not included in this evaluation.

## **PART 2**

### **Summaries and Recommendations for Individual Evaluated Foundations**

- 2.1 SOLIDARIOS**
- 2.2 FUCODES (Costa Rica)**
- 2.3 FDD (Dominican Republic)**
- 2.4 FEDEQUIL (Guayaquil, Ecuador)**
- 2.5 FEDNORTE (Quito, Ecuador)**
- 2.6 FUNDACEN (Guatemala)**

## SOLIDARIOS

### Summary and Recommendations

SOLIDARIOS was established in 1972 and currently has fifteen full and five associate members. It was originally founded with the objective of being an umbrella group for coordination and promotion of the development foundation ideal and operating techniques. Since the establishment of the SOLIDARIOS Development Fund in 1977, its major role has been that of a financial intermediary, relending to member NDFs and providing auxiliary technical assistance at the institutional level to assure that the credit would be effectively used.

The SOLIDARIOS headquarters office is located in Santo Domingo. The salaried staff of SOLIDARIOS consists of eighteen employees, including the Secretary General, Lic. Enrique Fernandez. The President for 1985-86 is Lic. Walter Brusa of IPRU (Uruguay). The Regional Representative for Central America is based in Guatemala and the Director of Consulting Services in Mexico City. All other staff, including the Regional Representative for South America, are based in Santo Domingo. The six-member elected Executive Committee of SOLIDARIOS represent NDFs of different countries, making Committee meetings expensive to organize.

The major activities of SOLIDARIOS are the administration of the SOLIDARIOS Development Fund, the provision of institutional level technical service in areas such as planning, programming and budgeting, and funds accounting, and the organization of services and dissemination of publications relevant to the development foundation movement.

The SOLIDARIOS Development Fund was funded between 1978 and 1983 with grant authorizations of \$400,000 from PACT, \$4.5 million from USAID, \$2.25 million from the European Economic Community and a soft loan in local currencies of \$2.35 million from the IDB.

It had disbursed \$7,250,000 in loans to ten member NDFs and guaranteed a \$350,000 line of local currency credit to one of them as of the end of 1984. Accurate statistics for all foundations are not available, but it is estimated that 15,000 to 20,000 families have benefitted from this credit availability. Three NDFs--FMDR (Mexico), FUNDACEN (Guatemala), and FDD (Dominican Republic)--have received 58% of credit disbursed. With the exception of the IDB local currency credits, all other loans have been denominated in U.S. dollars, bear 5% annual interest, grace periods of up to three years, and repayment from six to fifteen years.

Authorization for use of \$842,000 of the IDB and CEE funds still undisbursed expired in November 1984. Approximately \$1,060,000 of the USAID authorization is still unassigned.

The net balance of loans outstanding to the member NDFs stood at \$5,890,000 at the end of 1984. Of that amount, 14% was overdue, and an additional 56% was owed by creditors already in arrears. Most NDFs had suspended principal and interest repayments since 1983. The primary reason was inability to purchase dollars without incurring severe decapitalization due to the sharp exchange rate devaluation of most Latin American currencies against the dollar since 1982.

SOLIDARIOS has <sup>decided</sup> agreed to renegotiation terms with several NDFs and is continuing discussions with others. The general nature of the settlements has been to repay principal in local currencies at

negotiable exchange rates, and, if possible, maintain interest payments in U.S. dollars.

The SOLIDARIOS audited balance sheet of 31 December 1984 showed assets of \$6,893,000, consisting of \$997,000 in cash of which at least \$500,000 is restricted and virtually all of the remainder, \$5,800,000, the balance of loans payable. The only sizeable liability was the long term soft loan local currency debt to the IDB of \$1,147,000. The balance sheet could therefore withstand the expected write-off of most of the outstanding loan principal.

Analysis of recent income statements shows that SOLIDARIOS has been capable of supporting direct operating expenses from internally generated interest income, even during the first eight months of 1985, when donation income was zero. If sufficient interest income can be generated as a result of loan renegotiations, the SOLIDARIOS headquarters should be able to continue operations on a break-even basis. *for how long? at what cost to Foundations?*

With the demand for dollar denominated credit from member NDFs having fallen to zero, the obvious future role for SOLIDARIOS would be as a negotiator and guarantor of local currency lines of credit for the NDFs. Without a financial intermediary role, SOLIDARIOS could be expected to fade into insignificance, a fate which would be very detrimental to the operating autonomy of the member NDFs.

SOLIDARIOS' judgment in approving credit for member NDFs appears to have been sound. The disbursement of \$1,106,000 to foundations in Bolivia, the Dominican Republic and Nicaragua during 1982-84, when devaluation related repayment difficulties could already have been foreseen, would appear to have been less well taken. What role fund donors did or did not play in such disbursements is not clear, nor is

there any indication that the involved foundations were inclined to refuse the disbursements.

### Recommendations

Recommendations concerning the future role of SOLIDARIOS are conditioned by the importance given to the private national development foundation as a viable and worthwhile force for development in Latin America.

If little importance is given to the concept, then SOLIDARIOS could easily be permitted to die simply by continuing the freeze on the \$1,060,000 of still available AID funds. If SOLIDARIOS, whose role as a unifying force among its members should never be underestimated, dies, many of them will also wither away. This scenario would, it is considered, be a tragedy, and a capitulation to forces who suggest either that the Latin American private sector is incapable of assisting in the evolution of the informal subsistence sector into the productive side of the economy, and/or that the informal sector is beyond hope of transformation.

If, on the other hand, the existence of an effective SOLIDARIOS and the role of its member NDFs is considered important, the following are among the recommended actions which (USAID should consider:

- Authorize use of the remaining available grant funds for guaranteeing local currency lines of credit for member foundations who can put such resources to economically viable use. Of the evaluated NDFs, the recommendations in this respect would be
  - a. FUCODES: the most likely candidate. A well-developed program, well-capitalized, capable of administering more credit than that available to them, and financially solvent.
  - b. FDD: Not to be considered until financial reorganization is undertaken.

*but the "life-line" of SOLIDARIOS.*

*C*

*Effective demands?*  
*20*

c. FEDNORTE: Expansion beyond current line of credit would be ill-advised until financial viability of existing Pichincha Project becomes clearer.

d. FEDEQUIL: Not recommended due to institutional weaknesses.

e. FUNDACEN: Also a likely candidate in terms of management capability and financial responsibility. Given their other sources of funding, the need would have to be verified with the foundation.

Recommendations concerning the other NDFs cannot be made due to lack of familiarity with their situations.

- To facilitate establishment of the guarantee funds support for the following advisors should be considered.

a. Banking Advisor to assist SOLIDARIOS in packaging agreements and banking negotiations. Recruitment by SOLIDARIOS subject to AID confirmation.

b. Financial Manager as a SOLIDARIOS representative to advise member NDFs in financial management and restructuring. Same recruitment and confirmation conditions.

Under no circumstances should dollar-denominated credits be introduced into the SOLIDARIOS system in the future.

*mod.* X●

## FUCODES (Costa Rica)

### Summary and Recommendations

#### Summary

FUCODES was founded in 1973, commenced credit operations in 1977, received a donation of \$500,000 from USAID in 1978, prospered several more years, and then declined to a state of near total desintegration by 1982. It has since reorganized, and reestablished itself as a financially sound, and economically effective development foundation. As of September 30, 1985, FUCODES had a portfolio of 68 loans with a value of \$302,000, with only 3% of the outstanding balance in arrears; assets of \$497,000 and net equity of \$302,000. Seventy five percent of the portfolio was devoted to small manufacturing and artisan industries and only 12% to the agricultural sector; a portfolio mix markedly different from the other evaluated foundations.

FUCODES principal sources of support have been SOLIDARIOS loans (\$286,826 disbursed since 1977) and counterpart contributions denominated in colons of USAID economic support funds chanelled through CINDES (Cooperation for Initiatives in Development). FUCODES has received C/ 15.2 million (\$290,000) in donations from CINDES since 1983, and is awaiting disbursement of an additional C/ 5 million (\$95,000) loan.

An additional \$85,000 in USAID funded SOLIDARIOS dollar denominated loans has been approved, but disbursement has been postponed pending resolution of the SOLIDARIOS repayment crisis. During 1984, FUCODES received interest income of \$31,000, whereas operating expenses were \$167,000, an indication that the foundation is still far from being self supporting from internally generated funds. Part of the shortfall is covered by donations from PACT and local

*What are the  
debt service capabilities?  
How much  
more borrowing  
is possible?*

sources. Outstanding debt at the end of 1984 was \$153,000, almost all long term and none in arrears.

FUCODES operates out of a single central office in San Jose and has an administrative staff of eleven employees. Internal operating procedures, including pre- and post-credit evaluation are well organized and quality of human resources available to the foundation, both on staff, from affiliated members, and from cooperating institutions is quite satisfactory. Given the wide diversity of technologies among small enterprise beneficiaries, specialized technical advice is sometimes difficult to locate. The foundation management considers that it could effectively administer a loan portfolio for approximately double the number of existing beneficiaries with the current staff manning level. *How about financial resources?*

*How?  
any leverage  
possible?*

FUCODES works only with groups and businesses which have been established for at least two years, and only with those engaged in directly productive economic activities. Consequently it does not engage in two activities which are key elements of the programs of many other development foundations; social promotion and financing of street vendors.

Thirty six percent (36%) of the current loan portfolio is financed with SOLIDARIOS funds and 61% with CINDES funds. Field visits to eight beneficiaries indicated that the financing of working capital and machinery was having a very direct impact on employment generation, capital of only \$400 to \$800 required per new employee among the sample visited. It was apparent that beneficiaries could greatly benefit from an expansion of FUCODES current support programs for micro entrepreneurs into the fields of marketing assistance. The supply of talent in marketing, purchasing and related activities should be abundant among the foundation's 265 affiliated member companies.

*see relevant!  
direct impact  
employment generation*

2

*(copy into the FUCODES?)*

FUCODES currently maintains amicable relations with the USAID Mission in San Jose; SOLIDARIOS; and CINDES. It does not have much direct contact with the IDB; and is attempting to negotiate a \$1,000,000 line of credit from a CEE (European Economic Community Fund) facility for small business administered by the Central American Bank for Economic Integration (BCIE).

The USAID Mission in San Jose gives FUCODES a very high ranking for effectiveness, competence and fiscal responsibility. *To achieve institutional goals? but one time?*

#### Recommendations

The foundation, working in cooperation with support groups such as the ICRT (Costa Rican Technical Institute) and INA (National Institute of Learning) is capable of responsibly serving a much larger pool of potential beneficiaries in the small enterprise and cottage industry sectors. The limiting constraints are capital for the expansion of the revolving credit fund and for support of operating expenses. The foundation for its part, has adopted a quite conservative management stance since its 1982 reorganization; and should not be prone to overexpansion beyond its management capabilities.

In consideration of the above, it is recommended that USAID

- Ensure continued financial support for the foundation's expansion in the eventuality that CINDE funding is not renewed beyond 1986.
- Initiate more active communication with SOLIDARIOS, and FUCODES and its competently managed foundations to develop alternate solutions for the disbursement of approved and available SOLIDARIOS resources other than in dollar denominated loans with maintenance of value conditions.
- Make available to FUCODES additional vehicle(s) *for the unit?*
- The foundation does not require any direct technical assistance for institutional or operational requirements. It is recommended however that discussions between the Mission and FUCODES be initiated to explore the possibility of support for specialized technical assistance which FUCODES requires from time to time to carry out technical evaluations of credit requests and provide technical backing to beneficiaries.

FUCODES should be considered by SOLIDARIOS as a high priority candidate for establishment of a SOLIDARIOS/AID guaranteed colon denominated line of credit.

Why? What is its financial strength? What are its programs? What is its debt service capability?

## FDD (Dominican Republic)

### Summary and Recommendations

The Dominican Development Foundation (Fundacion Dominicana de Desarrollo or FDD) was founded in 1962 as the "Asociacion Pro Bienestar Social (Pro-Social Welfare Association). Its name was changed to the FDD and field operations commenced in 1966.

The FDD has historically been one of the larger member NDF's of SOLIDARIOS in terms of assets, scope of field activities, loan portfolio and staff size. With the exception of the USAID funded microenterprise development program which began in 1981, the focus and clientele of the FDD's activities have been exclusively rural. In 1985, the FDD disbursed 226 loans with a value of RD\$ 2,419,000 to 2,545 individual direct beneficiaries. Ninety percent (90%) of loan value was for financing of agricultural production activities, whereas the remainder was for the microenterprise and artisan development programs.

The FDD has been adversely affected by exchange rate devaluation, being forced to record a net exchange rate loss on its balance sheet of RD \$3,000,000 for fiscal 1985. The adjustment left the foundation with total assets of RD \$12,808,000; liabilities of RD \$15,265,000; and a negative net worth of (RD \$2,457,000). The balance of loans outstanding to beneficiaries was RD \$8,389,000, after a RD \$3,538,000 write off for uncollectables. Debt owed by the FDD to lenders was RD \$12,506,000, including US \$1,586,000 dollar denominated debt recorded at an exchange rate of RD \$3.15/\$US1. Much of the non-collectable debt due the FDD resulted from unpredictable disasters during the 1978-79 period, Hurricane David and the porcine fever epidemic which decimated the nation's pork population.

70%

26

The FDD has a full-time salaried staff of 100 employees.

Approximately 50 are based in the Santo Domingo headquarters office, while the remainder are disbursed in approximately 20 different locations throughout the country. Field supervisors and coordinators are primarily agronomists and social promoters who are resident in rural areas where the foundation is active. Foundation activities are based upon a policy of active social promotion of beneficiary groups. Except for the enterprise development program, all loans are made only to groups of five or more individual beneficiaries. Rural beneficiaries, although recipients of group loans do, however, work their lands on an individual basis.

Field activities of the FDD are now concentrated in four principal programs, the rural development program (mostly seasonal crop financing); the enterprise development program of credit assistance to small manufacturing or service enterprises, and working capital for solidarity groups of street vendors and refuse collectors; the artisan production development program; and the operation of the Center for Training and Development (CEDE) at Villa Mella, 13 kms. from Santo Domingo. Complimentary programs include the sale of collector coins and beneficiary artisan production, both of which generate substantial auxiliary income; the distribution of Pan American Development Foundation (PADF) supplied medical equipment to government dispensaries; a West German financed program of orphanage support and distribuion of PADF donated tools and equipment to vocational training institutes.

*Characteristics of these programs? (normal - important?)*

The financial support base of the FDD is quite broad, but also heavily debt financed. It has been the largest recipient of SOLIDARIOS credit, having received \$US 1,440,000 and RD \$250,000 in loan disbursements between 1978 and 1983. Of this amount, only US \$72,000 has been repaid. Principal and interest payments on the remainder were suspended during 1983. The remainder of the FDD's debt, except for \$195,000 owed the PADF, is peso denominated, from a variety of private bank and government sources of credit. Collaboration between the domestic banking system, government, and the FDD is more active than is the case in other evaluated NDF's.

Donations to the FDD amounted to RD\$ 604,000 in 1984 and RD \$491,000 in 1985, of which RD \$390,000 was from West German government sources. Total income for 1985 was RD\$ 1,729,000, of which RD \$1,237,000 was internally generated (interest payments, coin sales, etc.), non-donation income. Operating expenses, exclusive of financial charges were RD \$1,263,000, indicating that at its present level of operations, the foundation is almost self-supporting, exclusive of debt burden. This situation is similar to that of FUNDACEN (Guatemala) and contrasts with the other three evaluated foundations, which must rely upon donations to cover even nonfinancial operating costs. Due to heavy financial charges and the allowance for exchange rate loss, the net deficit on operations for fiscal 1985 (to June 30, 1985) was (RD \$3,205,000). The net positive cash flow for the year, RD \$952,000, was achieved through the contracting of RD \$2,859,000 in additional peso denominated debt. The cash flow from operations alone was negative (RD \$1,539,000). Of the total debt payable by the FDD, RD \$12,506,000, 28% or RD \$3,457,000, including RD \$1,955,000 already in arrears, was due to be paid in fiscal 1986. The FDD's ratio of total debt to total assets as of June 30, 1985 was 0.98, obviously an unsatisfactory state of affairs.

Why?

Debt  
Assets  
^  
28

The FDD debt due SOLIDARIOS as of June 30, 1985 consisted of arrears of US \$ 135,000 principal and US \$136,000 interest; and arrears in Dominican pesos of RD \$21,000 principal and RD \$13,000 interest. Principal of US \$1,232,000 and RD \$229,000 was not yet due. SOLIDARIOS records indicate that US \$481,500 was disbursed to the FDD on a loan basis during 1983, the same year in which the FDD suspended payment on existing debt due to SOLIDARIOS.

In spite of having received more SOLIDARIOS support than other foundations, USAID and SOLIDARIOS funded assets are a relatively small percentage of total foundation assets.

Execution of the extensive field operations of the FDD appears to be quite competent and effective, in spite of the foundation's financial problems. Due to the arrears situation of beneficiary repayments, lending policies have been revised and operations consolidated somewhat. The major share of agricultural loans are now concentrated in relatively low risk activities such as crop financing for cash crops and animal traction. Major mechanization and/or production infrastructure will not be financed. Statistics indicate that group coverage for technical assistance, training and organization purposes is quite heavy, a result undoubtedly of the policy of working through social and agricultural coordinators who reside in the rural areas served, rather than centralizing operations in the Santo Domingo headquarters.

Group social evaluation is quite extensive, and technical and financial evaluation prior to credit disbursement generally adequate. The human resources of the foundation in social promotion and agronomy are generally satisfactory. There are indications that the caliber of economic analysis activities might require strengthening.

*to achieve & that?*

Field visits were made to eight beneficiary groups in the agriculture sector. The enterprise development and artisan development programs were unobserved. Five of the groups were receiving credit for crop financing (coffee, tobacco, beans), one for tobacco drying sheds (ranchos), one for purchase of oxen and one for waterpumps for small scale local irrigation. The observation of the effectiveness and relevance of the FDD's impact upon beneficiaries and the rapport between them was decidedly positive. The principal economic impact is to increase the amount of working capital available to low income beneficiaries, to improve their marketing position by decreasing reliance on financial intermediaries; and to register modest production gains. The nature of the activity financed does not lend itself to significant increases in employment.

FDD institutional relationships with SOLIDARIOS at present center on renegotiation of outstanding debt. Apart from administration of the enterprise development program grant, relations with the USAID Mission in Santo Domingo do not appear extensive, nor are there direct relations with the IDB.

The Dominican Republic has in the last twenty years developed a strong tradition of foundation activity and of local public and private sector participation in these activities. It would appear that this has been a mixed blessing for the FDD. On one hand, funding availability has permitted the financing of a very broad program of credit assistance. Unfortunately it is also partially responsible for the basically unmanageable debt situation of the present.

*not necessarily!  
It could have been  
more prudent in its  
management of  
the resources!*

*i.e. transfer boxes to  
SOLIDARIOS!*

*this is the key point:*

Recommendations

The FDD has an experienced, extensive and generally effective field program. It has in the past, however, encountered serious beneficiary repayment problems, is technically bankrupt, and is maintaining its field program only by the grace of its creditors.

Assessing the relative roles which natural disaster, national macro economic misfortune and/or questionable financial management practices have played in the development of the current situation would require a more extensive analysis than was possible in this evaluation. Given the very strong philosophical basis of the foundation in social action for the nation's rural poor, and the foundation's historically easy access to credit, it is expected that an attitude of "service first, and concern with finances later" may have prevailed for quite sometime within foundation management.

*100% this is not reasonable*

The basic issues now are, given the current state of affairs, what should the position and recommended actions of SOLIDARIOS and USAID vis-a-vis the FDD be? In this respect the following are some of the recommendations which should be considered:

- SOLIDARIOS: Obviously renegotiation of the FDD's outstanding debt must take place. It is recommended that both USAID and the CEE permit extension of the dollar denominated debt it funded, and its conversion into peso denominated payments at an effective exchange rate based upon the national internal rate of inflation since disbursement of the debt. Interest payments could also be maintained in pesos, and used to defray SOLIDARIOS peso operating costs.

*Expenditure*

- It is recommended that no further SOLIDARIOS disbursements or guarantee fund arrangement with the FDD be considered until such time as the foundation completes its financial restructuring and demonstrates its intent to pay off existing debt.

*had another of intent "it is a matter of capability"*

- Any support of the FDD by USAID should be in the form of specific program grants or technical assistance. If the FDD is to develop the philosophy of self-reliance and fiscal

*change these figures?*

responsibility among its beneficiaries, it should be able to demonstrate that it, as an institution, is capable of the same. Support of a generalized financial bailout will not motivate the FDD to improve its financial management practices.

*change institution*

- The FDD has indicated that it could use technical assistance in the areas of specialized artisan production and audio-visual training aids development and use. In addition, if requested, the FDD could use specific support to be able to maintain a pay scale for its field coordinators and agronomists on a par with that of the national public sector. If requested, the FDD could also profitably make use of an experienced development foundation financial specialist who could assist with the development of a plan for financial reorganization of the foundation.

*not without  
a. comprehension  
of mission of  
character and  
corporate philosophy*

## FEDEQUIL (Guayaquil, Ecuador)

### Summary and Recommendations

The Fundacion Ecuatoriana de Desarrollo - Zona Sur (FEDEQUIL) is based in Guayaquil and operates in the Guayas and Southeast Ecuador regions. Although it is a member of SOLIDARIOS, it has chosen never to integrate itself into the SOLIDARIOS scheme of operations. It has consequently never received any financing from SOLIDARIOS. Its only request for credit, submitted in 1979, was denied for failure to meet necessary requirements in terms of institutional structure and program development.

FEDEQUIL currently retains only a skeleton paid staff, and has no ongoing field operations at present. Its most recent activities seem to have been donor based short term programs of a social welfare rather than a developmental nature. This contrasts with its stated objectives of assisting informal sector beneficiaries to become economically self sustaining through judicious use of credit and technical and management assistance for economic development activities.

The internal structure of FEDEQUIL appears to be quite personalized, with virtually all meaningful daily operating as well as policy decisions resting with the foundation president.

Though the foundation declares that its recent lack of activity will be replaced by an ambitious action program for 1986, there was little indication during the visit that such a transition was about to take place.

FEDEQUIL chose not to make available to the evaluator its financial records. It did state that it is aware that such disclosure is a precondition to financial cooperation with potential donors and

lenders, and that this situation would be rectified in the near future.

FEDEQUIL's contacts with USAID, SOLIDARIOS and the IDB are minimal. This situation appears to be equally a product of its own choosing, as it is an assessment by these institutions of FEDEQUIL's lack of readiness for managing credit operations to desired standards.

In general, FEDEQUIL displays a somewhat contradictory nature. Its operational track record has not been outstanding in economic development oriented activities, and its institutional structure is weak. Yet, there is a perceptible and sincere desire on the part of those connected with the foundation to want to "do good" via private sector involvement and assistance to the informal sector of the Guayas Region economy. Nevertheless, there appears to be a reluctance on the part of the foundation leadership to perceive the need for SOLIDARIOS or other external technical assistance in the areas of institutional organization, program development and internal management. Based upon past performance, such assistance would be required if the foundation's effectiveness is to be raised to a level comparable with that of the other evaluated foundations.

*Look into this!*

#### Recommendations

Under such circumstances, it is recommended that the proper course of action for both USAID and SOLIDARIOS vis a vis FEDEQUIL should be to signal that they are willing to work with FEDEQUIL but only when:

- FEDEQUIL can articulate its own objectives and its technical assistance and financial support requirements to meet these objectives.

*They have to be - Bob  
how 2 w long  
T  
201*

- FEDEQUIL indicates that it will welcome outside assistance and meet the minimal organizational and disclosure requirements necessary to make fruitful use of such support.

Until FEDEQUIL indicates that it is ready to comply with the above conditions, the only prudent course of action on the part of USAID and SOLIDARIOS, other than to signal willingness to help, is to maintain a strictly passive attitude towards FEDEQUIL.

## FEDNORTE (Quito, Ecuador)

### Summary and Recommendations

The Federacion Ecuatoriana de Desarrollo-Zona Norte (FEDNORTE or la FED) is based in Quito. It was founded in 1968, concurrently with FED-Zona Sur (FEDEQUIL) of Guayaquil, under a common charter. The two do, however, function as separate foundations, and are considered as such by SOLIDARIOS, of whom both are members.

The FED was a small organization during the first ten years of its existence, having a loan portfolio of S/ 2,700,000 (\$108,000) and a staff of ten in 1978. It has undergone a period of very rapid expansion since 1981. As of June 30, 1985, administrative and operating staff number numbered 55, and the loan portfolio balance outstanding was S/ 34,733,000 (\$385,000), distributed among 175 rural and 616 urban loans. In value terms, the portfolio is divided approximately half and half between rural livestock and agricultural development and the PRODEM credit program for Quito street vendors and microenterprises. Prior to the initiation of PRODEM in May 1984, the FED had had an exclusively rural orientation and clientele.

The organizational structure of the FED is similar to that of other SOLIDARIOS member foundations, consisting of a general assembly, elected board of directors and executive committee and a staff headed by an appointed executive director. In addition to the headquarters office in Quito, regional centers are operated in Guamote, Chimborazo Province, and at the foundation owned and operated Sub Tropical Training Center at Uchugnahua, Pichincha Province.

The FED's current activities are concentrated in the livestock development program and Training Center in northwest Pichincha

K  
36

\$ 651,500/employee

14 loan  
20-48-700

Province, 120 km. from Quito; and the PRODEM program, which includes a subproject exclusively for female beneficiaries. Additionally, the FED operates a "Centro de Acopio" (full services agricultural warehouse), and a crop financing program in Chimborazo Province, and provides credit to the Shuar Federation, an organization of Amazon Region Indians, for a cattle purchase program. The FED prefers to work with beneficiary groups, but will also work with individuals as conditions warrant.

The Northwest Pichincha Project is a comprehensive livestock development program which has resulted in the conversion of formerly subsistence level woodcutters and scrub cattle raisers into milk and cheese producers for the Quito market. PRODEM operates a \$200,000 rapid turnover revolving credit fund. The fund, which has freed its beneficiaries from dependence upon money lenders for credit, also resulted in the generation of 1,000 new jobs during its first year of operation, while functioning at a 78% rate of economic self-sufficiency. One of the objectives of PRODEM is to demonstrate that a credit program for economically marginal urban beneficiaries can, through proper management, eventually operate on a self-sufficient basis.

The financial base of the FED is quite narrow, consisting almost exclusively of SOLIDARIOS credits, the USAID PRODEM grant of \$460,000 in OPG funds, and an annual donation from PACT. Operating surpluses have been registered in all of the last five years. Local financial support has been negligible in recent years. Internally generated income covered only about one-third of operating costs in 1984. Since 1980, the FED has received \$471,000 in disbursements from SOLIDARIOS. An additional \$351,000, part of the AID donation to SOLIDARIOS, has

*Imported*

*Food*

*Very poor to woodcutters  
and poor woodcutters*

been deposited with the Bank of America to serve as a guarantee for a sucre denominated line of credit which is disbursed through the Central Bank of Ecuador. It is to date, the only local currency denominated line of credit for a member NDF which has been secured with a SOLIDARIOS guarantee. As of June 30, 1985, FED assets were S/ 49,300,000 (\$500,000) and net equity of S/ 29,000,000 (\$330,000). Dollar denominated debt had however been evaluated at a weighted sucre/dollar exchange rate of 27 to 1. The current exchange rate (Dec. 1985) is 125 to 1. Relative to the recent scope and rapid expansion of lending activities, the FED has thin cash reserves, and, in fact, has had to renegotiate its SOLIDARIOS dollar denominated debt, so that principal may be repaid in sucres.

It has apparently been several years since the FED has had an external audit and published an annual report.

The FED's internal administrative and accounting procedures appear to be generally satisfactory. Accounting is partially computerized and all financial statements and account data are issued on a monthly basis. The FED is particularly strong in the areas of project design, planning, implementation and evaluation. Human resources are competent, dedicated, and generally have received technical training appropriate to their duties. Heavy emphasis is given to technical assistance, field extension work, training courses, and publication of training manuals and materials.

Loans in the northwest Pichincha project are primarily for cattle purchase, stable construction, and cheese processing plant construction. Terms are typically five to seven years, with a two-

year grace period and interest of 15%-19% per year. Virtually all new lending is from the sucre demoninated guaranteed line of credit.

PRODEM loans, financed entirely by the USAID grant, are for working capital for street vendors, and equipment purchase and working capital for microenterprises (carpenters, shoemakers, mechanics, etc.). Terms are short, two weeks to four months. Interest rates appear high, even for the current inflationary economy (40% per annum) at 4.5% per month, but are still much lower than the only other credit source for beneficiaries, market money lenders.

Arrears rates for the first year of operation of PRODEM were 3% for street vendor solidarity groups and 15% for individual microproducers. Exact arrears figures for agricultural loans were not estimated during the evaluation visit. Review of beneficiaries files indicates that the situation is manageable for the Shuar and Northwest Pichincha programs, but somewhat problematic in Chimborazo, where repayments appears to have been suspended.

The FED at present is not receiving direct support from either the USAID<sup>1</sup> or BID missions in Quito, although both give the foundation positive ratings for effectiveness. The FED has had and continues to have a very close working relationship with SOLIDARIOS.

### Recommendations

FEDNORTE is an action oriented, innovative and competently managed foundation. Its projects are raising the general level of economic activity and generating employment, as well as having a decidedly positive impact upon the beneficiaries themselves. Its only -----

<sup>1</sup> Apart from monitoring of the PRODEM grant.

potentially serious problem area is its financial structure, which shows signs of being overextended due to rapid portfolio expansion, a relatively thin capital base, inflation and currency devaluation.

Recommendations directed to alleviating this situation, while at the same time assisting the foundation to progress eventually towards a state of self-sustaining operation are:

- Investigate the possibility of grant support for physical improvements and a share of operating costs of the Subtropical Training Center at Uchugnahua. It is a relevant and worthwhile, but very ambitious undertaking for the foundation. The prospect of attaining financial self sufficiency from farm operations and training fees would appear to be over optimistic.
- After the first two year grant period has expired, continue financing any operating deficits of PRODEM until self-sufficiency is attained. The operating deficit, even now, is minimal relative to the social and economic impact of the program. It is very debatable whether a public sector financed and administered program could generate the same level of impact in as cost efficient a manner.
- Through appropriate channels, insist that renegotiated debt and guarantee fund obligations be honored. The FED, by virtue of being the first, will be the role model by which other national banking systems shall judge whether other SOLIDARIOS member NDFs can creditably operate SOLIDARIOS guaranteed local currency lines of credit.

*How →*

*How was this  
policy designed?*

*4/10*

- The FEB could profit from advice and/or support to assist in the development of a more active and effective domestic fund raising effort, which is needed to improve the foundation's capital base.
- As a matter of policy, donors and recipient foundations in soft currency economies should arrange for resource transfers only via financial instruments that do not involve the contracting of dollar demoninated debt by the recipient foundations.

## FUNDACEN (Guatemala)

### Summary and Recommendations

The Fundacion del Centavo (Penny Foundation), commonly known as FUNDACEN, was founded in 1962 and has been in continuous operation ever since. It was the first of what later came to be known as national development foundations (NDF's), and in 1972 was one of the founding members of SOLIDARIOS.

FUNDACEN from its inception has been a rural oriented foundation. Today, all of its programs and all of its beneficiaries are rural, most being located in the densely populated highland areas of Guatemala.

The central headquarters of FUNDACEN are located in Guatemala City. Regional offices are in Jutiapa, Chuquimulilla, Chimaltenango, and Quetzaltenango. The administrative and field staff has a total of forty-seven employees.

Since 1962 FUNDACEN has financed 2,364 loans for a total of Q9,082,000. During 1984, 143 groups received financing of Q 892,000. As of the end of 1984 the foundation had a loan portfolio outstanding of Q1,767, 512; assets of Q4,390,098 and net equity of Q1,856,438, all valued at an exchange rate of Q1/\$US1.

The currently active programs of FUNDACEN are the agricultural development program, which provides credit for crop financing, primarily fertilizer purchase, for small cultivators (avg. plot size 2 Ha) of traditional corn, wheat and bean crops; the minimum needs housing program which finances purchase of a basic design two room concrete house for rural beneficiaries, and a land purchase/cash crop development program for landless farmers. The latter program is

financed by a \$2 million grant line from the USAID Mission.

In 1984 the allocation of the loan portfolio was agriculture - 60%, housing - 30% and land purchase - 10%. As of 31 October 1985, 12% of loan balances outstanding were overdue by more than one year. certain share of the arrears is attributable to beneficiaries having fled their land during the political difficulties of the early 1980's the rest to the basically precarious economic level of the beneficiary population. Crop financing has always been the major program. The housing program was started in 1976, and the land purchase program in 1984. The latter program, with funding assured by AID, is expected to grow quite rapidly.

FUNDACEN has a quite diversified financial base. It has been the second largest recipient of SOLIDARIOS support, having received \$1,395,000 in loans between 1978 and 1982. In addition to the USAID Mission grant for the land purchase program, it has received OAS, Guatemala Government and private sector grants, and several loans from the national agriculture development bank (BANDESA). SOLIDARIOS funds account for 40% of the foundation's assets, of which the AID component is 14%. FUNDACEN's current expenses for the first ten months of 1985, excluding interest on loans was Q345,000 versus non-donation income of Q387,900, indicating that the foundation is nearly capable of supporting itself from internally generated funds.

FUNDACEN's large interest generating cash balances are matched by a large external debt, which amounted to \$1,307,000 at the end of 1984. Due to the more than 300% devaluation of the quetzal during 1985, FUNDACEN has suspended payments on its dollar denominated debt, \$969,000 of which is held by SOLIDARIOS. It would appear that debt payments will not be resumed until some compromise arrangement

concerning exchange rate equivalency is agreed to. Compliance with maintenance of value clauses in the SOLIDARIOS loan contracts would severely decapitalize the foundation.

FUNDACEN's internal administrative and operating procedures, quality of human resources on staff, and promotion and technical assistance activities are considered satisfactory. Promotion activities are oriented towards assisting potential beneficiaries to organize in legally constituted groups of ten or more members, a foundation requirement for credit eligibility.

Field visits to beneficiaries of the crop financing and housing programs indicated that the foundation's activities are in general having a beneficial impact upon a clientele generally of extremely limited resources. Due to demographic pressure and deeply rooted structural problems, however, FUNDACEN's efforts can at best only be a palliative at the subsistence level of society, rather than the seed capital for true economic development.

*This is the case in practice. Every generation*

According to FUNDACEN's statistics, the average beneficiary of the crop financing program generates a family cash-flow of Q 1000/yr., due in part to the average Q195/family loan. No good quantitative estimate exists as to the with and without FUNDACEN difference in cash flow, though the impact certainly appears to be positive.

The USAID mission in Guatemala ranks FUNDACEN very highly for relevance, responsibility and impact, obviously a major consideration in the awarding of the land purchase program grant. Relations with SOLIDARIOS are close. FUNDACEN's president, Sr. Aycinena, has been president of SOLIDARIOS for the last two years.

### Recommendations

The major immediate problem facing FUNDACEN, and in fact, much of the SOLIDARIOS movement at present, is how to handle dollar denominated debt in the face of the extreme devaluation of national currencies against the dollar over the past several years.

It is obvious that even otherwise financially solvent and responsible NDF's such as FUNDACEN will be severely<sup>2</sup> decapitalized by compliance with maintenance of dollar value clauses in the SOLIDARIOS loan contracts at prevailing exchange rates.

On the other hand, a total writeoff of the debt at the NDF level would not be in the best interest of financial discipline within the SOLIDARIOS system.

Given the situation, it is recommended that USAID intervene actively with SOLIDARIOS and the affected NDF's such as FUNDACEN to accelerate settlements for each individual NDF.

It would appear that the principal elements of a settlement would be calculation of debt payable in local currency equivalents based on the exchange rate prevailing at the time of disbursement adjusted for internal inflation in the NDF's country since then.

**COUNCIL OF AMERICAN DEVELOPMENT  
FOUNDATIONS**

**SOLIDARIOS**

**CONSEJO DE FUNDACIONES AMERICANAS  
DE DESARROLLO**

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## 1. Background

The background and origin of the Consejo de Fundaciones Americanas de Desarrollo (SOLIDARIOS) has been detailed previously in "Assessment of the Environment and Operational Outlook of Consejo de Fundaciones Americanas de Desarrollo," prepared by SOLIDARIOS for the Private Sector Division of the Office of Development Resources, AID/LAC in March 1984.

SOLIDARIOS was founded in 1972 in Guatemala by twenty-five leaders of eleven National Development Foundations (NDFs) in eleven Latin American countries. Its founding was the response to a perceived need for improved communications and coordination of activities between a diverse group of relatively new private development organizations existing in Latin America and the Caribbean which had been founded during the 1960s.

The motivation for their establishment was to develop locally based organizations which could provide economic and social development assistance to rural and urban poor who could not qualify for credit through established channels and/or who were often beyond the reach of government development programs.

The objectives of SOLIDARIOS, as stated in its charter, were:

- To represent member organizations in collective activities;
- To coordinate and support program activities of its members;
- To disseminate information and assistance to member organizations to assist them to improve the quality of their operations;

- To promote and coordinate a common development philosophy and policy goals for its membership;
- Promote the participation of the private sector in the social development of the Latin American and Caribbean countries.

During its first years of existence, SOLIDARIOS was a very modest operation, engaged essentially in the coordination of activities envisioned in its charter.

It came to be recognized, though, that SOLIDARIOS could play a more effective role for its membership via the acquisition and channeling to them of funds required to capitalize their individual credit assistance programs. Local contributions in each country had consistently proved insufficient for such purposes. In 1976, therefore, the SOLIDARIOS charter was amended to include an additional objective:

- Administer funds for the development programs of the members and carry out all necessary related functions necessary for successful operation of the development fund.

Having included this objective in its plan of action, the SOLIDARIOS Development Fund was established and was capitalized between 1977 and 1983 with grant authorizations totalling \$7.35 million from PACT, USAID, and the EEC, and a loan of \$2.35 million from the IDB.

The establishment and capitalization of the Development Fund led to an acceleration of SOLIDARIOS activities. Since 1979, when the first USAID grant disbursement was received, the now foremost function of SOLIDARIOS evolved--that of a financial intermediary, relending to its member NDFs, and providing auxiliary technical assistance at the institutional level to assure that the credit would be effectively used.

The motivation for the establishment of SOLIDARIOS, its eventual transition into a financial intermediary and past experience of other foundations suggest several criteria which should condition USAID's position vis-a-vis the future of the SOLIDARIOS movement. These are:

- SOLIDARIOS is an umbrella organization, founded to serve the needs of its member NDFs and their beneficiaries. Decisions concerning SOLIDARIOS must consider their ultimate impact upon these grass roots beneficiaries of the member NDFs.
- The goal of the SOLIDARIOS movement is to foster an autonomous private sector based development process at both the foundation and the beneficiary levels. The availability of SOLIDARIOS credit permits the NDFs to develop relatively autonomous program agendas. If the intermediary source is replaced solely by direct funding from AID and/or IDB National Missions with their inevitably tied conditions, is this primary goal not compromised?
- History suggests that SOLIDARIOS' role as an effective umbrella service organization will fade into relative insignificance if its role as a financial intermediary is significantly curtailed or terminated.
- Though there might be internal disagreement among SOLIDARIOS members concerning the relative emphasis of its role as a financial intermediary and as a provider of technical assistance, there is a unanimously and strongly felt belief that the SOLIDARIOS concept must not be abandoned. Without a viable SOLIDARIOS, member NDFs will be where they were in the mid-1970s:— undercapitalized, forced to devote excessive amounts of duplicative time and resources to fundraising; subject to pressures upon programs peculiar to their individual countries; and without a common forum to interchange ideas and exert a force for uniform quality control of individual NDF programs.

*They are  
or they*

## 2. Organizational Structure

The current organizational structure of SOLIDARIOS is shown in Figure 1, SOLIDARIOS Organizational Chart. A brief explanation of this chart follows:

- **General Assembly:** Composed of the representatives of the fifteen active member foundations of SOLIDARIOS and associate members duly affiliated with the organization. Its primary function is to establish SOLIDARIOS' general policies.

The General Assembly convenes annually in one of the member countries. Every two years, it elects members of the six-man executive committee. The list of active and associate members is included in Figure 2.

- **Executive Committee:** This committee is made up of affiliated members representatives who are elected by the General Assembly. The Committee is responsible for the formulation of SOLIDARIOS policy and monitoring of operations.

The Executive Committee is responsible for decisions on credit requests by member NDFs.

A key structural characteristic of SOLIDARIOS is that each of the six members of the Executive Committee represents, and resides in a separate country. Committee meetings are therefore expensive and sometimes difficult to organize. Delays in consideration of credit approvals and policy agenda, consequently, are not uncommon.

- **The General Secretary:** the senior staff executive of SOLIDARIOS, based at the Santo Domingo headquarters. He is appointed by the Executive Committee on a permanent basis, and reports directly to the Executive Committee. He is responsible for execution of SOLIDARIOS policy and supervision of administrative, technical and credit operations.

A practical impact of the difficulties inherent in organizing the Executive Committee is that the General Secretary not only has the considerable autonomy in the execution of SOLIDARIOS policy granted

*To find out about the history of the Administrative Handbook*

him by the Executive Committee, but often is forced to create his own policy to avoid operational delays.

- **Auditors:** The internal auditor of SOLIDARIOS is responsible for carrying out annual audits and monitoring of credits to each NDF which has received SOLIDARIOS credit. He reports directly to the Secretary General.
- **Administration and Finance:** Under the operational control of the Secretary General. Responsible for internal accounting, general services, budgetary control and administration of SOLIDARIOS itself.
- **Promotion:** Reporting directly to the Secretary General, the promotion section is responsible for SOLIDARIOS' external relations, fund raising efforts, and contacts with other organizations.
- **Operations:** The Chief of Operations reports to the Secretary General and supervises the work of the Regional Representatives, credit operations and institutional services and the newly formed consulting service of SOLIDARIOS.
- **Regional Representatives:** Report directly to the Chief of Operations. They operate in three geographical areas: Central America and Mexico, with base of operations in Guatemala; South America, formerly based in Cali, Colombia; and the Caribbean with base of operations in Santo Domingo. The Regional Representatives maintain direct contact with member Foundations providing technical assistance in planning, accounting, finance, organizational development, and interorganizational networking. The South American representative specializes in planning, organization and institutional assessments, whereas the Central American representative specializes in accounting and finance.

*Secretary*

The Caribbean representative based in Santo Domingo took a leave of absence in 1985 to pursue graduate study.

The Cali-based representative relocated to Santo Domingo during 1985 due to family health problems.

SOLIDARIOS recently has decided to take on a third representative. He/she will share the planning, organizational and institutional work geographically with the relocated South American representative. The Guatemala-based representative will concentrate solely on financial and accounting matters, but covering the entire membership as required.

*Due to political pressure in the country*

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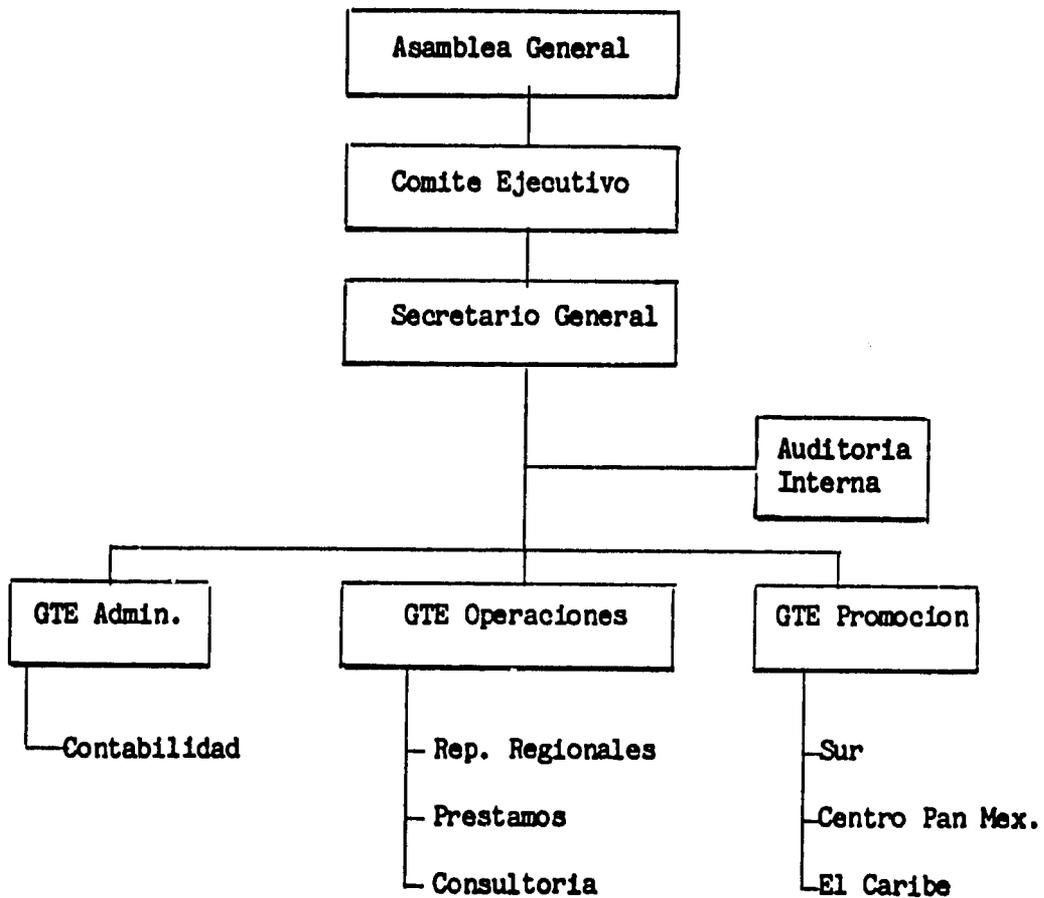
- **Credit and Institutional Services:** Under the responsibility of the Operations Chief. Coordinates the services offered to members, manages the communications network, carries out socio-economic evaluations, analyzes credit applications for the revolving loan fund, and edits the quarterly magazine and the bulletins.
- **SOLIDARIOS Consulting Service:** SOLIDARIOS, through its contacts with NDFs, international financing organizations and other foundations, has over the years acquired contact with many individuals who are capable of providing specialized technical assistance in many areas to member NDFs. A computerized talent bank has been organized to provide specialists for consulting services to member NDFs and other foundations.

*Good!*

It remains to be seen whether this can become a financially viable operation, as SOLIDARIOS envisions. Experience dictates that member NDFs will be very resistant to paying foreign exchange invoices at international consulting rates for SOLIDARIOS supplied consultants, when regional representatives formerly cost only the annual membership fee plus some local currency out-of-pocket expenses.

As of November 1985, SOLIDARIOS had a salaried staff of 18 employees. The Santo Domingo-based Secretary General, *← Pesos!* the two Regional Representatives, and the Director of Consulting Services, based in Mexico City, receive salaries denominated in U.S. dollars. Five Santo Domingo-based professional staff and nine support personnel receive salaries denominated in Dominican pesos. *Pesos!*

Figure 1: SOLIDARIOS Organizational Chart



**Figure 2: List of National Development Foundations (NDFs)**

Active Members

1. Instituto de Desarrollo Social y Promocion Humana (INDES)--  
Argentina
2. Centro para el Desarrollo Social y Economico (DESEC)--Bolivia
3. Fundacion Nacional para el Desarrollo Social (FUNDES)--  
Colombia
4. Fundacion Costarricense de Desarrollo (FUCODES)--Costa Rica
5. Fundacion Ecuatoriana de Desarrollo (Sur)--(FEDED)--Ecuador
6. Fundacion Ecuatoriana de Desarrollo (Norte)--(FEDED)--  
Ecuador
7. Fundacion del Centavo (FUNDACEN)--Guatemala
8. Fondation Haitienne de Developpement (FHD)--Haiti
9. Fundacion Hondurena de Desarrollo (FUNHDESA)--Honduras
10. Instituto para el Desarrollo Hondureno (IDH)--Honduras
11. Fundacion Mexicana para el Desarrollo Rural (FMDR)--Mexico
12. Fundacion Nicaraguense de Desarrollo (FUNDE)--Nicaragua
13. Fundacion Dominicana de Desarrollo (FDD)--Dominican Republic
14. Mujeres en Desarrollo Dominicana (MUDE)--Dominican Republic
15. Instituto de Promocion Economico Social del Uruguay (IPRU)--  
Uruguay

Associate Members

1. Central de Cooperativas Agrarias (CENCOA)--Colombia
2. Hogar y Desarrollo (HODE)--Guatemala
3. Grupo de Tecnologia Apropiada (GTA)--Panama
4. Accion Comunitaria del Peru (ACCION)--Peru
5. Central de Credito Cooperativo del Peru (CCCP)--Peru

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### 3. Programs and Activities

The principal services which SOLIDARIOS provides to its membership are financial assistance through the development fund and technical assistance to its members in the areas of funds accounting; planning, programming and evaluation; institutional development; and internal auditing.

Additionally, in its role as an umbrella organization it organizes seminars and publishes literature of relevance to the development foundation movement.

Descriptions and assessments of each of the principal programs follow.

#### 3.1. Technical Assistance

The SOLIDARIOS technical assistance programs for its members have been directed to institutional strengthening of the foundations. SOLIDARIOS does not supply project-specific technical assistance to its members. As the individual NDF evaluations will show, the NDFs generally draw on national resources for such assistance.

The basic focus of SOLIDARIOS technical assistance at the institutional level has been in the areas of funds accounting; planning, programming and evaluation; and preparation of proposals for loan requests.

##### 3.1.1. Funds Accounting

Funds Accounting is an accounting methodology for use by nonprofit organizations receiving restricted financing. It is based upon the maintenance of separate accounts for each donation and/or loan.

The implementation of a uniform system of fund accounting for all foundations which have received SOLIDARIOS credits has been the most tangibly successful of SOLIDARIOS' technical assistance efforts. Conversion to use of the system by NDFs was, in fact, a precondition to credit eligibility. The implementation of the system in the creditor NDFs was supervised by the SOLIDARIOS Central American Regional Representative, who is an accountant by profession.

In 1981, SOLIDARIOS published a guidebook on funds accounting, "Instituciones No Lucrativas: Administracion, Contabilidad por Fondos y Control Interno" by Mariano A. Mella.

### 3.1.2. Planning, Programming and Evaluation

SOLIDARIOS has worked with its members through seminars, the publication of the "Guia de Planificacion, Programacion y Evaluacion" in 1982, and visits of its regional representatives to implant within its member NDFs consciousness of the importance of the planning process, and of operational planning, programming and evaluation systems. The NDFs themselves obviously also have worked towards this end of their own accord.

Planning, programming and evaluation (PPE) is more an intellectual process than a straightforward standardized technique such as funds accounting is. Consequently, adaptation rates have been more variable. Specific investigation of PPE processes at each foundation was not undertaken in this evaluation. Nevertheless, if one is to judge by results--the relevance of field programs being executed--effective planning and programming is taking place at the four credit-receiving NDFs evaluated. If in turn, the project design is relevant, then certainly evaluation of prior experience, by

*but the relevance of the project and outcome*

let government  
institutions  
process = to effective  
implementation of projects

processes either formal or ad hoc has also taken place. Review of project documentation indicated that both FEDNORTE and FUCODES have well-established procedures for monitoring post facto socio/economic impact of their activities. The FDD stresses social impact evaluation and payback potential, and gives less emphasis to economic impact. FUNDACEN, by its own admission, has been somewhat remiss in formal evaluation activity, yet its programming could certainly not be considered deficient.

SOLIDARIOS, as a complement to the PPE training, also provides technical assistance in institutional planning, i.e., the establishment of planning systems for short-term activities and the elaboration of an implementation schedule by department.

The evaluator, himself a trained planner, retains some doubts concerning the placement of emphasis in the PPE and institutional planning activities within the SOLIDARIOS system. Review of previous evaluations and donor monitoring reports indicated an almost obsessive preoccupation by their authors with the vocabulary, and the dialogue of PPE and the production of institutional procedure manuals as if these were ends in themselves. At the same time, there appears to be a contrasting lack of emphasis concerning what should be the ultimate products of these exercises--identification of the types of activities which can be transformed into technically, socially, and economically relevant field programs, given the environment and the beneficiary clientele with whom the NDFs must work. One is motivated to question whether there exists a certain confusion of emphasis on programming procedures at the expense of program substance.

The technical assistance activities provided by SOLIDARIOS to member NDFs are carried out primarily by the Regional Representatives.

not so  
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in these areas  
in an environment  
less in  
total

Table I records the technical assistance visits to member NDFs between 1978 and 1983. The average duration of these visits, according to the representatives, is generally about one week.

Table 1: Technical Assistance Visits to Member Agencies  
1978-83

|                       | <u>1978</u> | <u>1979</u> | <u>1980</u> | <u>1981</u> | <u>1982</u> | <u>1983</u> | <u>Totals</u> |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------|
| INDES/Argentina       | -           | 1           | 3           | 4           | 4           | 1           | 13            |
| DESEC/Bolivia         | -           | 1           | -           | 3           | 3           | -           | 7             |
| FUNDES/Colombia       | -           | 1           | -           | -           | -           | 1           | 2             |
| FUCODES/Costa Rica    | 1           | 4           | 2           | 1           | 2           | 1           | 11            |
| FED/Guyaquil, Ecuador | -           | 1           | -           | -           | 1           | -           | 2             |
| FED/Quito, Ecuador    | -           | 1           | 3           | 3           | 1           | 2           | 10            |
| FUNDACEN/Guatemala    | -           | 2           | -           | 1           | 1           | 2           | 6             |
| HODE/Guatemala        | -           | -           | -           | -           | 1           | 3           | 4             |
| FHD/Haiti             | -           | -           | -           | -           | 1           | -           | 1             |
| FUNHDESA/Honduras     | -           | 1           | -           | -           | 1           | 1           | 3             |
| IDH/Honduras          | -           | -           | -           | -           | -           | 2           | 2             |
| FMDR/Mexico           | -           | 2           | 1           | 1           | 2           | 1           | 7             |
| FUNDE/Nicaragua       | -           | 1           | 2           | 1           | 1           | 2           | 7             |
| IPRU/Uruguay          | -           | 1           | 2           | 4           | 2           | 1           | 10            |
| <b>Totals</b>         | <b>1</b>    | <b>16</b>   | <b>13</b>   | <b>18</b>   | <b>20</b>   | <b>17</b>   | <b>85</b>     |

Source: SOLIDARIOS

SOLIDARIOS technical assistance in the early stages of the Development Fund expansion, especially the implantation of the FUNDS accounting system, appears to have been quite useful in improving and standardizing internal operations of member NDFs to the point where they could usefully absorb SOLIDARIOS credit.

The geographic dispersal of NDFs, especially in South America, results in high operating costs. At this transitional stage of the SOLIDARIOS movement, it is appropriate to analyze the subject matter and the cost-effectiveness of current and projected technical assistance. Just how much impact can a Representative have spending

x  
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*No test result?*

an average of one to two weeks time per year at each NDF? The program as it has operated in recent years would appear more useful in upgrading incipient foundations to qualify for credit, than it would be in assisting already established credit recipients.

### 3.1.3. Seminars and Training Workshops

*No test result?*

As a complement to technical assistance, SOLIDARIOS offers periodic training courses in the form of seminars, workshops, and exchange visits as a means of improving capabilities in areas such as auditing; fund accounting; loan administration; local fund raising; planning, programming and evaluation; and other subjects relevant to development foundation operations.

A list of seminars, courses and exchange visits conducted under SOLIDARIOS' auspices is included in Table 1 of Annex 2. SOLIDARIOS Seminars and Publications.

### 3.1.4. Publications

One of the original non-credit-related motivations for the establishment of SOLIDARIOS was to provide a common forum where practitioners of the then and still somewhat experimental development model which is the private, autonomous development foundation could exchange ideas and compare modus operandi. SOLIDARIOS-sponsored publications, including both its quarterly magazine and books, have played an important role in this regard.

A list of these publications is included in Annex 2.

A cursory review of some indicated a level of relevance and quality which was quite impressive.

*Result?*

3.1.5. Internal Audits

As a condition of receiving SOLIDARIOS credit, member NDFs must submit to internal audits by the SOLIDARIOS staff auditor. These are usually conducted on an annual basis. In addition to their role in fund monitoring, these visits are also another means of maintaining communication between SOLIDARIOS headquarters and the membership.

*had been used as they should!*

3.2. The SOLIDARIOS Development Fund

3.2.1. Sources of Credit

Credit assistance to the NDFs is provided through the SOLIDARIOS Development Fund. The funding sources for the Development Fund, established in 1973, are as noted in Table 2.

Table 2 Source of SOLIDARIOS' Development Fund

|         |             |           |      |   |
|---------|-------------|-----------|------|---|
| PACT    | \$ 400,000  | April     | 1977 | Grant Agreement No. 0032                  |
| AID     | \$4.700,000 | September | 1978 | Grant Agreement AID/LAC-G-1291            |
| IDB     | \$2.350.000 | February  | 1979 | Loan Agreement 123/TF-RG                  |
| EEC     | \$2.250.000 | February  | 1979 | Grant Agreement ATN/RG-0020<br>(NA-78/25) |
| TOTAL   | \$9,700,000 |           |      |   |
| SOURCE: | SOLIDARIOS  |           |      |   |

3.2.2. Destination of Credit

These resources are utilized by SOLIDARIOS to finance the credit assistance programs of member NDFs, who, in varying degrees also capitalize their individual development funds from other sources as well. All loans are denominated in U.S. dollars with maintenance of value clauses, except the IDB funded loans which are denominated in and repayable in local currencies without maintenance of dollar values clauses.

*x 62*

Loan terms are soft, 5% annual interest, grace period of up to three years and terms of up to 15 years. The CEE fund is administered through the IDB. The amounts provided to individual NDFs vary according to their own portfolio size and absorptive capacity. Both the USAID and IDB administered funds do, however, permit a maximum of \$550,000 per NDF per loan.

The ultimate beneficiaries are rural poor engaged in agricultural and livestock activities (approximately 80% of loan volume) with the remainder involved in urban small enterprise and artisan activities.

Most NDFs grant rural loans only through producer groups, whereas microenterprise loans are typically to individual business owners, and street vendor solidarity groups. More detailed profiles of credit use by beneficiaries are included in the reports of the five individual NDFs which were evaluated.

As of the 31st of December, 1984, SOLIDARIOS had approved loan agreements with 10 of its member organizations and had disbursed U.S.\$7,598,496 to these same agencies. A breakdown of this latter amount, by funding source and by year, is presented in Table 3.

TABLE 3  
Credit Disbursement by Fund by Year  
As of December 31, 1984  
(\$000)

|         | <u>PACT</u> | <u>AID</u> | <u>IDB</u> | <u>EEC</u> | <u>TOTALS</u> |
|---------|-------------|------------|------------|------------|---------------|
| 1977    | \$70        | -0-        | -0-        | -0-        | \$70          |
| 1978    | 230         | -0-        | -0-        | -0-        | 230           |
| 1979    | -0-         | 970        | -0-        | -0-        | 970           |
| 1980    | -0-         | 733        | 141        | 122        | 996           |
| 1981    | -0-         | 251        | 942        | 374        | 1,567         |
| 1982    | -0-         | 447        | 493        | 682        | 1,622         |
| 1983    | 47          | 788        | 176        | 182        | 1,192         |
| 1984    | <u>53</u>   | <u>251</u> | <u>341</u> | <u>306</u> | <u>951</u>    |
| Totals  | \$399       | \$3,440    | \$2,092    | \$1,666    | \$7,598       |
| By Fund | 5%          | 45%        | 28%        | 22%        | 100%          |

Source: SOLIDARIOS

The percentage distribution by fund indicates the 45% of funds disbursed have come from USAID sources. It will be noted that \$1,486,000 of AID money was disbursed in 1982-84, along with \$1,170,000 of CEE funds.

Table 4 breaks down the loan disbursements by year disbursed, by funding source, and by NDF to whom disbursed. The numbers in parenthesis indicate the year each loan was disbursed.

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Table 4  
Disbursements by NDF, Fund and Year<sup>3</sup> of Disbursement  
(\$000)

| FOUNDATION/FUND          | PACT       | AID <sup>1</sup>  | IDB/(2)<br>FFPS | CEE             | SOLIDA<br>RIOS | TOTAL | % OF TOTAL<br>BY NDF |
|--------------------------|------------|-------------------|-----------------|-----------------|----------------|-------|----------------------|
| INDES/Argentina          | (78)<br>40 | -0-               | (80-84)<br>200  | -0-             | -0-            | 240   | 3%                   |
| DESEC/Bolivia            | -0-        | (82,83)<br>185    | -0-             | (82,84)<br>201  | -0-            | 386   | 5%                   |
| FUNDES/Colombia          | -0-        | (80,81)<br>144    | (81)<br>85      |                 | -0-            | 229   | 3%                   |
| FUCODES/Costa Rica       | (78)<br>30 | (84)<br>100       | (81,83)<br>60   | (84)<br>49      | -0-            | 238   | 3%                   |
| FED/Zn/Ecuador           | -0-        | (80)<br>536       | (82-84)<br>159  | (82, 84)<br>77  | -0-            | 773   | 10%                  |
| FUNDACEN/Guatemala       | (78)<br>45 | (79, 82)<br>550   | (81)<br>250     | (81, 82)<br>550 |                | 1,395 | 18%                  |
| FMDR/Mexico              | (78)<br>50 | (80, 81)<br>540   | (81-84)<br>800  | -               | -0-            | 1,390 | 18%                  |
| FUNDE/Nicaragua          | (77)<br>50 | (79)<br>360       | (80-83)<br>290  | (80, 84)<br>240 | (84)<br>59     | 1,000 | 13%                  |
| FDD/Republica Dominicana | (78)<br>50 | (79,80,83)<br>840 | (81,82)<br>250  | (82, 83)<br>550 |                | 1,690 | 22%                  |
| IPRU/Uruguay             | (84)<br>39 | (83)<br>185       | -0-             | -0-             | -0-            | 225   | 3%                   |
| TOTALES                  | 305        | 3,440             | 2,094           | 1,666           | 59             | 7,599 | 100%                 |

- 1) The AID disbursement total includes \$350,000 deposited with Bank of America to guarantee a sucro-denominated line of credit from the Central Bank of Ecuador.
- 2) Denominated and repayable in national currencies - Principal amount remains value at time of disbursement.
- 3) Members in parenthesis indicate year of disbursement.

The figures indicate that the major recipients of SOLIDARIOS credits have been the FDD (Dominican Republic), FUNDACEN (Guatemala) and the FMDR (Mexico) who between them have received 58% of all credit disbursed. FMDR credit was disbursed at an average exchange rate of Pesos 66/\$1US. The FDD and FUNDACEN credits were at a par with the dollar. The current exchange rate in the three countries are P400/1, RD\$3/1 and Q3/1 respectively.

The four credit receiving NDFs which were evaluated accounted for 53% of total disbursements.

In comparison with the \$7,598,000 actually disbursed, loans approved by SOLIDARIOS have totaled \$8,809,000. The comparison between funds approved and funds disbursed is shown in Table 5, Comparison between Approvals and Disbursements.

Table 5: Comparison between Loan Approvals and Disbursements  
(\$000's)

| <u>YEAR/FUND</u> | <u>PACT</u> | <u>AID</u>   | <u>FFPS</u>  | <u>CEE</u>   | <u>TOTAL</u> |
|------------------|-------------|--------------|--------------|--------------|--------------|
| 1977             | 215         | --           | --           | --           | 215          |
| 1978             | 85          | --           | --           | --           | 85           |
| 1979             | --          | 1,954        | 540          | 910          | 3,404        |
| 1980             | --          | --           | 1,560        | 690          | 2,250        |
| 1981             | --          | 370          | 95           | 405          | 870          |
| 1982             | 40          | 1,005        | 95           | --           | 1,140        |
| 1983             | --          | 785          | 60           | --           | 845          |
| 1984             | --          | --           | --           | --           |              |
| <b>TOTAL</b>     |             |              |              |              |              |
| APPROVED         | <u>340</u>  | <u>4,114</u> | <u>2,350</u> | <u>2,005</u> | <u>8,809</u> |
| DISBURSED        | 400         | 3,440        | 2,092        | 1,666        | 7,598        |
| PENDING          | --          | 674          | 198          | 339          | 1,211        |

SOURCE: SOLIDARIOS

Table 5 indicates that \$537,000 of IDB administered funds (includes the CEE donation) have been approved but not disbursed. An additional \$305,000 of IDB administered funds authorized were never approved for credit use. A clause of the IDB/CEE-SOLIDARIOS agreement stipulated that authorization was suspended for funds not used by November 1984. Consequently, \$842,000 of the original \$4,600,000 IDB/CEE funds authorized were not used.

Of the total USAID authorization of \$5,100,000, approximately \$600,000 was for technical assistance support and \$4,500,000 for the

development fund. Of the latter \$3,440,000 has been disbursed, leaving \$1,060,000 (approx.) still unassigned.

*Problems not mentioned*

### 3.2.3. Analysis of Arrears

The impact of the Latin American economic crisis upon SOLIDARIOS credit operations can be appreciated through analysis of the loans outstanding accounts of SOLIDARIOS for 31 Dec. 1984 and Aug. 31, 1985.

Per the SOLIDARIOS audited annual report (p. 82), on 31 Dec. 1984, the loans outstanding account (interest plus principal) of SOLIDARIOS totaled \$5,800,188 as compared with \$5,609,770 at the end of 1983. Unaudited printouts for 31 August showed the total to be \$6,470,000. Table 6 shows the balance outstanding as of 31 Dec. 1984 and 1983 by foundation.

*Here about 1985?*

Table 6: Loan Balance Outstanding: 31 Dec. 1984 (\$000s)

| Foundation                           | 1984           |              |                | 1983           |
|--------------------------------------|----------------|--------------|----------------|----------------|
|                                      | Capital        | Interest     | Total          | Total          |
| INDES - Argentina                    | \$207          | \$51         | \$258          | \$242          |
| DESEC - Bolivia                      | 386            | 20           | 406            | 296            |
| FUNDES - Colombia                    | 229            | 40           | 269            | 251            |
| FUCODES - Costa Rica                 | 111            | 3            | 114            | 71             |
| FED - Ecuador                        | 411            | 15           | 426            | 349            |
| FUNDACEN - Guatemala                 | 1,254          | 39           | 1,293          | 1,343          |
| FMR - Mexico                         | 1,340          | 83           | 1,423          | 1,123          |
| FUNDE - Nicaragua                    | 925            | 75           | 1,000          | 848            |
| FUD - Rep. Dominicana                | 1,618          | 116          | 1,733          | 1,369          |
| IPRU - Uruguay                       | 225            | 2            | 226            | 31             |
| <b>Total</b>                         | <b>\$6,706</b> | <b>441</b>   | <b>7,148</b>   | <b>5,892</b>   |
| Revenue for non-Collectable loans    | (325)          | --           | (335)          | (282)          |
| Exchange rate Adjustments - IDB Fund | (945)          |              | (66)           | (1,011)        |
| <b>Total</b>                         | <b>\$5,425</b> | <b>\$375</b> | <b>\$5,800</b> | <b>\$5,608</b> |

*x 68*

Table 7 reproduces SOLIDARIOS data, as of 31 Dec. 1984, concerning loans and interest payments in arrears.

Table 7: Analysis of SOLIDARIOS Loans in Arrears  
31 Dec. 1984 (\$000s)

| <u>Accounts in Arrears</u>                        | <u>Number of Payments</u> |             |                |                 |                | <u>% Dist.</u> |
|---|---------------------------|-------------|----------------|-----------------|----------------|----------------|
|   | <u>Cap.</u>               | <u>Int.</u> | <u>Capital</u> | <u>Interest</u> | <u>Total</u>   |                |
| 1 to 30 days                                      | 7                         | 20          | \$157          | \$130           | \$288          |                |
| 31 to 60 days                                     | 3                         | 6           | 66             | 35              | 101            |                |
| 61 to 90 days                                     | -                         | 4           | -              | 3               | 3              |                |
| 91 to 365 days                                    | 15                        | 22          | 199            | 139             | 339            |                |
| 1 to 2 years                                      | 7                         | 11          | 143            | 102             | 244            | 3%             |
| More than 2 years                                 | 3                         | 3           | 52             | 5               | 56             | 1%             |
| Total payments in Arrears                         | <u>36</u>                 | <u>66</u>   | <u>\$618</u>   | <u>\$414</u>    | <u>\$1,032</u> | <u>14%</u>     |
| Amount not yet due of loans with pmts. in arrears |                           |             | \$3,981        | \$22            | \$4,003        | 56%            |
| Total portfolio affected                          |                           |             | \$4,598        | \$436           | \$5,034        | 70%            |
| Loans without pmts. in arrears:                   |                           |             |                |                 |                |                |
| Up-to-date  |                           |             | \$2,100        | \$5             | \$2,105        | 30%            |
| Postponed   |                           |             | 7              | 67              | 7              |                |
| Renegotiated                                      |                           |             | -              | -               | -              |                |
| Total   |                           |             | <u>\$6,705</u> | <u>\$441</u>    | <u>\$7,147</u> | <u>100%</u>    |

SOURCE: SOLIDARIOS

The percentage distribution figures show that whereas 14% of the balance due is actually in arrears, the balance of the portfolio not yet due of those foundations already in arrears accounts for another 56% of all loans outstanding.

Thus, a total of at least 70% of the entire portfolio is falling behind on payments.

If the individual foundation figures for the 31 Deco. 1984, 31 Aug. 1985, and the original amounts of the loans are compared, the figures are even more revealing. This information is presented in Table 8.

Table 8: Comparative Analysis of Debt Outstanding: 31 Dec. 1984, 31 Aug. 1985  
(\$000s US)

| Foundation         | Orig.              | Balance  |      |        | Balance  |      |        | Progress in<br>Eight Months |
|--------------------|--------------------|----------|------|--------|----------|------|--------|-----------------------------|
|                    | Prin.<br>Disbursed | 31/12/84 |      |        | 31/18/85 |      |        |                             |
|                    |                    | Prin.    | Int. | Total  | Prin.    | Int. | Total  |                             |
| INDES (Arg.)       | \$240              | 207      | 51   | 248    | 207      | 124  | \$331  | None                        |
| DESEC (Bol.)       | 386                | 386      | 20   | 406    | 386      | 35   | 421    | None                        |
| FUNDES (Col.)      | 229                | 229      | 40   | 269    | 229      | 16   | 245    | Doubtful Int. Data          |
| FUCODES (C.R.)     | 237                | 111      | 2    | 113    | 212      | 8    | 220    |                             |
| FEDNORTE (Ecuador) | 779                | 411      | 15   | 426    | 623      | 30   | 653    |                             |
| FUNDACEN (Guat.)   | 1395               | 1254     | 39   | 1293   | 1198     | 66   | 1264   | Paid 56,000 Prin.           |
| FMDR (Mexico)      | 1390               | 1340     | 83   | 1423   | 1340     | 95   | 1435   | None                        |
| FUNDE (Nicaragua)  | 1000               | 926      | 74   | 1000   | 926      | 104  | 1030   | None                        |
| FDD (Dom. Rep.)    | 1690               | 1618     | 116  | 1734   | 1618     | 175  | 1793   | None                        |
| IPRU (Uruguay)     | 225                | 225      | 2    | 227    | 220      | 9    | 229    | Paid \$5000 Prin.           |
| Total              | 7571               | 6707     | 442  | 7147   | 6959     | 662  | 7621   |                             |
| Less Exchange      |                    |          |      |        |          |      |        |                             |
| Rate Adjustment    | =                  | (945)    | (66) | (1009) | (945)    | (60) | (1005) |                             |
| Total              | \$7571             | 5762     | 376  | 6138   | 6014     | 602  | \$6016 |                             |

In 1985, no approvals nor disbursements have taken place. Due to the expiration of the <sup>1/1/</sup>IBD/CEE authorization in November 1984, the only remaining source of already authorized funding was the USAID grant.

Disbursement pending of already approved loans and other available funds up to the authorization limit had been frozen by USAID. A total of approximately \$1,060,000 is involved.

As of the time of the evaluation (October 1985), USAID officials were working with SOLIDARIOS to develop a specimen agreement for establishment of guaranteed lines of credit.

SOLIDARIOS for its part was continuing renegotiation terms with

member NDF creditors. The status of these negotiations as of October 1985 is summarized in Table 9.

Table 9: Summary of Current Renegotiations of SOLIDARIOS Loans to Member NDFs (October 1985)

| Foundation                | Loan Principal Outstanding | Exchange Rates           |                    | Remarks  |
|---------------------------|----------------------------|--------------------------|--------------------|----------|
|                           |                            | At times of Disbursement | Current (Jan. '86) |          |
| FMDR (Mexico)             | \$540,000                  | 23.75                    | 400                | Note (1) |
| FUNDES (Colombia)         | 144,040                    | 49.70                    | 171                | Note (2) |
| FEDNORTE (Quito, Ecuador) | 174,222                    | 29.05                    | 125                | Note (3) |
| DESEC (Bolivia)           | 185,000                    | 181                      | 100,000+           | Note (4) |
| FUNDE (Nicaragua)         | 360,000                    | 10                       | 28                 | Note (5) |
| FDD (Dominican Republic)  | 517,500                    | 1                        | 3                  | Note (4) |

Notes:

- (1) In March 1985 the FMDR agreed to repay the loan principal and interest in Mexican pesos based on an exchange rate of 23.75/1.
- (2) In July 1985, FUNDES agreed to repay the dollar debt in Colombian pesos based upon exchange rate of Co. \$77/\$1 US.
- (3) In July 1985, the FEDNORTE and SOLIDARIOS agreed to a repayment plan by which principal would be repaid in sucres at current exchange rate at time of repayment and interest would continue to be repaid in US dollars.
- (4) DESEC and the FDD have not yet reached agreement with SOLIDARIOS on new repayment terms.
- (5) No agreement has been reached due to internal problems in Nicaragua concerning transfer of foreign exchange and exchange rate basis.

Source: SOLIDARIOS

Careful review of the figures will show that only two foundations, IPRU (Uruguay) and FUNDACEN (Guat.) made payments on debt due during the first eight months of 1985. At the present time, it would appear that only FUCODES has the combination of a fairly stable exchange rate and maintenance of value on original debt to be in a position to repay any of its dollar denominated debt incurred.

#### 3.2.4. Current Status of Development Fund

As a result of the dollar repayment crisis which has affected the Development Fund activities, requests for credit from member NDFs and disbursements have come to a complete halt. During 1984, although disbursements of previously approved loans totaled \$95,000; only two loans requests for a total of \$112,000 were received and approved. These are included in the \$951,000 disbursed in 1984.

4. Financial Structure

4.1. Financial Statements

4.1.1. Balance Sheet

The audited Dec. 31, 1984 balance sheet of SOLIDARIOS by fund, and aggregate finances for 31 Dec. 1983 are shown in Table 1 of Annex 1, SOLIDARIOS Financial Statements. The financial statements are denominated in Dominican pesos (RD\$) but at a par with the US dollar.

Total assets at the end of 1984 were \$6,893,000 versus \$6,468,000 at the end of 1983. Liabilities amounted to \$1,230,000 with a Funds Balance of \$4,700,000.

The asset side of the balance sheet is composed almost entirely (98.6%) of cash holdings (\$997,000) and net loans balances outstanding (\$5,800,000).

The net loan balance outstanding account already includes a 5% write off for non-recoverables, and \$1,011,000 for loss of dollar value of the IDB fund local currency loans. Not included is an estimate for the portion of loans outstanding which could prove to be non recoverable. SOLIDARIOS will not be able to estimate the precise amount of the write-off until loan negotiations with the affected NDFs are completed.

It is known, however, that as a result of already completed negotiations, the \$540,000 owed by the FMDR (Mexico) and the \$174,000 involved in the FEDNORTE negotiation can effectively be written off in dollar terms. The same can also be said with reasonable certainty of the \$385,000 balance of DESEC (Bolivia) and approximately \$625,000 of FUNDE and at least \$1,000,000 each for FUNDACEN (Guatemala) and the FDD (Dominican Republic). Just these foundations alone will account for \$3,725,000 in write-offs.

Of the cash balance of \$997,000, \$351,000 is the deposit guaranteeing the FEDNORTE line of credit and \$150,000 are employee deposits.

Of total liabilities, 93% or \$1,147,093 is the loan payable by SOLIDARIOS to the Interamerican Development Bank. Payments on this interest free loan are not scheduled to begin until 1989, and will continue until 2000 in 22 equal payments. The loan was valued at \$2,093,000 at the time of disbursement. Repayment by SOLIDARIOS to the IDB will be in the same local currency amounts of the principal as it was disbursed to the NDFs. Therefore it will be continued to be recorded as a payable with a diminishing balance of dollar value owed.

Since SOLIDARIOS assets are virtually all donor based and its major liability, the IDB loan, is, in reality, inconsequential, its balance sheet could survive major write offs of the current loan portfolios. The major problems posed by these write offs, are, however, measured in terms of credibility, which affects donations, which in turn affects the foundations prospective cash flow for its operating budget and future credit operations. These factors are examined in the next section.

4.1.2. Income statement

SOLIDARIOS income in 1984 of \$1,716,719 came from four sources:

|  |               |
|--|---------------|
| -Disbursement of grant to (fund) loans | \$1,053,000 ← |
| -Interest on loans and deposits        | 496,000       |
| -Other income (net exchange gains)     | 145,000       |
| -Membership dues                       | <u>23,000</u> |
|  | \$ 1,717,000  |

*Sources of funds.*

*Quota*

*Resolving loan fund?*

Operating expenses for 1984 totaled \$753,000, including a foreign exchange loss on loans of \$234,000. The end result was a net surplus on operations of \$964,000. *or a (\$664,000) loss if the grant disbursement is considered as*

When the foreign exchange and loan reserve figures are netted out, direct operating expenses were \$460,000, of which salary expenses accounted for \$147,000. Internally generated interest income was \$496,000, indicating a surplus situation for operating expenses funded by internally generated funds.

In 1983, total income was \$749,000, including only \$270,000 in grant disbursements. Operating expenses for that year were \$465,000 resulting in a surplus of \$284,000. Interest income was \$389,000, as compared with direct operating costs of \$387,000.

The form of the near term financial future for SOLIDARIOS started to manifest itself in 1985. Total income for the first eight months of the year was \$369,000 of which \$310,000 was interest (\$116,000 on IDB loans, subject to exchange adjustment, and \$115,000 on AID funded loans). Donations and grant disbursements to fund loans were zero. Total expenses for the first eight months were \$350,000 including \$100,000 in exchange losses. It can be presumed that the greater part of this was an offset against the IDB loan interest income. No allowance had as yet been made for non-recoverable loans. If both the IDB interest income and the exchange rate losses are discounted, the net results show \$242,000 income and \$247,000 expenses, indicating that internally generated income was still almost sufficient to support cash expenses.

#### 4.2. Short Term Financial Outlook

Review of the income statement figures suggests the following:

*These are 2 funds amounting to \$100,000 for the purpose of the grant and by the help of the financial manager.*

*if grant disbursements are income, a contribution for the capitalization of the 12.4% loan funds.*

- US\$ 200,000*
- The SOLIDARIOS operating budget is structured so that even in the absence of donor income, SOLIDARIOS can maintain current operations at approximately the break even point, if dollar denominated interest payments from creditor NDFs can be maintained at recent levels (1984 and 1985). If this source of interest income declines or ceases, SOLIDARIOS would be forced to draw upon untied cash reserves or direct donor support of operating costs. Untied cash reserves currently represent somewhere between six months and one year of direct operating costs.

Direct operating costs for 1985, excluding loan loss reserves, and allowances for exchange losses was \$395,000. Of this total \$95,000 was budgeted for seminars and meetings, \$175,000 for salary and fringe benefit costs, \$55,000 for international travel and the remainder, \$65,000 for miscellaneous direct out of pocket expenses. It is to be expected that the budget for 1986 would be of the same order of magnitude, unless major cuts became necessary.

- The cash account on 31 August stood at \$985,000. Of this total, \$351,000 is reserved to guarantee the FEDNORTE sucre credit line, \$150,000 consists of employee deposits. The USAID loan account has a balance of \$275,000, and the SOLIDARIOS working account (secretaria general), \$402,000. Based upon working capital requirements estimated at \$200,000, it is estimated that approximately \$200,000 to \$300,000 of the cash balance is untied.
- Currently authorized but unassigned and undisbursed USAID is approximately \$1,060,000.
- Subject to verification of exact amounts, if SOLIDARIOS can maintain a break-even internal operation; it would appear that somewhere between \$1,000,000 and 1,300,000 of funding would be available to be used towards the establishment of a reserve pool for funding guaranteed lines of credit. *to secure*
- In addition to that potential source of funds, principal repayments in local currencies of member NDFs could also be contributed towards revolving funds for member NDFs.

#### 4.3. Summary and Recommendations

Based upon the economic realities of creditor NDFs national economies and the internal structure of SOLIDARIOS finances as outlined above, the major outlines of a financial restructuring of the

SOLIDARIOS system, in the absence of additional donations would include:

- Renegotiation of creditor NDF debt to include principal payments in local currencies at internal inflationary based exchange rate basis; while maintaining interest payments, insofar as possible current and in dollars;
  - Based upon a detailed assessment of the needs and financial capabilities of individual foundations, negotiations with national bankers to work out the establishment of guaranteed local currency lines of credit are indicated.
  - Authorization for use of available but unassigned USAID funds for use to guarantee these lines of credit.
- Interest income from guarantees could be used by SOLIDARIOS to defray operating costs, and to fund whatever technical assistance would be required to assist in the organization of the guarantee funds.

W

Too much!

*they then  
not a good look  
at current financial  
conditions?*

5. Analysis of Operations

5.1. Administrative Procedures and Accounting

The internal administrative and accounting operations of SOLIDARIOS are well organized and appear to function in an efficient manner. The office is equipped with an IBM PC computer. It is used for accounting, and applications for other activities are being developed.

SOLIDARIOS has prepared policy and procedure manuals for most functions including credit operations, accounting, administration and operations, technical services, and auditing. Yearly operating calendars are drawn up in November of the preceding year.

5.2. Technical Assistance

Observations concerning the future of SOLIDARIOS Technical Assistance Program have already been discussed in Section 3.1.

Technical assistance requirements which could be profitably used by SOLIDARIOS are the following:

- A person who could advise SOLIDARIOS and NDFs on the packaging of local currency lines of credit to be guaranteed by SOLIDARIOS, and assist in negotiations with banking systems as required. Such a person is likely to be someone with a Latin American banking background and ideally, with some prior involvement in, or at least sympathetic to the national development foundation movement.
- The professional disciplines of the two SOLIDARIOS representatives, who are partially supported by the USAID grant are accounting (Central America) and economics planning (South America). The third representative, which SOLIDARIOS is planning to add to its staff could at this time, be someone with a solid, experienced financial management background who could be used to advise the NDFs vis-a-vis the necessary financial restructuring which will be required if they are to profitably take advantage of local currency guaranteed lines of credit.

### 5.3. Credit Analysis and Loan Disbursement

As SOLIDARIOS evolved into a sizeable financial intermediary operation managing a near \$8,000,000 portfolio, the demands upon its staff in the field of credit analysis expanded rapidly.

The nature of this evaluation was not such as to permit a detailed analysis of credit handling procedures. Yet there are divergent trends which are immediately noticeable upon analysis of the current portfolio. These trends concern evaluation of member foundation's ability to develop and manage credit programs for their beneficiaries, an essentially microeconomic consideration; and the decisions as to timing of disbursements, which involved an appreciation of macroeconomic considerations affecting NDF ability to repay loans.

The microeconomic decisions as to which NDFs were granted credit and how much, and which ones were refused credit were in general well taken. The four evaluated foundations who received 53% of SOLIDARIOS credit are certainly capable of managing the credit and the field programs in which it is used, and achieving satisfactory payback rates, barring unforeseen circumstances. Two additional foundations, FUNDES (Nicaragua) and FMDR (Mexico) between them received an additional 31% of the total credit disbursed. Though not visited in this evaluation, they are, along with the FDD, the largest foundations and have always been regarded as competently managed by all observers.

The macroeconomic decisions concerning when and why dollar denominated credit was disbursed were, from the optic of 1985, less well taken. Reference to Table 4 indicates that \$1,170,000 of CEE funds and \$1,486,000 of USAID funds or 52% of total disbursements from these two dollar denominated funds were disbursed during the 1982-1984



**ANNEX 1**  
**SOLIDARIOS Financial Reports**  
**1983-1984**

# BALANCE SHEET

1975

## SOLIDARIOS

CONSEJO DE FUNDACIONES AMERICANAS DE DESARROLLO (COUNCIL OF AMERICAN DEVELOPMENT FOUNDATIONS)

BALANCES GENERALES (BALANCE SHEETS)

31 de Diciembre/December 31

Expresados en RD\$-Nota 7/Expressed in RD\$-Note 7)

1974

1983

**ACTIVOS**  
**(ASSETS)**

Efectivo en Caja y Banco  
(Items 1, 2 y 8)

(Cash)

Préstamos a Asociados

(Items 1 y 3)

(Loans to Members)

Otras cuentas por cobrar  
(Other accounts receivable)

Material, equipo de transporte  
y muebles en propiedades arrendadas  
(Nota 1)

(Furniture, transportation equipment  
and leasehold improvements)

Cuentas por cobrar (pagar)  
entre fondos

(Accounts receivable (payable)  
between funds)

Otros Activos (Nota 4)  
(Other assets)

|  | Fondo de<br>Tesorería | Secretaría<br>General | Fondo<br>BID/IFOP | Fondo<br>BID/OEE | Fondo AID II<br>Asistencia<br>Técnica | Fondo de<br>Desarrollo<br>PACT | Diseminación  | AID II<br>Préstamos | Prestaciones<br>Laborales | Total            | Total            |
|--|-----------------------|-----------------------|-------------------|------------------|---------------------------------------|--------------------------------|---------------|---------------------|---------------------------|------------------|------------------|
| Efectivo en Caja y Banco<br>(Items 1, 2 y 8)<br>(Cash)   | 997,466               |                       |                   |                  |                                       |                                |               |                     |                           | 997,466          | 672,422          |
| Préstamos a Asociados<br>(Items 1 y 3)<br>(Loans to Members)   |                       |                       | 1,035,756         | 1,618,666        |                                       | 111,967                        |               | 2,974,799           |                           | 5,800,488        | 5,609,770        |
| Otras cuentas por cobrar<br>(Other accounts receivable)  |                       | 43,221                | 75                | 61               |                                       | 9                              |               | 125                 | 18,242                    | 61,733           | 143,366          |
| Material, equipo de transporte<br>y muebles en propiedades arrendadas<br>(Nota 1)<br>(Furniture, transportation equipment<br>and leasehold improvements) |                       | 23,469                | 1,008             |                  | 825                                   |                                | 5,995         | 421                 |                           | 28,788           | 30,266           |
| Cuentas por cobrar (pagar)<br>entre fondos<br>(Accounts receivable (payable)<br>between funds)   | ( 997,466)            | 419,682               | 145,831           | ( 115,220)       | 75,673                                | 158,570                        | 4,888         | 270,517             | 31,555                    |                  |                  |
| Otros Activos (Nota 4)<br>(Other assets)   |                       | 1,297                 |                   |                  | 807                                   |                                |               | 3,171               |                           | 5,275            | 12,952           |
|  |                       | <u>484,669</u>        | <u>1,182,740</u>  | <u>1,563,507</u> | <u>77,305</u>                         | <u>269,546</u>                 | <u>10,883</u> | <u>3,249,033</u>    | <u>55,797</u>             | <u>6,893,480</u> | <u>6,468,456</u> |

**PASIVOS Y BALANCES DE FONDOS**  
**(LIABILITIES AND FUNDS BALANCE)**

Préstamos por pagar (Nota 5)  
(Loans Payable)

Cuentas por pagar  
(Accounts payable)

Deposito de Empleados  
(Employees deposits)

Intereses acumulados por  
pagar

(Accumulated Interest Payable)

|   |  |                       |                         |                         |                      |                       |                      |                         |                      |                         |                         |
|---|--|-----------------------|-------------------------|-------------------------|----------------------|-----------------------|----------------------|-------------------------|----------------------|-------------------------|-------------------------|
| Préstamos por pagar (Nota 5)<br>(Loans Payable)                     |  |                       | 1,147,093               |                         |                      |                       |                      |                         |                      | 1,147,093               | 1,753,277               |
| Cuentas por pagar<br>(Accounts payable)                             |  | 40,046                | 624                     | 510                     | 563                  | 89                    |                      | 988                     |                      | 42,820                  | 6,149                   |
| Deposito de Empleados<br>(Employees deposits)                       |  |                       |                         |                         |                      |                       |                      |                         | 26,373               | 26,373                  | 6,797                   |
| Intereses acumulados por<br>pagar<br>(Accumulated Interest Payable) |  | 2,314                 |                         |                         |                      |                       |                      | 10,979                  |                      | 13,293                  | 2,406                   |
|   |  | <u>42,360</u>         | <u>1,147,717</u>        | <u>510</u>              | <u>563</u>           | <u>89</u>             |                      | <u>11,967</u>           | <u>26,373</u>        | <u>1,229,579</u>        | <u>1,768,629</u>        |
| Balances de Fondos<br>(Funds Balances)                              |  | <u>442,309</u>        | <u>35,023</u>           | <u>1,562,997</u>        | <u>76,742</u>        | <u>269,457</u>        | <u>10,883</u>        | <u>3,237,066</u>        | <u>29,424</u>        | <u>5,663,901</u>        | <u>4,699,826</u>        |
|   |  | <u><u>484,669</u></u> | <u><u>1,182,740</u></u> | <u><u>1,563,507</u></u> | <u><u>77,305</u></u> | <u><u>269,546</u></u> | <u><u>10,883</u></u> | <u><u>3,249,033</u></u> | <u><u>55,797</u></u> | <u><u>6,893,480</u></u> | <u><u>6,468,456</u></u> |

Las notas a los estados financieros son parte integral de los mismos  
(The accompanying notes are an integral part of the financial statements)

## ANNEX 1, Table 2

### INCOME STATEMENT

| SOLIDARIDAD<br>CONSEJO DE FUNDACIONES AMERICANAS DE DESARROLLO (COUNCIL OF AMERICAN DEVELOPMENT FOUNDATIONS)<br>ESTADOS DE INGRESOS, GASTOS Y CAMBIOS EN EL BALANCE DE FONDO/ STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUNDS BALANCE<br>AÑOS TERMINADOS EL 31 DE DICIEMBRE DE 1984 / FOR THE YEAR ENDED DECEMBER 31<br>Expresados en RD\$-Nota 7 / Expressed in RD\$-Note 7<br>1984 |                       |                   |                  |                                       |                             |                   |                       |                           |                  |                  |
|---|-----------------------|-------------------|------------------|---------------------------------------|-----------------------------|-------------------|-----------------------|---------------------------|------------------|------------------|
|   | Secretaría<br>General | Fondo<br>BID/PPPS | Fondo<br>BID/OEE | Fondo AID-II<br>Asistencia<br>Técnica | Fondo<br>Desarrollo<br>PACT | Disemi-<br>nación | AID - II<br>Préstamos | Prestaciones<br>Laborales | Total            | Total            |
| <b>Ingresos:</b><br>(Revenue)   |                       |                   |                  |                                       |                             |                   |                       |                           |                  |                  |
| Donaciones (Notas 1 y 6)<br>(Grants)  | 58,337                |                   | 238,541          | 140,655                               |                             | 10,000            | 595,000               |                           | 1,052,533        | 270,354          |
| Intereses Ganados<br>(Interest earned)  | 46,841                | 200,353           | 71,824           |                                       | 3,027                       |                   | 172,401               | 1,525                     | 495,971          | 399,185          |
| Quintas de asociados (Nota 1)<br>(Members Fees)   | 23,500                |                   |                  |                                       |                             |                   |                       |                           | 23,500           | 25,150           |
| Otros Ingresos<br>(Other Income)  | 138,869               |                   |                  |                                       |                             |                   |                       | 5,846                     | 144,715          | 63,107           |
| <b>Total Ingresos<br/>(Total revenue)</b>   | <u>267,547</u>        | <u>200,353</u>    | <u>310,365</u>   | <u>140,655</u>                        | <u>3,027</u>                | <u>10,000</u>     | <u>767,401</u>        | <u>7,371</u>              | <u>1,716,719</u> | <u>748,796</u>   |
| <b>Gastos (Nota 1):</b><br>(Expenses)   |                       |                   |                  |                                       |                             |                   |                       |                           |                  |                  |
| Servicios Personales<br>(Salaries)  | 7,228                 | 30,188            | 21,774           | 39,900                                | 4,195                       |                   | 43,728                |                           | 147,011          | 138,587          |
| Prestaciones Sociales<br>(Coverance Indemnities)  | 1,858                 | 7,695             | 5,513            | 8,138                                 | 1,052                       |                   | 11,095                |                           | 35,531           | 33,012           |
| Viajes Internacionales<br>(International Travel)  | 2,009                 | 8,409             | 5,999            | 25,345                                | 1,166                       |                   | 11,955                |                           | 55,883           | 53,432           |
| Atenciones y Representaciones<br>(Attendance & representation)  | 161                   | 668               | 477              |                                       | 89                          |                   | 979                   |                           | 2,374            | 900              |
| Rentas<br>(Rents)   | 639                   | 2,672             | 1,925            |                                       | 372                         |                   | 3,865                 |                           | 9,473            | 7,199            |
| Mantenimiento<br>(Maintenance)  | 309                   | 1,252             | 912              |                                       | 178                         |                   | 1,837                 |                           | 4,498            | 2,908            |
| Comunicaciones<br>(Communications)  | 1,010                 | 3,994             | 2,884            |                                       | 537                         | 1,277             | 5,813                 |                           | 15,515           | 14,532           |
| Depreciación<br>(Depreciation)  | 8,626                 | 169               |                  | 17                                    |                             | 1,989             | 86                    |                           | 10,867           | 8,616            |
| Costo de impresión y<br>reproducción (Printing<br>& Reproduction Cost)  | 13,545                | 1,395             | 744              |                                       | 148                         | 9,187             | 1,486                 |                           | 26,175           | 4,107            |
| Cuentas Incobrables<br>(Reserve for bad debts)  | 6,000                 | 15,207            | 15,309           |                                       | 1,337                       |                   | 21,318                |                           | 59,161           | 23,574           |
| Vehículos<br>(Vehicles)   | 807                   | 942               | 700              |                                       | 134                         |                   | 1,394                 |                           | 3,997            | 3,242            |
| Servicios Profesionales<br>(Professional services)  |                       |                   |                  | 26,223                                |                             |                   |                       |                           |                  | 26,223           |
| Reuniones<br>(Meetings)   | 71,194                | 3,288             | 2,283            |                                       | 462                         |                   | 4,704                 |                           | 81,931           | 51,406           |
| Auditoría<br>(Auditing)   | 409                   | 1,754             | 1,169            |                                       | 234                         |                   | 2,280                 |                           | 5,846            | 8,981            |
| Donaciones<br>(Grants)  |                       |                   |                  |                                       |                             |                   |                       |                           |                  | 39,250           |
| Pérdidas en cambio<br>de divisas (Loss in foreign<br>exchange)  | 20,799                | 53,148            | 49,975           |                                       | 7,480                       |                   | 102,188               |                           | 233,590          | 53,495           |
| Otros<br>(Others)   | 6,200                 | 6,674             | 6,764            | 3,493                                 | 990                         | 695               | 8,421                 | 1,210                     | 34,567           | 20,917           |
| <b>Total gastos<br/>(Total expenses)</b>  | <u>140,774</u>        | <u>137,155</u>    | <u>116,428</u>   | <u>104,476</u>                        | <u>18,354</u>               | <u>13,108</u>     | <u>221,109</u>        | <u>1,210</u>              | <u>752,444</u>   | <u>494,603</u>   |
| <b>Exceso (defecto) de ingresos<br/>sobre gastos en el año<br/>(Excess(deficiency) of revenue<br/>over expenses for the year)</b>   | 126,773               | 63,198            | 193,937          | 56,179                                | (15,327)                    | (3,108)           | 5,6,292               | 6,161                     | 964,075          | 254,193          |
| <b>Balances de fondos al<br/>inicio del año<br/>(Funds balance at beginning<br/>of the year)</b>  | 315,535               | (28,175)          | 1,369,060        | 20,561                                | 284,814                     | 13,991            | 2,700,774             | 23,263                    | 4,499,826        | 4,415,493        |
| <b>Balances de fondos al final<br/>del año<br/>(Funds balance at the end<br/>of the year)</b>   | <u>442,309</u>        | <u>35,023</u>     | <u>1,562,997</u> | <u>76,742</u>                         | <u>269,487</u>              | <u>10,883</u>     | <u>3,237,066</u>      | <u>29,424</u>             | <u>5,463,901</u> | <u>4,699,686</u> |

Las notas a los estados financieros son parte integral de los mismos.  
(The accompanying notes are an integral part of the financial statements)

# ANNEX 1, Table 3

## SOURCES AND USES OF FUND

SOLIDARIOS  
CONSEJO DE FUNDACIONES AMERICANAS DE DESARROLLO (COUNCIL OF AMERICAN DEVELOPMENT FOUNDATIONS)  
ESTADO DE CAMBIOS EN LA POSICION FINANCIERA/STATEMENTS OF CHANGES IN FINANCIAL POSITION  
AÑO TERMINADO EL 31 DE DICIEMBRE LE/POR THE YEAR ENDED DECEMBER 31  
 (Expressed in R26 - Note 7/Expressed in R26 - Note 7)

|   | 1984                  |                   |                  |                                       |                             |                 |                     |                        | 1983             |                  |
|---|-----------------------|-------------------|------------------|---------------------------------------|-----------------------------|-----------------|---------------------|------------------------|------------------|------------------|
|   | Secretaría<br>General | Fondo<br>SID/PPPS | Fondo<br>SID/CEE | Fondo AID II<br>Asistencia<br>Técnica | Fondo<br>Desarrollo<br>PACT | Distribución    | AID II<br>Préstamos | Préstamos<br>Laborales | Total            | Total            |
| Origen de los fondos:<br>(Source of Funds)  | 126,773               | 63,198            | 193,937          | 56,179                                | ( 15,357)                   | ( 3,108)        | 536,292             | 6,161                  | 964,075          | 284,133          |
| De operaciones:<br>(From operations):   |                       |                   |                  |                                       |                             |                 |                     |                        |                  |                  |
| Exceso (defecto) de ingresos<br>sobre gastos<br>(Excess (deficiency) of<br>revenue over expenses)   |                       |                   |                  |                                       |                             |                 |                     |                        |                  |                  |
| Más: Cargo a operaciones<br>que no requirió el uso<br>de fondos-Depreciación<br>(Plus: Charge to operations<br>that did not require the<br>use of funds-Depreciation) | 8,606                 | 149               |                  | 17                                    |                             | 1,909           | 86                  |                        | 10,867           | 8,616            |
| Préstamos provisiones por (usados<br>en) las operaciones<br>(Funds provided by (used for)<br>the operations)  | 135,379               | 63,367            | 193,937          | 56,196                                | ( 15,357)                   | ( 1,119)        | 536,378             | 6,161                  | 974,942          | 292,749          |
| Disminución en otros activos<br>(Decrease in other assets)  | 1,626                 | 1,549             | 3,850            | 3,239                                 |                             |                 |                     |                        | 10,264           | 480              |
| Aumentos (Increases):   |                       |                   |                  |                                       |                             |                 |                     |                        |                  |                  |
| Préstamos por pagar<br>(Loans Payable)  |                       |                   |                  |                                       |                             |                 |                     |                        |                  | 175,536          |
| Anticipo por pagar<br>(Accounts Payable)  | 34,787                | 378               | 311              | 563                                   | 42                          |                 | 990                 |                        | 36,671           | 5,052            |
| Depreciación de edificios<br>(Employee Depreciate)  |                       |                   |                  |                                       |                             |                 |                     | 19,576                 | 19,576           | 5,693            |
| Intereses acumulados por pagar<br>(Payable Interest)  | 2,181                 |                   |                  |                                       |                             |                 | 8,706               |                        | 10,887           | 2,406            |
|   | <u>173,973</u>        | <u>65,294</u>     | <u>198,098</u>   | <u>59,998</u>                         | <u>( 15,315)</u>            | <u>( 1,119)</u> | <u>545,074</u>      | <u>25,737</u>          | <u>1,052,340</u> | <u>311,916</u>   |
| Uso de los fondos:<br>(Funds were used for):  |                       |                   |                  |                                       |                             |                 |                     |                        |                  |                  |
| Aumento (disminución) neto:<br>(Net increase (decrease)):   |                       |                   |                  |                                       |                             |                 |                     |                        |                  |                  |
| Cartas de Crédito<br>(Letters of Credit)  |                       |                   |                  |                                       |                             |                 |                     |                        |                  | (471,152)        |
| Anticipo por cobrar<br>(Accounts receivable)  | ( 10,315)             | 75                | 61               |                                       | 9                           |                 | ( 70,914)           | ( 528)                 | ( 81,612)        | 89,951           |
| Préstamos a miembros  |                       | (730,483)         | 348,438          |                                       | 51,627                      |                 | 521,036             |                        | 190,418          | 499,823          |
| (Loans to members)  |                       |                   |                  |                                       |                             |                 |                     |                        |                  |                  |
| Otros activos<br>(Other assets)   |                       |                   |                  |                                       |                             |                 | 2,387               |                        | 2,387            | 4,266            |
| Adiciones netas a<br>mobiliario y equip.<br>(Additions to furniture and<br>equipment)   | 8,547                 |                   |                  | 842                                   |                             |                 |                     |                        | 9,389            | 2,691            |
| Disminución en:<br>(Decrease in):   |                       |                   |                  |                                       |                             |                 |                     |                        |                  |                  |
| Préstamos por pagar<br>(Loans payable)  |                       | 606,184           |                  |                                       |                             |                 |                     |                        | 606,184          |                  |
| Anticipo por pagar<br>(Accounts payable)  |                       |                   |                  |                                       |                             |                 |                     |                        |                  | 13,156           |
|   | <u>1,768</u>          | <u>124,424</u>    | <u>(348,499)</u> | <u>(842)</u>                          | <u>( 51,636)</u>            |                 | <u>(82,709)</u>     | <u>528</u>             | <u>726,366</u>   | <u>(134,735)</u> |
| Aumento (disminución)<br>en los fondos (Increase<br>(decrease) in the funds)  | 175,741               | 189,718           | (150,401)        | 59,156                                | ( 66,051)                   | ( 1,119)        | 92,365              | 26,266                 | 325,374          | 347,181          |
| Efectivo al inicio del año<br>(Cash at beginning of the year)   | 243,241               | ( 43,887)         | 25,181           | 16,517                                | 225,521                     | 6,037           | 177,352             | 11,230                 | 672,122          | 344,241          |
| Efectivo al final del año<br>(Cash at the end of the year)  | <u>419,022</u>        | <u>145,311</u>    | <u>(115,220)</u> | <u>75,673</u>                         | <u>159,470</u>              | <u>4,918</u>    | <u>270,517</u>      | <u>37,496</u>          | <u>997,496</u>   | <u>672,122</u>   |

Los rubros a los que se refiere el presente son parte integrante de los mismos.  
 (The corresponding rubros are an integral part of the financial statements)

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**ANNEX 2**

**SOLIDARIOS Seminars and Publications**

LIST OF SEMINARS, COURSES AND EXCHANGE VISITS DURING 1978-84

1. "Cooperation, Extension and Development," 1974, Santo Domingo, The Dominican Republic
2. "The Promotion of Self-Sufficient Organizations by Development Agencies," 1975, Bonn, Aachen, Brussels, The Hague, West Berlin, Vienne
3. "The Promotion of Alternate Forms of Production in the Rural Areas," 1976, La Catalina, San Jose, Costa Rica
4. "The Relationships among Production, Marketing and Financing for Campesino Organizations," 1977, Tegucigalpa, Honduras and Managua, Nicaragua
5. "Self-Sufficient Organization and Service Centers," 1978, Asuncion, Paraguay and La Paz, Bolivia
6. "Exchange Visit - Collector's Program," 1978, Santo Domingo, The Dominican Republic
7. "Exchange Visit - Fund Raising Program," 1978, Mexico City, Mexico
8. "Fund Accounting Course for Non-Profit Agencies," 1978, Quito, Ecuador
9. "Self-Sufficient Organizations as a Base for Rural Development - Concepts and Possibilities for Promotion in Latin America," 1979, Medellin, Colombia
10. "Credit for Marginal Groups," 1979, Quito and Punta Carnero, Ecuador
11. "Exchange Visit - Marketing Agricultural Products," 1979, Guatemala City, Guatemala
12. "Accounting Systems Course for Non-Profit Agencies," 1979, Guatemala City, Guatemala
13. "Development Fund Seminar," 1979, Cali, Colombia
14. "First Workshop on Planning, Programming and Evaluation," 1979, San Jose, Costa Rica
15. "Second Workshop on Planning, Programming and Evaluation," 1979, Cali, Colombia
16. "Third Workshop on Planning, Programming and Evaluation," 1979, Antigua, Guatemala
17. "Auditing and Internal Controls Course for Non-Profit Agencies," 1979, San Jose, Costa Rica
18. "Exchange Visit - Education and Training," 1979, Mexico City, Mexico
19. "Fourth Workshop on Planning, Programming and Evaluation," 1980, Cali, Colombia
20. "Planning, Financing and Implementation of Low-Cost Housing Program in Marginal Neighborhoods in Latin America," 1980, West Berlin
21. "Exchange Visit - The Social Balance," 1980, Coral Gables, Florida
22. "Exchange Visit - Administration of Loans," 1980, Panama City, Panama
23. "Alternatives to Credit for Marginal Groups," 1981, West Berlin and Bonn
24. "Evaluation of the Social Effects of Income Generating Projects," 1982, Lima, Peru

25. "Financing Small Development Projects," 1982, Buenos Aires and Corrientes, Argentina
26. "Fund Raising Seminar," 1982, Washington, D.C.
27. "Alternatives to Credit for Marginal Groups," 1983, Panama City, Panama
28. "Financing of Housing in Low-Income Areas in Latin America," 1983, West Berlin and Vienne
29. "Promotion, Education and Technology Transfer in the Financing of Small Development Projects," 1983, Cocoyoc, Mexico
30. "The Third Sector: One Method of Development in Latin America and the Caribbean," 1984, Port-au-Prince, Haiti, and Santo Domingo, The Dominican Republic
31. "First Latin American and Caribbean Meeting of Non-Profit Consortia," 1984, Santo Domingo, The Dominican Republic

**PUBLICACIONES DE SOLIDARIOS**  
**Solidarios' Publications**

- El Curso Corto de Entrenamiento para el Desarrollo  
Por: David Macarov, Ph. D. y Gershon Fradkin, B. Sc. 1974
- La Empresa Ejidal  
Por: Ramón Fernández Fernández 1978
- Una Política para el Desarrollo (AGOTADO)  
Por: Rodolfo Martínez Ferraté 1978
- Instituciones No Lucrativas:  
Administración, Contabilidad por Fondos y Control Interno  
Por: Mariano A. Hella 1981
- Planificación, Programación y Evaluación:  
Guía para Instituciones No Lucrativas 1981
- Catálogo de Instituciones de Desarrollo sin Fines de Lucro  
de América Latina y El Caribe 1984
- Fundación Mexicana para el Desarrollo Rural:  
Una Experiencia en el Campo Mexicano  
Por: Arturo Espinosa 1982
- I Reunión de Consorcios sin Fines de Lucro  
en América Latina y El Caribe 1985
- Revista Trimestral SOLIDARICS

**COSTA RICAN DEVELOPMENT FOUNDATION**

**FUCODES**

**FUNDACION COSTARRICENSE DE DESARROLLO**

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## 1. Background

The Costa Rican Development Foundation (FUCODES) was founded in 1973 by a group of seventeen professionals and businessmen, who adopted as the foundation's fundamental objective promoting the development of the informal sector of the economy through the financial, technical and management support of the nation's private sector.

During the first four years of its existence FUCODES was little more than idea with an incipient organization; no field activities, and support only in the form of donations from the Lions and Rotary Clubs and the Pan American Development Foundation (PADF). In 1977, FUCODES was declared an institution of public utility by Executive Decree G-6044, enrolled its first affiliated company/donors, and with their contributions, developed its first operating budget.

During the period 1977-79, FUCODES evolved an institutional and operating structure consisting of a general assembly, board of directors, an executive director and four operating departments; administration, fund-raising, promotion and business development, and credit and training. The foundation received its first financial support from PACT, IAF and USAID, as well as technical assistance from Solidarios, and established its first significant promotion and credit operations. By 1979, FUCODES had a membership of sixty two participating enterprises; and had established thirty credit operations with a loan portfolio of \$125,000, principally in the agricultural, small industry, artisan and fishing sectors. Subsequently FUCODES received a \$500,000 donation from USAID; loans from the PADF and SOLIDARIOS for \$10,000 and \$30,000 respectively; and increased levels of contributions from local donors. The credit portfolio increased to \$250,000 for sixty beneficiary groups. Total assets of the foundation increased from \$41,000 in 1977 to \$248,000 in 1982.

Beginning in 1980, however, an increasingly serious institutional crisis, occasioned by organizational deficiencies, adversely affected FUCODES operations. The situation was further aggravated by the severe devaluation (from C/. 8.60/\$1US to C/.42/\$1US) and hyperinflation which struck Costa Rica in 1981/82, resulting in a severe decapitalization of the foundation and inability to pay dollar denominated debt.

In 1981, 80% of the beneficiary groups were in arrears on loan repayments, amounting to \$85,000, most of which eventually proved to be uncollectable. Disbursements of the USAID donation and the PACT/SOLIDARIOS loan were suspended. By 1982, the staff had been reduced from twenty eight to five employees, thirty companies withdrew financial support and credit activities were also suspended.

Reorganization of FUCODES began with the appointment of the current executive director, Ing. Julio Gonzalez, in July 1982. Improved working relationships with donors and lenders such as SOLIDARIOS, USAID, IDB, PACT and IAF, were reestablished and coherent policy and operating procedures began to be developed. During 1983, a series of financial and technical support agreements were signed with domestic and international organizations and credit operations were reestablished. As of September 1985, FUCODES had a loan portfolio of \$290,000 with 68 beneficiaries, and an active program of managerial assistance for beneficiaries. Total assets were \$497,000 and net equity \$302,000, and loans in arrears were only 3% of portfolio value.

In a period of six years, therefore, FUCODES has gone the complete cycle from an active and effective foundation in 1979 to the almost total disintegration of 1982, and back once again to an effective development foundation.

## 2. Organizational Structure

The current organizational structure of FUCODES is shown in Fig. 1;  
FUCODES Organizational Structure, 1985:

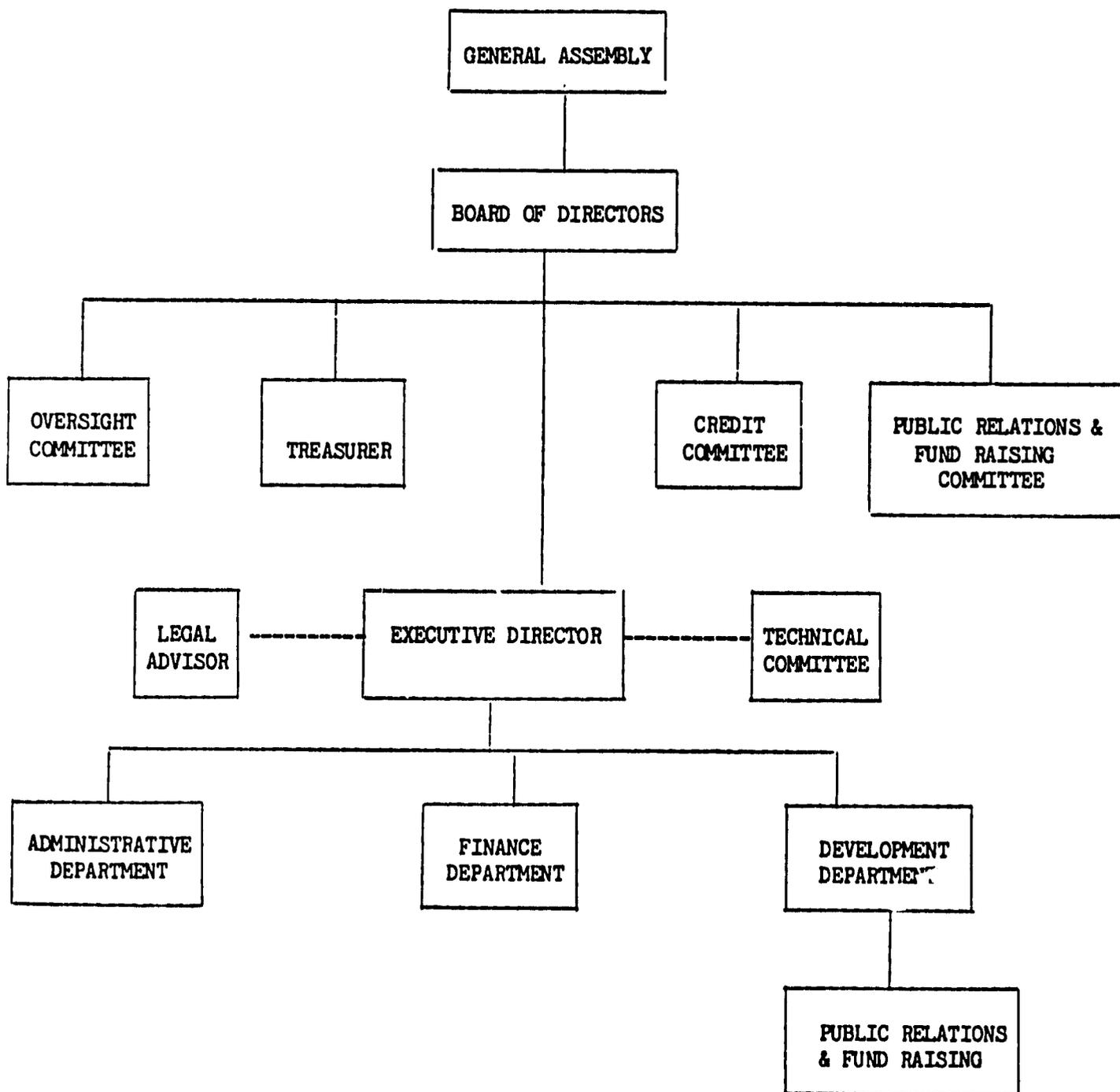
The General Assembly membership is composed of representatives from the contributing company/associates of FUCODES, and the foundation officers.

The Board of Directors is composed of twelve elected members who serve on a completely voluntary basis. The board is responsible for the development of FUCODES policy, subject to approval by the general assembly. The board meets on an average of once every two weeks. Four committees, composed of board members and senior administrative personnel are the Executive Committee, Credit Committee, Public Relations and Fund Raising committee and the Oversight Committee. The most active of these is the Credit Committee, which reviews all loan requests. The current president of FUCODES is Sr. Silvestre Alonso Matanzo.

The senior salaried employee of FUCODES is the Executive Director. He is assisted by a staff of 10 full time employees of whom four are field personnel, four administrative and accounting and two support personnel.

Figure 1

ORGANIZATIONAL STRUCTURE



The current staffing level is considerably less than the maximum prior to reorganization due to the elimination of regional offices and group promoters. All operations are currently conducted out of one central office in San Jose, and in accordance with current policy the foundation only works with groups or individual businesses which have been previously organized. This latter requirement, a somewhat different policy than that of the other evaluated foundations, eliminates the need for field promoters and reduces operating costs.

*Good*

*Professors 200000  
Employees 11*

*= 23,636 / employee*

3. Policies, Programs and Activities

3.1. Objectives and Policies

The basic objective of FUCODES is similar to that of other member foundations of SOLIDARIOS, i.e., to utilize the economic, technical and financial resources of the more affluent levels of the Costa Rican private sector, supplemented with <sup>donations and credit</sup> cooperation from domestic and international sources in order to assist the economic development of the small farmers and entrepreneurs of Costa Rica who are engaged in directly productive economic activity.

The "directly productive" clause is a key stipulation for FUCODES. Among the types of productive activities which FUCODES will assist are:

- Agricultural and livestock operations
- Small industry and artisan activities
- Agroindustry
- Services considered of importance to the nation
- Any other productive activity whose principal objective is to raise the standard of living of low income beneficiaries

The types of activity which are specifically excluded from consideration, for assistance by FUCODES, consistent with the productive activities stipulation, are:

- Land purchase
- Building construction
- Purchase of vehicles
- Donations by borrowers
- Purchase of securities
- Activities related to commerce, recreation and transport

Since FUCODES does not actively engage in organization or promotion of groups, assistance for potential beneficiaries, either groups or small

business, will only be considered if they have been organized or in business for two years or more before applying to FUCODES.

### 3.2. Programs and Activities

The three basic program areas where FUCODES is now active are:

- Credit
- Training and Technical Assistances
- Small Enterprise Development

Management of its revolving credit program is the principal activity of FUCODES. The training and technical assistance and the enterprise development program are both tied directly to the credit program in that they are supporting activities designed to ensure the success of beneficiaries' projects.

The composition of FUCODES loan portfolio is somewhat different than that of the other evaluated foundations. This reflects perhaps more the difference between the economic structure of the Meseta Central of Costa Rica, where a high percentage of the beneficiaries are located, and that of the often remote rural areas of the Dominican Republic, Ecuador and Guatemala where the other foundations are active, rather than any departure from the basic SOLIDARIOS concept of working with beneficiaries in the informal sector of each nation's society.

Relative to the other foundations, average loans tend to be larger; the number of direct beneficiaries smaller and a higher percentage of the portfolio is oriented towards small manufacturing enterprises.

As of the end of 1984 only 12% of the FUCODES loan portfolio was held by agricultural groups, whereas 75% of the portfolio was held by manufacturing operations of one type or another. By contrast, virtually 100% of the

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FUNDACEN (Guatemala) and 90% of the Dominican Development Foundations portfolios are dedicated to agricultural sector loans.

A more detailed picture of FUCODES credit activities is presented in Section 5.4 of this report.

FUCODES cooperates closely with the many government and educational sector institutions in Costa Rica which are active in the training and technical assistance fields. Among these are Instituto Nacional de Aprendizaje (INA), Instituto Tecnológico de Costa Rica (ITCR), Colegio Universitario de Puntarenas (CUP), and CINDE (Technical Assistance Fund). Programs are designed to complement credit activities, as is evident from the following list of seminars and courses which were given under FUCODES auspices in 1984 and the first half of 1985.

| <u>Activities</u>  | <u>Number of Participants</u> |
|--|-------------------------------|
| 1. Courses   |                               |
| Integration of the Costa Rican farmer into the national economy  | 38 ✓                          |
| Basic administration for the small enterprise  | 12 ✓                          |
| Basic accounting for the small enterprise  | 22 ✓                          |
| Basic principles of administrative techniques  | 8 ✓                           |
| 2. Four month training program for the Grupo de Agricultores de San Cayetano in fertilizer and herbicide usage, planting techniques and production recording | 20 ✓                          |
| 3. Seventeen meetings with small business and groups to explain the objectives of FUCODES programs in financial and technical assistance.                    |                               |

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#### 4. Financial Structure

##### 4.1. Sources of Funding

Apart from the cash flow generated internally from credit operations and interest income, FUCODES is currently funded from the following sources:

- Loans from various SOLIDARIOS funds
- Counterpart contributions of USAID economic support funds, channeled as colon denominated disbursements from the Costa Rican Coalition for Development Initiatives (CINDES).
- Annual membership quotas of associated member companies, contributed as either cash or services.
- Domestic donations of cash and services from other sources.
- Foreign donations.

##### 4.1.1. SOLIDARIOS

SOLIDARIOS support to the foundation since its inception is as follows in Table 1.

Table 1: SOLIDARIOS DISBURSEMENTS TO FUCODES

(U.S. Dollars)

| FUND         | APPROVED  | DISBURSED | DATE OF DISBURSEMENT | DISBURSEMENT PENDING | CONDITIONS   |
|--------------|-----------|-----------|----------------------|----------------------|--|
| SOL/AID      | \$185,000 | \$100,000 | 1984                 | 85,000               | 5%/\$US/Payable in equal installments between 1987 and 1999  |
| SOL/FFPS/BID | 60,000    | 59,226    | 1980,82,83           | 774 <sup>1</sup>     | 5%/denominated in colons/payable in 24 payments between '84 and '86                                |
| SOL/CEE/BID  | 147,000   | 47,600    | 1984                 | 99,400 <sup>1</sup>  | 5%/\$US/24 equal payments between 1987 and 1999  |
| SOL/FACT     | 30,000    | 30,000    | 1977                 | -                    | 3%/yr./in \$US/payable in 10 bi-annual payments between 1983 and 1987, balance outstanding \$6,932 |
| TOTALS       |           | 286,826   |                      | 85,000               |  |

<sup>1</sup> Funding authorization expired in November 1984.

All of the above are loans and all except the SOL/FFPS/BID are denominated in US dollars. The SOL/FFPS/BID loan is denominated in colones. Given the current uncertainty concerning repayment of dollar denominated loans, the \$85,000 disbursement of the SOL/AID loan has been held up by USAID. Authorization for use of the IDB and CEE funds expired in November 1984.

Per standard conditions; all SOLIDARIOS financing is used directly for project lending and none for administrative support purposes.

X  
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#### 4.1.2. CINDES Economic Support Funds.

CINDES is a joint creation of the Costa Rican and American Governments to administer the colon denominated counterpart contribution of USAID Economic support funds. The total line of credit available to CINDES during the 1983-86 period was US\$ 7 Million. Of this amount, 10.2 million colones (\$195,000 at the November 1985 exchange rate) was donated to FUCODE to be used for credit, technical assistance and training of beneficiaries in the small enterprise sector. Disbursements were to be over the 1983-1985 period. The breakdown of the donation by use was as follows:

- C/ 7.4 million : establishment of revolving loan fund
- 2.4 million : training and technical assistance for beneficiaries
- .4 million : payment to consultants for institutional strengthening

An additional C/ 5 million donation was also disbursed in 1985, and disbursement of a C/ 5 million loan is pending as of preparation of this report (December 1985).

#### 4.1.3. Domestic Donations

FUCODES membership increased from 148 associated companies in 1983 to 200 by the end of 1984 and had climbed to over 250 by November 1985. For 1984, 162 companies contributed C/ 949,000 (approximately \$20,000) in cash, whereas services donated by 38 members (e.g. radio and television advertising) were evaluated at C/2,168,000 (approximately \$43,000). The total for 1985 is projected at C/ 2.5 million. Miscellaneous donations from other Costa Rican sources are also received from time to time.

#### 4.1.4. Foreign Donations

For the past several years, FUCODES has received an annual dollar denominated donation from PACT to help defray staff salary and other

administrative expenses related to revolving fund operation. The amount for 1984 was \$16,500.

For 1986, FUCODES is negotiating a \$50,000 loan from the Interamerican Foundation for a rural enterprise revolving fund, a \$26,000 donation from PACT for operating expenses and a \$20,000 donation from the Interamerican Chamber of Commerce of Washington for a membership enrollment campaign.

#### 4.2. Financial Statements

##### 4.2.1. Balance Sheet

A comparative balance sheet for FUCODES on 31 December of the years 1978, 1983 and 1984 expressed in US dollars is given in Table 1 of Annex 1, Financial Statements.

Total assets expressed in dollars were essentially constant in both 1978 and 1983, but increased from \$178,000 at the end of 1983 to \$348,000 in 1984. Equity increased from \$134,000 to \$249,000. The corresponding figures for September 30, 1985 are \$497,000 total assets and \$302,000 equity. The rapid increase in equity was due to the standard policy of all SOLIDIARIOS member foundations to reinvest all operating surpluses in foundation credit activities.

The September 30, 1985 balance sheet, by fund and expressed in colons is shown in Table 2 of Annex 1. Inspection of this balance sheet will show that the four Solidarios funds account for 35% of FUCODES total assets and the two CINDES funds, an additional 41% of total assets. The USAID component of total assets, which would consist of the SOLIDARIOS/AID fund and the two CINDES funds amounts to 21% plus 41% or 62% of total FUCODES assets.

The cash position of FUCODES as of 30 September was quite strong: amounting to C/ 138,000 in current accounts, and term deposits evaluated at C/ 9.05 million of which 95% or \$172,447 was denominated in U.S. dollars.

The statements demonstrate clearly that FUCODES is very well capitalize at the moment, equity almost covering both loans receivable and loans payable.

#### 4.2.2. Income Statement

The comparative income statements for 1983 and 1984 are given in Table 3 of Annex 1. Net income increased from an essentially break even position in 1983 to \$140,000 in 1984. This latter figure resulted principally from receipt of the SOL/AID and SOL/CEE loans, amounting between them to \$147,600. Further inspection of Table 3 will show that operating costs for 1984 were \$167,000 whereas interest income was \$31,000, an indication that the foundation is still far from being able to cover operating costs with internally generated funds.

The 1985 operating budget projected income of C/16.8 million (\$320,000) and operating expenditures of C/10.1 million (\$193,000). The realized figures for the first nine months of 1985 were income C/ 11.8 million (\$226,000) and expenditure C/ 7.9 million (\$150,000), or an operating surplus of C/ 3.9 million (\$74,000). This operating surplus was effective all put back into lending operations; loan disbursements for the first nine months of 1985 amount to C/5.2 million (\$99,000).

It should be noted also that international donations for the first nine months totaled only C/3.4 million versus a budgeted C/6.9 million.

#### 4.3. Ratio Analysis:

Analysis of FUCODES 31 December 1984 balance sheet indicated the following critical ratios:

*fund balance  
not equity*

|                 |                                      |   |              |   |      |
|-----------------|--------------------------------------|---|--------------|---|------|
| Current ratio   | <u>Current assets</u>                | = | C/10,317,000 | = | 19.7 |
|                 | Current liabilities                  |   | C/ 523,000   |   |      |
| Liquidity Ratio | <u>Current Assets Less Inventory</u> | = | C/ 9,202,000 | = | 17.6 |
|                 | Current liabilities                  |   | C/ 523,000   |   |      |
| Debt Ratio      | <u>Total Debt</u>                    | = | C/ 4,205,000 | = | 0.25 |
|                 | Total Assets                         |   | 16,557,000   |   |      |

The corresponding ratios for 30 September 1985 were 29.5, 27.6, and 0.36.

All reflect a very satisfactory balance sheet.

#### 4.4. Debt Structure

The 31 December 1984 balance sheet listed short term debt payable at C/255,000 and long term debt payable at C/3.95 million. The long term dollar denominated debt payable was subsequently restated to account for devaluation of the colon. As of 30 September 1985, FUCODES outstanding debt, all payable to SOLIDARIOS is shown in Table 2.

Table 2: Outstanding Dollar Debt of FUCODES (\$US)

| FUND          | (\$US)            | COLONS (000's)  |
|---------------|-------------------|-----------------|
| SOL/PACT      | 6,932             | 242             |
| SOL/BID       | -                 | 1,583           |
| SOL/CEE       | 46,200            | 2,423           |
| SOL/AID       | 100,000           | 5,245           |
| <b>TOTALS</b> | <b>\$ 153,132</b> | <b>C/ 9,493</b> |

Of the above, all except the PACT loan is considered long term debt.

#### 4.5. Summary

The financial position of FUCODES can be summarized as being well capitalized, highly liquid, well managed, and with a debt situation which is well within the foundations ability to manage adequately. The one negative aspect of the picture is that FUCODES is still very dependent upon outside sources of funding to cover its operating expenses, even though staffing levels are being kept to an absolute minimum consistent with expansion of the loan portfolio. It is expected that given the foundations successful track record for the last two years, the combination of an expanding loan portfolio and timely contributions will permit the maintenance of a viable financial condition.

How? Where  
is the money coming  
from? Will support  
this?

There is a confusing series of statements. If it is well capitalized it should mean for unhampered operations without resorting to "additional capitalization". If it is still very dependant upon outside sources of funding to cover operating expenses, then it cannot be "well capitalized" to operate and either break even or produce operating surpluses.

## 5. Analysis of Operations

### 5.1. Internal Procedures

The internal administrative operations of FUCODES appear to be very well organized. Written policy manuals exist for all major branches of activity, including internal office procedures, credit operations, accounting and evaluation. The system of accounting by funds is used, and an external audit is carried out annually. Accounting is currently done manually, but an IBM PC has been installed and its use will gradually be incorporated into office operations.

The executive director is of the opinion that the existing loan portfolio could probably be doubled in terms of both value and number of beneficiaries while maintaining the existing staffing level.

This would appear to the evaluator, however, to be a somewhat optimistic assessment, at least in terms of being able to maintain the requisite level of personal field contact with beneficiaries.

The foundation currently has only one vehicle, a four wheel drive Suzuki jeep, at its disposal. It could definitely use at least one other vehicle.

*for what?*

### 5.2. Human Resources

The quality of human resources, both on staff, and from which the foundation can draw, appears to <sup>be</sup> quite adequate for the foundations' purposes. Published job descriptions and job requirements exist for each staff position and are adhered to. The executive director is an agricultural engineer by profession, as is the development department head and one of the promoters. The accounting department functions competently. Review of some credit applications indicates that evaluation of both agricultural and small manufacturing loan applications is quite detailed and

generally adequate, if the technical parameters have been accurately represented.

The executive director stated that due to the diversity of small industrial and manufacturing operations which request financing, access to the wide variety of specific technical expertise necessary to properly evaluate such proposals is sometimes lacking. This obviously is a difficult situation to resolve in a completely satisfactory manner, but the existence in Costa Rica of institutions such as INA, ICTR, and the tradition of public/private sector cooperation do at least offer potentially workable alternatives.

### 5.3. Promotion and Technical Assistance

The promotion activities of FUCODES are somewhat different than those of the other evaluated foundations. FUCODES works only with already constituted campesino groups or already organized private businesses, a policy which is due in part to the relatively high level of social organization of virtually all aspects of society in the Meseta Central of Costa Rica. The element of social promotion; a very crucial aspect of the activity of foundations such as the Fundacion Dominicana and FUNDACEN (Guatemala) is virtually non-existent in FUCODES scheme of operations. Initial contact with FUCODES is quite often via self initiative on the part of potential beneficiaries, a result of a radio and television advertising campaign contributed by affiliated members of FUCODES.

Promotion, as the term is used by FUCODES, consists of assistance by FUCODES staff in credit request preparation and coordination of appropriate technical assistance which may be required to transform a credit request into a credit worthy project.

*one's the  
needs to  
restraining  
FUCODES.*

Direct technical assistance by FUCODES is limited to the sector in which it is technically competent--agriculture and livestock operations.

Specialized technical assistance for small enterprises is obtained from whatever sources may be available as previously noted, whereas FUCODES can normally organize its own small business seminar themes with the assistance of contributing member companies.

#### 5.4. Credit Operations

In Section 3, it was indicated that FUCODES loan portfolio is quite distinct from that of the other foundations, with only 12% of the portfolio devoted to agricultural groups; while 75% is business and agroindustry, and financing of commercial activity is specifically excluded by foundation policy. This section will describe in further detail the profile of FUCODES credit operations.

##### 5.4.1. Lending policies

The "Reglamento de Credito," prepared in 1985, contains the general definitions; policies and regulations for FUCODES credit operations. The key points are outlined as follows:

##### Chapter 1: Beneficiaries of Credit Services

- Beneficiaries are small businesses, either individuals or groups engaged in the agricultural, industrial, artisan or selected service sectors.
- Small businesses as defined as those having about 10 employees, maximum annual sales of less than C/3.5 million (approx. \$70,000/yr), and equity no greater than C/500,000 (approx. \$10,000).
- Potential beneficiaries in order to be considered eligible for credit must demonstrate that:

- they possess at least two years experience in the activities to be financed.
- that they already possess a plant site or land (if agricultural)
- if a small business, must be in an area with requisite minimal infrastructure necessary to support the activity.
- the project is economically and financially viable
- market exists for the product
- due to their economic condition, they would have no access to institutional credit, public or private.
- groups, with a minimum of five members may borrow up to C/1. million
- micro-enterprises may borrow up to C/300,000
- minimum amount is C/25,000

**Chapter II: Use of Credit:**

- FUCODES credit may be used by beneficiaries for the following purposes:
  - Working capital: for up to three months of operations for inventory formation, and for wages or other operating expenses for a normal production cycle.
  - Fixed assets: for machinery purchase, facilities expansion and others of similar nature except vehicles. Max. of 25% of total credit for building expansion.
  - Repayment of previous debt: up to 40% of total credit, to be backed by a mortgage or collateral guarantee.

*of subject terms?*

**Chapter III & IV: Credit terms:**

- Credit conditions will in general be set by the credit committee, in line with current economic conditions.

The loan terms for recent credits (1985) have been as follows:

|                 |  |
|-----------------|--|
| Term:           | Working capital: up to 36 months<br>Fixed assets: up to 60 months<br>Crop loans: up to 36 months |
| Grace period:   | up to 6 months, generally 3 months   |
| Interest rates: | 15% to 18% per annum: generally 15% for agriculture and 18% for industry.                        |

*add realistic and in line with prudent practices*

X

Chapter V: Guarantees:

FUCODES can demand any of the following guarantees:

- Solidarity (for groups only)
- Collateral of 80% of commercial value of production
- Mortgage
- Any other at discretion of credit committee

*Disruption*

The credit regulations of FUCODES, though flexible, are in general, somewhat more demanding than those of the other evaluated foundations. This would appear to result from the somewhat more advanced nature of the economic activity of the beneficiaries, and a reaction against the chaos of FUCODES credit operations during the 1980-82 period.

*probable?*

5.4.2. Composition of Loan Portfolio

Since the resumption of credit activities in 1983, FUCODES loan portfolio has been increasing rapidly. The following figures (Table 3 & 4), abstracted from FUCODES 1984 annual report, give an indication of the portfolio size and composition.

Table 3:

Comparative Loan Portfolio 1983-1984

|   | <u>31 Dec. 1983</u> | <u>31 Dec. 1984</u> |
|---|---------------------|---------------------|
| Loans outstanding                               | 34                  | 57                  |
| Active loans                                    | 32                  | 53                  |
| Legal actions for loans in arrears              | 2                   | 4                   |
| New loans approved                              | 8                   | 40                  |
| Loans paid in full                              | 6                   | 21                  |
| Value of approvals during the year (\$US)       | \$ 54,000           | \$187,000           |
| Value of loans approved active portfolio (\$US) | \$171,000           | \$272,000           |
| Balance of active portfolio                     | \$123,000           | \$196,000           |
| Balance in arrears (\$)                         | 4,400               | 4,500               |
| Balance in arrears (%)                          | 3.4%                | 2.2%                |

Of the loans outstanding on 31 December 1984, the composition by sector was as follows:

X III

Table 4:

SECTORAL COMPOSITION OF FUCODES  
LOAN PORTFOLIO - 31 DECEMBER 1984

| SECTOR                | No. of Loans | %           | Loan Value       | % by Value Approved |
|-----------------------|--------------|-------------|------------------|---------------------|
| Small Industry        | 28           | 53%         | \$104,000        | 38%                 |
| Artisan               | 7            | 13%         | 78,000           | 29%                 |
| Agriculture/livestock | 15           | 9%          | 32,000           | 12%                 |
| Fishing               | 5            | 9%          | 21,000           | 8%                  |
| Services              | 5            | 9%          | 19,000           | 7%                  |
| Agroindustry          | 3            | 7%          | 17,000           | 6%                  |
| <b>TOTALS</b>         | <b>53</b>    | <b>100%</b> | <b>\$273,000</b> | <b>100%</b>         |

1) Loan value in \$US at exchange rate of C/ 52.45/\$US1.

An indication of the geographical concentration of FUCODES activities the Meseta Central <sup>1</sup> can be appreciated by the distribution of loans by province.

| Provinces of Meseta Central | Number of Loans | Other Provinces | Number of Loans |
|-----------------------------|-----------------|-----------------|-----------------|
| San Jose                    | 27              | Limon           | 3               |
| Alajuela                    | 6               | Guanacaste      | 3               |
| Cartago                     | 4               | Punta Arenas    | 7               |
| Heredia                     | 3               |                 |                 |
|                             | 40              |                 | 13              |

Seventy five percent of active loans are therefore located no more than a two hour drive from FUCODES central office.

#### 5.4.3. Loan Portfolio by Source of Credit

As of 30 September 1985, the FUCODES portfolio had expanded to 69 loans with a principal value of C/15.2 million (\$290,000).

Table 5:

FUCODES LOAN PORTFOLIO BY SOURCE OF CREDIT:

September 30, 1985

| FUND              | # OF LOANS | Total Loan Value |                  | % OF TOTAL  | AMOUNT OF AVERAGE INDIVIDUAL LOAN \$ |
|-------------------|------------|------------------|------------------|-------------|--------------------------------------|
|                   |            | C/ (000's)       | \$               |             |                                      |
| GENERAL LOAN FUND | 4          | C/ 457           | \$8,719          | 3%          | \$2,180                              |
| SOLIDARIOS/AID    | 10         | 1,430            | 27,258           | 9%          | 2,725                                |
| SOLIDARIOS/BID    | 1          | 2,579            | 49,175           | 17%         | 49,175                               |
| SOLIDARIOS/CEE    | 4          | 1,588            | 30,270           | 10%         | 7,568                                |
| CINDE/FUCODES     | 35         | 6,294            | 120,000          | 42%         | 3,430                                |
| CINDE/FUCODES II  | 15         | 2,885            | 55,012           | 19%         | 3,670                                |
|                   | <u>69</u>  | <u>C/ 15,233</u> | <u>\$290,434</u> | <u>100%</u> |                                      |

The figures indicate that USAID Economic Support Fund counterpart contributions (CINDE/FUCODES) finance 61% of the loan portfolio, while another 9% is financed from the SOLIDARIOS/AID fund. USAID money, directly or indirectly, therefore finances 70% of the loan portfolio. Other SOLIDARIOS funds account for 27% of the portfolio. Only 3% of the portfolio is financed from non AID or non-SOLIDARIOS sources.

All of the CINDES and SOLIDARIOS/AID funded loans are to individual beneficiaries in the microenterprise sector. The beneficiaries of the SOLIDARIOS/BID loan with a value of \$49,175 are members of a fishermen group on the Pacific Coast.

X  
113

The sixty AID financed loans range in terms of individual value from C/ 9,636 (\$183) to C/ 436,740 (\$8,330).

With 97% of the FUCODES portfolio being financed by USAID and/or SOLIDARIOS money, the implication is obvious - interruption of either source of funding would seriously impair, if not cripple the foundations ability to expand its portfolio.

#### 5.4.4. Analysis of Loans in Arrears

As of 30 September 1985, the loans in arrears status for the 68 active loans was as shown in Table 6.

Table 6

Analysis of Loans in Arrears: 30 September 1985  
(000's of colons)

|                                 |            |  |                          |
|---------------------------------|------------|--|--------------------------|
| Approved Loans                  | C/. 17,719 |  |                          |
| Disbursed                       | 17,065     |  |                          |
| Balance Outstanding             | 14,394     |  | % of outstanding balance |
| Loans in Arrears (0-90 days)    | 404        |  | 2.8%                     |
| Loans in Arrears (over 90 days) | 100        |  | 0.7%                     |
| Interest Payments in Arrears    | 308        |  | 2.1%                     |

In spite of the low arrears rate for the current portfolio, the foundations balance sheet still shows the after effects of the financial crisis of the 1980-82 period, as indicated by the following figures from the 30 September 1985 balance sheet.

Allowance for non collectable loans (C/. 1,011,528) (6.6% of  
current loans  
outstanding)

Allowance for loans payable in  
legal proceedings 1 C/. 832,428 (still carried  
as an asset)

The collections in legal proceedings consists of C/. 707,000 in three  
loans (one of C/. 659,000) to three Pacific Coast fishing groups and a loan  
with a balance of C/. 125,000 to a clothing manufacturer. Even if written  
off completely, these would amount to only 3.2% of total assets.

## 6. Assessment of Foundation Impact upon Beneficiaries

The objective of this phase of each NDF's evaluation was to make some inference as to the economic and social impact of the foundation's activities upon the beneficiaries. The approach used was:

- a series of visits/interviews by the evaluator with beneficiaries at their project sites. As may be appreciated, the judgements reached in this type of exercise can only be of an impressionistic nature. Nevertheless, the close contact in the beneficiaries' environment does provide a good qualitative feel for the nature of problems faced and a measure of the effectiveness and relevance of the foundation's activities.
- review of other evaluations where available, particularly if there are any quantitative indicators of impact.

### 6.1. Field Visit Report

One Wednesday, November 18, 1985, the evaluator accompanied by the development department head and a credit official of FUCODES, visited eight beneficiaries, approximately 12% of currently active loans (69). The combined loan value of those visited C/. 1.9 million, is also approximately 12% of the portfolio.

Five of the beneficiaries were individual small enterprise operations and three were groups. Two of the groups were located near Cartago, on the slopes of Volcan Irazu, approximately 40 kms. from San Jose. The other six were in the immediate metropolitan area. The diversity of activities which FUCODES is financing can be appreciated when it is considered that of the eight beneficiaries, two were engaged in clothing manufacture, two in furniture making, one in production of wooden kitchen utensils, one in stuffed teddy bear production; one group of vegetable producers and one was an individual producer of chamomile.

Individual profiles of the eight beneficiaries visited, and the evaluator's observations of each are detailed in Annex 2, Field Trip Report

The impact of FUCODES policy of lending only for directly productive activities, and the ability to directly generate employment in cottage industry with small injections of capital is quite apparent in this cross section of beneficiaries. It is also readily apparent that the small business oriented social infrastructure and technical assistance, and the tradition of productive small enterprise which make possible the relative success of FUCODES microenterprise program, may be more difficult to replicate in the environments in which other national development foundations function.

*Wahid to*  
*Wahid!*  
*you have \$0 is more*  
*Records did!*

A brief estimate of the employment impact of the FUCODES financing for the visited beneficiaries is summarized in Table 7.

TABLE 7

**Estimated Employment Impact; Eight Beneficiaries**

| Beneficiary           | Activity                | Loan Value<br>(C/.000's) (\$US) |         | Employment<br>Impact Related<br>to Financing |
|-----------------------|-------------------------|---------------------------------|---------|--|
| 1. San Cayetano Group | Garden Vegetable Prod.  | \$450                           | \$8,580 | Not direct; crop financing                   |
| 2. Cipreses Asso.     | Clothing Manufacturer   | 150                             | 2,850   | From 10 to 20 female                         |
| 3. M.M. Fernandez     | Teddy Bear Manufacturer | 200                             | 3,800   | From 3 for 3 months to 6 full time           |
| 4. Rivera Textiles    | Women's Clothing Mfg.   | 250                             | 4,950   | From 2 to 12 females                         |
| 5. J.B. Camacho       | Chamomile Drying        | 175                             | 3,350   | Up to 10 seasonal                            |
| 6. Bamboo Group       | Bamboo Furn. Mfg.       | 420                             | 8,000   | Six Artisans                                 |
| 7. Muebleria Infantil | Children's Furn. Mfg.   | 105                             | 2,000   | Perhaps 2 additional                         |
| 8. S.C. Flores        | Kitchen Ware Mfg.       | 140                             | 2,700   | 5 additional                                 |

↑ 117

From the above figures, it would appear that one full time employment or equivalent is being generated per C/. 20,000 - C/. 40,000 (\$400 - \$800) of working capital made available for cottage industry activities.

As may be expected, it is more difficult to estimate quantitatively either the employment or production effect of credit made available for crop financing without a more detailed evaluation procedure.

## 6.2. Other Evaluations

In May 1985, the Inter American Bank Mission in Costa Rica evaluated the impact of the IDB/SOLIDARIOS loans to FUCODES, while SOLIDARIOS itself prepared an "institutional diagnosis" of FUCODES operations.

The focus of both evaluations was financial/institutional. There was consequently little or no field contact with individual beneficiaries, and no estimates of impact at the individual beneficiary level.

Information from both evaluations, and from FUCODES annual and financial reports has been used in the background and financial sections of this evaluation.

## 6.3. Conclusion

The small enterprise credit program of FUCODES, complemented by the technical, managerial and project preparation support from other sources available to FUCODES is having a very real and positive social and economic impact. It is felt most in terms of employment growth, income generation and most importantly, development of the productive capabilities of nascent craftsman and entrepreneurs of varying degrees of talent, but always of modest resources. One of the common characteristics which appeared to be prevalent among beneficiaries, however, is what might be called a lack of

"market sense." Very few seemed to be maximizing the opportunities which are available even within their modest resources. This is primarily due to the fact that the route to being a beneficiary is normally to first learn the craft or a production skill upon which the nascent enterprise will be based, rather than to be a market oriented mini-entrepreneur.

FUCODES could contribute more in this area through the organization of seminars in elementary marketing and coordination of assistance in specific cases.

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## 7. Institutional Relationships

### 7.1. With AID

The USAID Mission in Costa Rica deals with FUCODES via CINDES, the intermediary in the disbursement of economic support fund counterpart contributions to FUCODES.

USAID Mission officials consider FUCODES to be a well run, relevant organization with a potentially much larger constituency who could benefit from its services if additional capital were made available to the foundation. Though there is no direct mission support, there is a substantial amount of informal contact between FUCODES and the Mission.

### 7.2. With CINDES

CINDES, as has been seen, is the primary direct source of funding for the FUCODES credit operations. Sr. Silvestre Alonso Matanzo, the President of FUCODES, is also a member of the advisory council of CINDES. Relations between the two organizations are close and there is obviously much joint coordination between the two and the USAID Mission.

### 7.3. With the Inter American Development Bank

In accordance with the existing policy directives,<sup>1</sup> there is no direct support of FUCODES by the IDB Small Projects window and little official contact with the IDB National Mission in Costa Rica except for the recently carried out evaluation.

-----  
<sup>1</sup> Current IDB policy for small project financing is that all support for national development foundations who are members of SOLIDARIOS will be channelled through SOLIDARIOS.

7.4. With the BCIE (Central American Bank for Economic Integration)

The BCIE has a program of support to small and medium sized industry, which channels funds provided by the European Economic Community to beneficiaries through financial intermediaries certified by the BCIE. FUCODES has initiated exploratory discussions with the BCIE concerning use of such funds. No action has as yet been taken by the BCIE. It is to be noted that the program's target beneficiary group is defined in terms very similar to those already used by FUCODES in determining eligibility for foundation credit.

7.5. With SOLIDARIOS

FUCODES is a member in good standing of SOLIDARIOS, its current president also being the incoming vice president of SOLIDARIOS. The SOLIDARIOS representative for Central America worked quite closely with FUCODES during their reorganization phase in 1982, especially in the implementation of the current system of accounting by funds. Concerning what changes FUCODES would like to see in SOLIDARIOS, the principal issues mentioned were:

- A more active stance on the part of SOLIDARIOS and closer cooperation with the individual national development foundations for the purpose of negotiating loan guarantee agreements to provide capital in national currencies.
- More active guidance by SOLIDARIOS' board of directors of the ongoing operations of SOLIDARIOS.

**FUCODES**

**ANNEX 1**

**FINANCIAL REPORTS**

TABLE 1  
FUCODES  
COMPARATIVE BALANCE SHEET

(\$000's US)

| Assets                                 | 1978       | 1983       | 1984       |
|--|------------|------------|------------|
| <b>Short term</b>                      |            |            |            |
| Cash and term deposits                 | 54         | 17         | 84         |
| Bank notes and interest receivable     | 34         | 94         | 107        |
| Net inventory                          | 63         | 14         | 24         |
| Other                                  | 4          | 1          | 2          |
|  | <u>155</u> | <u>126</u> | <u>217</u> |
| <b>Long term</b>                       |            |            |            |
| Bank notes                             | 26         | 52         | 114        |
| Other                                  |            |            | 17         |
| Net                                    | <u>26</u>  | <u>52</u>  | <u>131</u> |
| <b>Total Assets</b>                    | <u>181</u> | <u>178</u> | <u>348</u> |
| <b>Liabilities</b>                     |            |            |            |
| <b>Short term</b>                      |            |            |            |
| Accounts Payable                       | 103        | 4          | 11         |
| Accounts Payable, supplies             | 5          | -          | -          |
|  | 3          | 3          | -          |
| Other                                  | <u>111</u> | <u>7</u>   | <u>11</u>  |
| <b>Long Term</b>                       |            |            |            |
| All for employee loans non-recoverable | -          | 3          | 5          |
| Loans                                  | <u>25</u>  | <u>34</u>  | <u>83</u>  |
| <b>Total liabilities</b>               | <u>136</u> | <u>44</u>  | <u>99</u>  |
| <b>Equity</b>                          |            |            |            |
| Funds for loans                        | 40         | 134        | -          |
| Superavit-reeval.                      | -          | -          | 5          |
| Donations                              | <u>5</u>   | <u>-</u>   | <u>244</u> |
| <b>Total Equity</b>                    | <u>45</u>  | <u>134</u> | <u>249</u> |
| <b>Total Liabilities and Equity</b>    | <u>181</u> | <u>178</u> | <u>348</u> |
| Average exchange rate (C/ \$ U.S.)     | 8.6        | 42         | 45         |

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**ANEX 1, Table 2**  
**ASOCIACION COSTARRICENSE DE DESARROLLO**  
**BALANCE GENERAL AL 30 DE SETIEMBRE DE 1985**  
**(EN COLONES)**

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| ACTIVO                                     | FONDO TESORERIA | FONDO ADMINISTRACION | FONDO GENERAL DE PRESTADOS | FONDO SOLIDARIOS PACT | FONDO SOLIDARIOS BID | FONDO CINDE FUCODES | FONDO PACT FUCODES | FONDO SOLIDARIOS CEZ | FONDO SOLIDARIOS AID | FONDO CINDE FUCODES #2 | TOTALES         |
|--|-----------------|----------------------|----------------------------|-----------------------|----------------------|---------------------|--------------------|----------------------|----------------------|------------------------|-----------------|
| <b>ACTIVO CIRCULANTE</b>                   |                 |                      |                            |                       |                      |                     |                    |                      |                      |                        |                 |
| Cectivo (anexo 1)                          | 137.554,97      |                      |                            |                       |                      |                     |                    |                      |                      |                        | 137.554,97      |
| Inversiones transitorias (anexo 2)         | 9.049.859,31    |                      |                            |                       |                      |                     |                    |                      |                      |                        | 9.049.859,31    |
| Deudatos por cobrar a otros                |                 |                      |                            |                       |                      |                     |                    |                      |                      |                        | 5.000,00        |
| Cuentas diversas por cobrar (anexo 3)      |                 | 26.170,60            | 5.279,00                   |                       |                      | 5.000,00            |                    |                      |                      |                        | 31.449,60       |
| Deudatos por cobrar (pagar) a otros fondos | (9.198.914,28)  | (1.110.600,03)       | 4.472.112,87               | (570.180,36)          | ( 550.975,25)        | 1.741.738,45        | 196.467,89         | 840.921,44           | 3.948.112,37         | 231.317,00             | 31.449,60       |
| Deudatos por cobrar-cobro judicial (a.4)   |                 | 3.700,00             |                            |                       |                      |                     |                    |                      |                      |                        | 3.700,00        |
| Deudatos por cobrar corto plazo (anexo 5)  |                 |                      | 707.078,35                 |                       |                      | 125.351,50          |                    |                      |                      |                        | 832.429,85      |
| Reserva para cuentas incobrables           |                 | ( 320,15)            | 343.359,45                 |                       |                      | 308.049,10          | 2.983.398,50       | 1.089.914,70         | 672.054,15           | 903.066,00             | 6.299.841,90    |
| Reservas devengadas por cobrar             |                 | 396.041,96           | ( 288.789,55)              |                       | ( 41.914,15)         | ( 648.804,23)       | ( 31.700,00)       | ( 47.312,70)         |                      |                        | ( 1.011.528,90) |
| Reservas activas                           |                 | 110.798,41           |                            |                       | 159.979,60           | 119.228,30          |                    |                      | 94.365,38            | 9.210,85               | 826.138,54      |
| <b>TOTAL ACTIVO CIRCULANTE</b>             |                 | ( 585.711,21)        | 5.239.038,12               | (570.180,36)          | ( 124.860,70)        | 4.325.912,52        | 196.467,89         | 1.948.448,84         | 4.714.331,80         | 1.143.593,85           | 16.285.240,00   |
| <b>ACTIVO FIJO</b>                         |                 |                      |                            |                       |                      |                     |                    |                      |                      |                        |                 |
| Deudatos por cobrar largo plazo (anexo 5)  |                 |                      | 113.961,10                 |                       |                      |                     |                    |                      |                      |                        | 113.961,10      |
| Material y eq. ofic. y transporte (a.8)    | 1.047.152,50    |                      |                            |                       | 2.271.199,90         | 3.310.642,25        |                    | 497.733,50           | 757.639,05           | 1.982.326,35           | 8.933.522,50    |
| Reserva acumulada                          | ( 285.165,66)   |                      |                            |                       |                      |                     |                    |                      |                      |                        | 1.047.152,50    |
| Reserva a la propiedad arrendada           | 91.992,35       |                      |                            |                       |                      |                     |                    |                      |                      |                        | ( 285.165,66)   |
| Reserva acumulada                          | ( 28.316,12)    |                      |                            |                       |                      |                     |                    |                      |                      |                        | 91.992,35       |
| <b>TOTAL ACTIVO</b>                        | 239.951,88      | 5.352.999,22         | (570.180,36)               | 2.148.339,20          | 7.638.554,77         | 196.467,89          | 2.444.202,34       | 5.472.170,85         | 3.125.920,20         | 26.044.425,00          | 3.038.929,00    |
| <b>PASIVO Y EXCEDENTES</b>                 |                 |                      |                            |                       |                      |                     |                    |                      |                      |                        |                 |
| <b>PASIVO CIRCULANTE</b>                   |                 |                      |                            |                       |                      |                     |                    |                      |                      |                        |                 |
| Deudatos por pagar (anexo 7)               | 30.527,70       |                      |                            |                       |                      |                     |                    |                      |                      |                        | 30.527,70       |
| Reservas a empleados                       | 11.857,95       |                      |                            |                       |                      |                     | 5.040,00           |                      |                      |                        | 14.125,90       |
| Deudatos por pagar corto plazo (anexo 8)   |                 |                      |                            | 121.210,00            | 143.940,00           |                     | 2.268,00           |                      |                      |                        | 265.150,00      |
| Reservas recibidas por adelantado          | 38.785,00       |                      |                            |                       |                      |                     |                    |                      |                      |                        | 38.785,00       |
| Reservas cobradas por adelantado           | 2.834,30        |                      |                            |                       |                      | 2.834,30            |                    |                      |                      |                        | 67,00           |
| Reservas acumuladas                        |                 |                      |                            |                       | 34.141,58            |                     |                    | 9.400,90             | 11.804,35            | 40.223,05              | 130,00          |
| <b>TOTAL PASIVO CIRCULANTE</b>             | 83.984,95       |                      |                            | 121.210,00            | 178.081,58           | 2.834,30            | 7.308,00           | 40.038,01            | 77.919,69            | 40.223,05              | 551,50          |
| Reserva por pagar largo plazo (anexo 8)    |                 |                      |                            | 121.172,54            | 1.439.417,48         |                     |                    | 40.038,01            | 5.245.000,00         |                        | 9.228,78        |
| Reserva para prestaciones y aguinaldo      | 370.090,39      |                      |                            |                       |                      |                     | 31.833,94          | 2.423.190,00         |                      |                        | 401,92          |
| <b>TOTAL PASIVO</b>                        | 454.075,34      |                      |                            | 242.382,54            | 1.617.499,06         | 2.834,30            | 39.141,94          | 2.463.228,01         | 5.332.919,69         | 40.223,05              | 10.182.302,00   |
| <b>PATRIMONIO</b>                          |                 |                      |                            |                       |                      |                     |                    |                      |                      |                        |                 |
| Reserva (déficit) acumulada                | ( 440.593,02)   | 5.352.999,22         | (813.562,90)               | 528.840,14            | 7.633.720,47         | 157.325,95          | ( 19.025,67)       | 149.251,16           | 3.085.697,15         |                        | 15.635.652,00   |
| Reserva por revaluación mob. y equip.      | 228.469,54      |                      |                            |                       |                      |                     |                    |                      |                      |                        | 228.469,54      |
| <b>TOTAL PASIVO MAS PATRIMONIO</b>         | 239.951,88      | 5.352.999,22         | (570.180,36)               | 2.148.339,20          | 7.638.554,77         | 196.467,89          | 2.444.202,34       | 5.472.170,85         | 3.125.920,20         | 26.044.425,00          | 3.038.929,00    |
| <b>PASIVOS DE ORDEN ACREEDORAS</b>         |                 |                      |                            |                       |                      |                     |                    |                      |                      |                        |                 |
|  |                 |                      |                            |                       |                      | 1.510.000,00        | 1.538.929,60       |                      |                      |                        | 3.038.929,60    |

Annex 1

TABLE 3

FUCODES

*This should be a Balance Sheet transaction.*

INCOME STATEMENTS FOR 1983 AND 1984

|                            | 1984             | 1983             |
|----------------------------|------------------|------------------|
| <b>Income:</b>             |                  |                  |
| Local Donations            | \$ 69,000        | \$ 22,000        |
| Int. Donations             | 197,000          | --               |
| Interests and Loans        | 31,000           | 30,000           |
| Other Interests included   | 11,000           | 5,000            |
| Other income               | 7,000            | 500              |
| <b>Total</b>               | <b>\$315,000</b> | <b>\$ 58,000</b> |
| <br><b>Sales:</b>          |                  |                  |
| Coin Sales                 | --               | \$ 4,000         |
| <b>Less:</b>               |                  |                  |
| Cost of Sales              | --               | 1,000            |
| Income from coin sales     | --               | 3,000            |
| <b>Total income</b>        | <b>\$315,000</b> | <b>\$ 61,000</b> |
| <br><b>Expenses:</b>       |                  |                  |
| General and Administrative | \$167,000        | \$ 57,000        |
| Exchange Loss              | 6,000            | 1,000            |
| Interest Payments          | 4,000            | 2,000            |
| <b>Sub-Total</b>           | <b>176,000</b>   | <b>61,000</b>    |
| Other expenses             | --               | 1,000            |
| Adjustments                | --               | 1,000            |
| <b>Total expenses</b>      | <b>176,000</b>   | <b>60,000</b>    |
| <b>Excess, Net</b>         | <b>\$140,000</b> | <b>\$ 300</b>    |
|                            | =====            | =====            |

X  
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**FUCODES**

**ANNEX 2**

**FIELD VISIT REPORTS**

1. Agro industries: San Cayetano
2. Small Sewing Company
3. Stuffed Teddy Bear Company
4. Rivera Textures
5. Camomile Seeds Agri-Industry
6. Bamboo Groups, S.A.
7. Artisan Furniture for Children
8. Small Wood Company

Agro Industria - San Cayetano, Cot. Cartago

General Information:

Name of the Beneficiary: Agricultores de San Cayetano

Type of Activity: Vegetable production

Location: Fincas en San Cayetano, Cot de Cartago

Direct Beneficiaries: 20 small farmers

Approved Loan: C/450,000 from SOL/CEE fund

Conditions: 36 months @ 15% annual/one initial disbursement/4 bi-annual payments/one year grace period

Background:

The above amount consists of C/606,515 for working capital for the 1985/86 crop season, a contingency of C/35,000 and a refinancing component of C/292,025. The latter was due to inability to fully repay the previous loan due to crop damage sustained in 84/85 as a result of heavy rains and prolonged humidity. These climatic conditions occur quite often in the area located above Cartago, on the slopes of Volcan Irazu.

Project Description:

The project consists of crop financing for a total of 9 hectares of vegetable crops (hortalizas) among which the most prominent are onions, carrots, potatoes and beets and the purchase of two cows by one of the beneficiaries.

FUCODES has worked with the group for 4 years, and they have also received training from the ICTR (Costa Rican Technical Institute).

*Comments 26*  
*2-89*  
*Guatemala*  
*plata*  
*177*

Field Observations:

- Many members of the group will be victims of both weather induced crop damage and low market prices for onions this year.

The marketing problem seems to be structural as there is as yet no overall production planning, planting guidelines or quotas established for vegetable crops by the Ministry of Agriculture.

The repeated crop damage due to over humid conditions calls into question the crop and variety selection being practiced by the group. Some research into this is being done in Cartago, but the problem is complicated by the extreme variation of micro-climates in the area.

Although far from being affluent by any measure, the members of this group, which could probably be considered fairly representative of Costa Rican small holders, appear to be relatively better off economically than typical beneficiaries which are served by the Fundacion Dominicana, FED Norte (Quito), and FUNDACEN (Guatemala). As an indication, three of the 20 members own their own trucks. This reflects more the generally higher economic level of the Costa Rican rural sector when compared with the other countries, rather than selection criteria for beneficiaries markedly different from those of the other foundations evaluated.

## Small Sewing Company

### General Information:

Name of Beneficiary: Association for Development of the Cipreses Community

Type of Activity: Small community owned garment factory

Location: Cipreses, Oreamuno, Cartago

Indirect Beneficiaries: Cipreses Community

Approved Loan: C/450,000/18% annual/36 months/3 months grace period/  
two disbursements/33 payments @ C/17,442 each

### Background:

Cipreses is a model community which tries to resolve the socio-economic problems of its inhabitants through a community participation approach to project development. Among the projects which the community has implemented are:

- Construction of low-cost housing
- Food and agricultural input sales programs
- Industrial development (the garment factory)

### Description of Project

FUCODES first loan to the group was for purchase of equipment after it had already initiated production and marketing. The group, however, had an urgent need for working capital in order to continue the development of this small operation. Aware of the necessity, and of the ability of community leaders, FUCODES awarded the factory a credit of C/450,000 of which C/286,500 was used for a working capital fund and C/163,500 for acquiring machinery, specifically a cutting machine and a commercial pressing machine.

Today, the shop employs a total of 22 persons, 14 operators on two shifts and 8 administrative, managerial and marketing. All except one are female.

Field Observations:

- The level of community organization and leadership which has made possible the implementation of the housing program; mini supermercado, a store selling agricultural products, and the clothing factory operation is truly impressive.

Such success would not be possible, however, without the network of social infrastructure, training and technical assistance which already exists within the Costa Rican society. As an example, once the Asociacion de Desarrollo Integral de Cipreses developed the project idea as a means of creating female employment in the community, they were able to call upon the assistance of the Instituto Tecnologico de Costa Rica and the Instituto Nacional de Aprendizaje. The former prepared a very complete project design and feasibility study which was the basis for the granting of the credit. The latter provided operator training while CARITAS of Costa Rica provided financial management and administration training.

- The total number of direct employees generated by the factory has risen to 22 as it is now working two shifts. At present, their constraint would seem to be production and not market. All sales are done through a single agent who operates on a ten percent commission upon collection basis.

- The project is a classic example of planning from the bottom up, a much more difficult feat when applied to directly productive activities, as opposed to works of social infrastructure.

The combination of good community leadership, good workshop management and an apparently good market, combined with the FUCODES financing, should ensure continued success of the project.

## Stuffed Teddy Bear Company

### General Information

Name of Beneficiary: Maria Mayela Vargas Hernandez

Type of Activity: Small Stuffed Teddy Bear Company

Project location: Barrio Pinto de Montes de Oca

Indirect Beneficiaries: 2

Number of Employees: 6

Experience: 12 years

Approved Loan: C/200,000/18% annual/36 months/3 months grace period ending 5/85. Two disbursements/33 payments @ C/7,752 each.

Fund: CINDE/FUCODES

### Background:

The credit application was presented on March 18, 1985 and approved by the Credit Committee on March 22, 1985, for the sum of C/200,000 which was invested in the purchase of machinery and raw materials for the production of stuffed animals of different sizes and certain cloth articles such as: aprons, bibs, individual handkerchiefs, and other articles which are painted by hand. Part of the loan was used for the remodeling of the work shop.

### Description of the Project:

The company has been in existence since 1980. Before the loan it had so little capital that it sometimes could not even fulfill its orders much less expand the level of the operation to meet the potential market. Its equipment was also old and deficient.

Today, thanks to the FUCODES credit, new sewing machiners have improved, the quality and quantity of production, and increased working capital

has permitted the fulfillment of orders for an expanded market.

Field Observations:

- The product is one that, per se, is not essential to any economy. Nevertheless, the successful operation of small scale industries such as this is what creates the basis for eventual expansion of non traditional exports, and a stronger internal market for nonessential consumer goods, both of which contribute to employment generation and value added in the economy.
- The financing has permitted expansion from a 3 month pre Christmas operation to a year round operation employing 6 to 8 persons.
- A potential worker health/safety situation exists in the stuffing operation. The stuffers sit all day in a large bin of styrofoam with only minimal nose and mouth filters for protection.
- The feasibility and cash flow analysis upon which the loan was based is quite complete and detailed.

## Rivera Textiles

### General Information:

Name of Beneficiary: Alfredo Rivera Rivera

Type of Activity: Production of knit blouses and sweaters for women

Location of Project: Sabanilla de Montes de Oca

Indirect Beneficiaries: 3

Experience: 7 years

Approved Loan: C/260,00/18% annual/36 months/3 months grace period/  
3 disbursements/33 monthly payments

### Background:

In July 1984, Mr. Alfredo Rivera R. submitted a loan request to FUCODES for the purchase of three knitting machines and working capital for his small company. The loan was approved on August 17, 1984. At that time, the small shop had two employees but as a result of the credit, five more employees were created and the possibility exists for increasing this to 10 employees with the introduction of a second shift. With the loan from FUCODES, the small company increased the number of its knitting machines from 2 to 5, all of which are in full time use.

### Field Observations:

Work space, behind a residential house, is extremely limited. To expand beyond two shifts of five machines each would require a significantly higher level of investment than was necessary for the present expansion. In a fashion similar to that of the Los Cipreses factory, this project indicates:

- the seemingly strong demand for domestically produced clothing in Costa Rica.
- the extremely small economies of scale under which successful operation is possible in the local textile industry.

- Working conditions leave much to be desired, an ever present dilemma in lightly capitalized small scale cottage industry

## Chamomile Seeds Agro-Industry

### General Information:

Name of Beneficiary: Jorge Bermudez Camacho

Type of Activity: Cultivation and drying of Chamomile

Project location: San Ramon de Tres Rios

Indirect Beneficiaries: 5

Experience: 8 years

Approved loan: C/175,000/19% annual/3 months grace period ending 6/85.  
one disbursement/21 payments @ C/9,821 each.

### Brief Review:

This company was granted its first loan for C/175,000 on July 31, 1984. It has recently submitted a new application for C/300,000, which has been approved by the Credit Committee and is pending ratification by the Board of Directors. In both of these cases, the credit will be used to improve the processing of chamomile produced by the beneficiary himself.

### Description of Project:

The operation has been in existence since May 1980. The planting, cultivation, drying and grinding is performed on the site. The chamomile is then sold to another company which packs, sells, and distributed the tea bags to the national market.

Currently, Mr. Bermudez processes and sells 19 quintals<sup>1</sup> of dry material a month and has 4 employees.

With the requested credit pending, he is hoping to improve the drying operation. This is currently his principal problem, the inability to

---

<sup>1</sup> 1 quintal = 100 pounds

*Where is the opportunity  
venture? Why the system does not  
offer this case?*

generate optimal conditions in the existing drying shed resulting in increased drying time and inferior quality chamomile.

In an attempt to resolve these deficiencies, construction of two natural draft drying sheds costing C/200,000 is planned.

Field Observations:

- With recorded assets of \$9,000 (C/450,000); sales estimate of \$20,000(C/1 million/yr; ownership of a tractor, and availability of several other vehicles on the property, one could question:
  - Why such a beneficiary can not obtain working capital through normal banking sources.
  - Whether the beneficiary is truly of the lower economic level which FUCODES normally reaches in its lending portfolio.
- Potential export sales, currently under preliminary negotiation, are a distinct possibility.

**Bamboo Groups, S.A.**

**General Information:**

**Names of Beneficiaries:** Jose Miguel Coto Gomez  
Gilbert Martin Coto Gomez  
Jorge Soto Chacon  
Walter Mejia Zuniga  
Melvin Sanchez Chavarria  
Luis Rogelio Montero Flores

**Types of Activities:** Bamboo Furniture Manufacturing

**Location of Project:** San Jeronimo de Moravia

**Indirect Beneficiaries:** 13

**Experience:** 3 years

**Approved Sum:** C/240,000/19% annual/36 months/3 months grace period  
ending May, 1984/

C/169,000/19% annual/31 months/no grace period in August,  
1985/31 monthly quotas.

**Background:**

In November 1983, the groups applied to FUCODES for a loan which was subsequently approved at the beginning of 1984. The grant was used to purchase machinery and for working capital, for the group, which is now organized as a corporation. Messrs. Jose Miguel Coto Gomez and Gilberto Martin Coto Gomez were enrolled in a course in Bamboo Furniture Fabrication in 1983, sponsored by JAPDEVA and MIDE PLAN and taught by the Mision Tecnica Artesanal de Bambu de la Republica China. The techniques acquired in this course were put into practice and taught to the other members of the group.

The group has had some administrative and organizational problems which have resulted in production and marketing difficulties. It appears that the problems have been resolved in a manner sufficient to grant the second credit.

Field Observations:

- The group produces products of outstanding craftsmanship in both bamboo furniture and bamboo textiles. Given the difficulty of the techniques involved and raw material supply problems, production constraints of a nature difficult to resolve do exist. Consequently the group is still producing only upon order for the domestic market.
- A definite potential exists for individual sales to tourists on a prepaid delivery to destination basis. The group was totally unaware of the potential market, probably due to the existing demand from domestic sources which strains their current production capability.
- The project is another example of how FUCODES financing coordinated with government training assistance is helping to sustain and hopefully expand cottage industry to the point where it could play a significant role in the expansion of non-traditional exports.
- This project is an illustration of the type which FUCODES might further assist (at no cost) through drawing on its network of affiliated members in a more active role for marketing advice, and possibly, advice for improvement of raw material supplies.

## Children's Furniture

### General Information:

Names of Beneficiaries: Muebleria Infantil Guadalupe de San Marcos  
Montenegro Chacon.

Types of Activities: Furniture Work Shop

Location of Project: Guadalupe

Indirect Benefeciaries: 4

Experience: 10 years

Approved Loan: C/105,000/18%/2 years for working capital/3months grace  
period/2 disbursements/ 21 payments.

### Background:

A family operation which produces cribs, assorted furniture, and other woodcraft products for the domestic market. In addition to the FUCODES credit which was used for working capital, the group took out a 5 year mortgage loan for C/650,000 at 23% in September 1984 to finance the purchase of their work shop.

### Field Observations:

- The beneficiary basically produces only to order, although components are produced for inventory without specific orders.
- Estimated monthly sales are C/110,000. Estimated monthly expenses C/54,000.
- The FUCODES loan will assist in expansion of production. FUCODES also recommended attendance at a seminar for small empresarios.

**Small Wood Company**

**General Information:**

**Name of the Direct Beneficiary:** Sonia Cortes Flores

**Type of Activity:** Production of wooden kitchen utensils

**Location of Project:** Barrio Las Vegas, Concepcion de Alajuelita

**Indirect Beneficiaries:** 7

**Experience:** 14 years

**Principle products:** Wooden products such as: hangers,  
meat-cutting boards, spoons, etc.

**Approved total:** C/141,245.00/19% annual/30 months/3 month grace period  
ending 6/84/27 monthly payments.

**Background:**

Mrs. Sonia Cortes Flores learned about FUCODES in December, 1983 through an advertisement on television. The beginning of her small family-owned industry dates back 14 years. It is situated in a central location in the Zona Sur of the capital. Since the inception of the loan, employment has risen from three to eight employees. The project was presented in April 1984 and was approved by FUCODES in June 6, 1984.

**Field Observations:**

- The beneficiaries are precisely of the class of artisans of extremely modest means who have the potential to upgrade their businesses through foundation supplied working capital, which they could not obtain from other sources.
- The currently unsatisfactory dust control situation in the work area could be improved through simple reorganization of working space.

**DOMINICAN DEVELOPMENT FOUNDATION**

**FDD**

**FUNDACION DOMINICANA DE DESARROLLO**

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(RD\$ 000's)
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(\$US 000's)

## 1. Background

The Dominican Development Foundation (Fundacion Dominicana de Desarrollo or FDD) was founded in 1962 under the name Asociacion Pro-Bienestar Social (Pro Social Welfare Association), a private, nonprofit organization whose stated purpose was to stimulate the participation of the private sector in the solution of the basic problems of the poorer classes of the nation; particularly in the rural sector. The name of the organization was changed to the Fundacion Dominicana de Desarrollo (FDD) in 1966, the year in which the FDD finally began operations. The FDD is thus one of the oldest National Development Foundations (NDF's), and was one of the founding members of SOLIDARIOS in 1972.

The FDD has historically been one of the larger foundations in the SOLIDARIOS movement in terms of assets, scope of field activities, loan portfolio and staffing level. Active social promotion has always been central to the activities of the FDD, and its clientele has always been overwhelmingly rural, with the exception of the urban oriented micro-enterprise program, inaugurated in 1981.

Comparative data<sup>1</sup> from 1978 showed that the FDD had total assets of \$7,770,000 U.S. and a loan portfolio of \$5,604,000. By comparison, during the same period, the approximate portfolios of the other evaluated foundations were:

|                      |             |                      |           |
|----------------------|-------------|----------------------|-----------|
| FUNDACEN (Guatemala) | \$1,177,000 | FEDNORTE (Quito)     | \$108,000 |
| FUCODES (Costa Rica) | \$26,000    | FEDEQUIL (Guayaquil) | \$69,000  |

At that time, the FDD was working with 212 groups with a total of 4,668 members. The FDD has worked with as many as 393 groups (1974) and as many as 6,923 individual beneficiaries in a single year (1973).

<sup>1</sup> Source: Inter American Development Bank (IDB)

Most recent data showed that in 1985 the FDD worked with 226 groups with 2,545 beneficiaries.

The FDD has been very adversely affected by the devaluation of the Dominican peso. Until 1984, its accounting for dollar denominated assets and liabilities in Dominican pesos (RD\$) was at the official exchange rate of RD\$1/US\$1. During 1985, exchange rates in the country were unified at the free market rate (average RD\$3/US\$1). As a result, the FDD restated its financial position to include a RD \$3,000,000 net exchange loss, principally due to restatement of dollar denominated debt outstanding.

This adjustment left the FDD as of June 30, 1985 with total assets of RD \$12,808,149, liabilities of RD \$ 15,264,967, and a negative net worth of (RD \$2,456,819).

## 2. Organizational Structure

The organizational structure of the FDD down to the level of executive director is similar to that of other SOLIDARIOS member NDF's, consisting of a General Assembly of Associates and an elected Executive Council of nineteen members. The council includes the president, vice-president, secretary, vice secretary, treasurer and vice treasurer. Each member of the council serves for two years and can be reelected but not in successive terms. The Executive Council appoints the executive director and is responsible for setting policy for and directing the operations of the foundation.

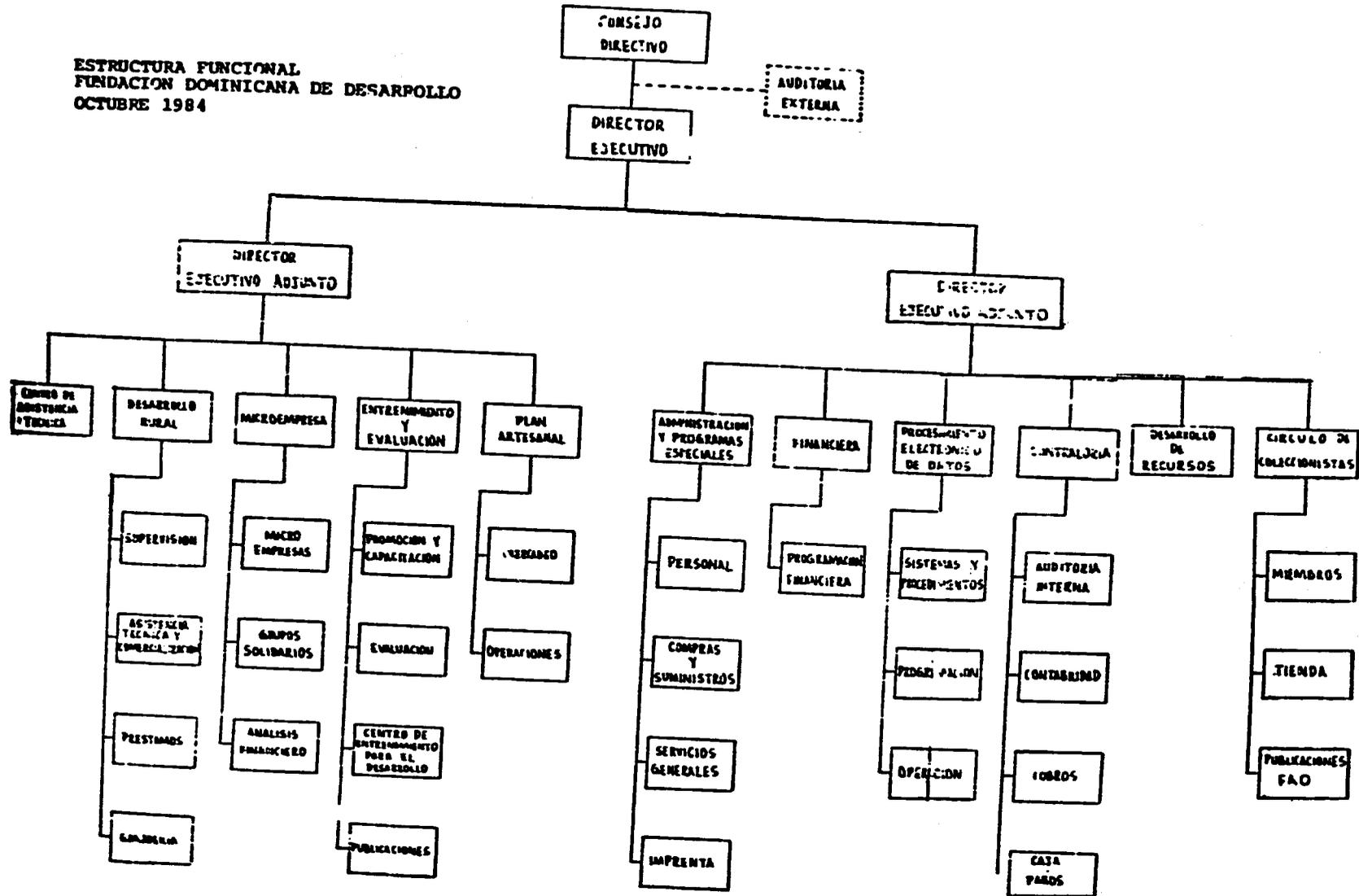
The internal structure of the FDD from the Executive Council on down is shown in Figure 1. Being larger than other SOLIDARIOS NDF's, the FDD has a somewhat more complex administrative structure. Reporting to the Executive Director are two associate executive directors, one for finance and administrations, and one for Social Services, and 11 department heads, as illustrated in Figure 1. As of February 1985, the full time salaried working staff reporting to the Executive Director totaled 99 employees.

The Executive Director of the FDD is Bolivar Baez, and the Associate Executive Director is Rafael S. Abreu, the other associate position being vacant at present. The president for the current two year terms is Jose Vitines.

The headquarters of the FDD is located in Santo Domingo, but activities and field personnel are dispersed throughout the central and western areas of the nation, especially in the more remote border areas near Haiti, not well served by public sector programs. Resident regional supervisors are located in Bani (South), Mao (Northwest), and Salcedo (North). Twelve coordinators of the Rural Development Program are resident in regions where the FDD has beneficiaries including the North Region (Bonao, Moca, Salcedo,

San Francisco de Macoris), Southern Region (Azua, Bani, Vicente-Noble-Tamayo); Southwest Region (Los Matos de Farfan, San Juan, El Cercado, El Llano), and Northwest Region (Mao, Guayabin, Dajabin, Santiago Rodriguez). In addition, the PLANARTE Program Office is located in Puerto Plata while the Santo Domingo based microenterprise project maintains its own project office, and the foundation operates a training center at Villa Mella, near Santo Domingo. Figure 2 illustrates the regional distribution of the foundation's activities throughout the nation.

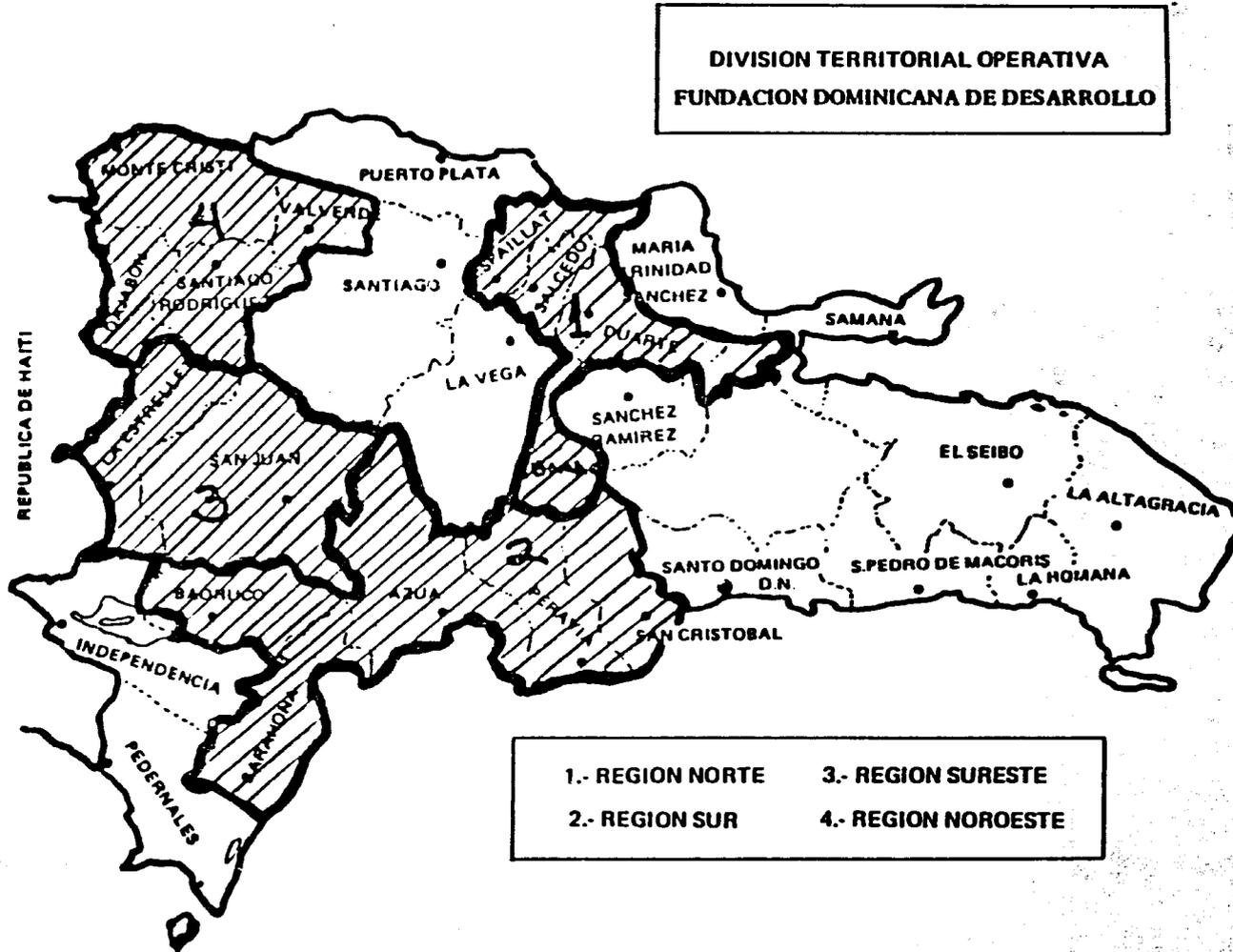
ESTRUCTURA FUNCIONAL  
 FUNDACION DOMINICANA DE DESARROLLO  
 OCTUBRE 1984



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FIGURE 1



REPUBLICA DE HAITI

FIGURE 2

### 3. Policies, Programs and Activities

#### 3.1. Objectives and Policies

The objectives of the FDD as stated in its working documents

are:

- Promote the participation of the private sector in the search for solutions to the problems of poverty in the nation.
- Develop in youth a positive attitude towards work and practical training and an appreciation for education and culture in general.
- Assist the economically marginal sectors of the Dominican society to develop the ability to provide for their own basic needs, to raise their standard of living and to integrate themselves into the productive economies of their communities.
- Participate in the implementation of projects in which beneficiaries themselves provide a share of required resources, even if only labor, by offering beneficiaries opportunity, not charity.
- Promote and strengthen associations of small and medium agricultural producers who traditionally don't have access to established channels of credit and institutional assistance through the provision of social, technical and financial assistance which will enable them to raise their level of productivity income and living standard.

Implicit in the above objectives is the emphasis which the FDD places on social promotion and group consciousness in its field work with current and potential beneficiaries. The foundation, in fact, has a firm policy for agricultural sector activities of providing credit only through producer groups, composed of at least six members who work their own land or an individual basis.

#### 3.2. Program and Activities

FDD activities can be classified in two basic categories, development assistance programs and complementary service programs. In the development assistance programs, participants receive basic training in group organization and operations, specialized technical

assistance, training in administration, management and marketing, and credit for financing of productive activities.

The complementary programs provide private sector support to public sector activities important to foundation beneficiaries, or generate auxiliary income for the foundation.

### 3.2.1. Development Assistance Programs

The four principal assistance programs of the FDD at present are concentrated in the areas of rural agricultural development, small and microenterprise development, artisan production, and the development training center (Centro de Entrenamiento para el Desarrollo) (CEDE)).

The relative importance in terms of credit allocation and scope of activity among the programs can be appreciated by the data of Table 1, Distribution of FDD Credit by Program; Fiscal Year 1985.

Table 1: Distribution of FDD Credit by Program: Fiscal Year 1985

| Program                        | Number of Loans | Number of Individual Beneficiaries | Loan Disbursements (RD \$000s) | % Dist. of Credit By Program |
|--------------------------------|-----------------|------------------------------------|--------------------------------|------------------------------|
| Rural Agricultural Development | 100             | 1972                               | 1,877                          | 78%                          |
| Microenterprise Development    | 109             | 465                                | 175                            | 7%                           |
| Development Training Center    | 10              | 10                                 | 298                            | 12%                          |
| PLANARTE (Artisan Development) | 7               | 98                                 | 69                             | 3%                           |
| TOTALS                         | 226             | 2,545                              | 2,419                          | 100%                         |

SOURCE: FDD

It is seen that rural agricultural development and the development training center, an agriculture oriented program accounted for 90% of FDD credit disbursements and 78% of direct beneficiaries in 1985, whereas the enterprise development and artisan programs received 10% of foundation credit, a relative allocation of the foundation's credit portfolio which has not varied significantly in recent years.

A brief description of each program follows.

### 3.2.1.1. Rural Agricultural Development

Over the years, the FDD has participated with rural beneficiaries in a variety of activities including crop financing, mechanization, cattle purchase, infrastructure and working capital for pork production, small scale irrigation development, etc.

Beneficiaries generally are small holders with traditional or legal rights to the lands they work, but, lacking registered land titles, cannot provide the guarantees required by commercial and governmental sources of rural credit.

As a result of heavy loan losses caused principally by damage from Hurricane David in 1979 and a plague of porcine fever which decimated the national pork population in 1978-79, the FDD has consolidated activities somewhat and adapted more conservative lending policies in recent years. Consequently, agricultural sector lending is now restricted to relatively low risk activities such as crop financing for export cash crops of tobacco and coffee; traditional food crops for which domestic markets are assured, such as rice, beans, corn and plantains; oxen purchase for land preparation, and simple improvements such as tobacco drying sheds. Major mechanization projects such as tractor and transport equipment purchase, or infrastructure with long payback lead times are no longer financed.

The average land holding of individual rural beneficiaries is quite small. A March 1985 loan request to SOLIDARIOS for the purpose of financing an additional revolving fund for financing of traditional crops and oxen purchase indicated that 41 groups with 767 individuals working a total of 13,895 tareas of land (1 hectare = 15.6 tareas) were to be included in the sub-project. The extent of land of individual beneficiaries averaged out to 18.1 tareas (about 1.2 hectares) per family, a figure similar to that of group members interviewed during field visits.

Using the same averages for fiscal 1985 lending activity (Table 1), the FDD would have financed approximately 2,300 hectares of production during the year.

#### 3.2.1.2. Enterprise Development Program

This urban oriented program, similar in design to that being implemented by FEDNORTE in Quito, Ecuador, initiated operations in 1981. It is financed by a USAID grant and project technical assistance is also provided by AITEC under contract with USAID. Clientele are of three categories: small businesses with fixed assets not to exceed RD \$100,000, and for which investment per new job created may not exceed RD \$10,000; micro enterprises with fixed assets no greater than RD \$10,000 and no more than six employees; and street vendors and trash collectors organized in solidarity groups of five to eight members.

The principal objective of the program is to provide credit, technical, and managerial assistance to the small and micro enterprises and working capital to the solidarity groups. In the case of the small business category, the ultimate goal is to improve operations to a level where they may qualify for credit from the Investment Fund for Economic Development

(FIDE) of the Central Bank offered through conventional financial intermediaries.

During its first three years of operation (1981-1984), the programs had granted 247 enterprise loans, 204 for production and 43 for service operation, with a loan value of RD \$519,000. Production loans were most often for clothing manufacture (70), woodworking (50), shoe and luggage production (17) and bakeries (15). Service loans were most commonly for equipment and auto maintenance operations.

Three hundred seventy three solidarity groups with 2,167 individual beneficiaries received RD \$60,700 in credit during the same period.

Approximately 80% of the loans in both categories were in Santa Domingo, with the remainder distributed among cities such as La Vega, San Cristobal, Salcedo and Cotui.

#### 3.2.1.3. Centro de Entrenamiento para Desarrollo (CEDE)

Located in Villa Mella, 13 kms. from Santo Domingo, the center organizes courses, seminars, exchanges, etc. in promotion and training, provides space for other private and public sector agricultural-oriented organizations for similar purposes; and operates a demonstration dairy production farm for the purpose of training and giving practical experience to small holder beneficiaries.

#### 3.2.1.4. Artisan Development (PLANARTE)

This program, which began in 1976, is directed primarily towards rural female beneficiaries normally organized in groups, but in special cases, to individuals as well. Specialized technical assistance, social promotion, training in management and marketing, and credit assistance are offered to beneficiaries engaged in the production of ceramics, leather products, toys and jewelry. Seven

group loans with a total value of RD \$69,000 were disbursed to 98 individual beneficiaries during fiscal 1985.

### 3.2.2. Complementary Programs

#### 3.2.2.1. Collectors Circle (Circulo de Coleccionistas)

This program has a double function of promoting Dominican culture and art while raising supplementary income through the sale of coins and other collectors items. In 1984 the program generated a net income of RD \$160,000 for the foundations. Beneficiary artisan production is also marketed through the same channels.

#### 3.2.2.2. Medicine and Medical Equipment

A program which distributes PADF donated machine and equipment to hospitals, dispensaries and rural clinics operated by the Ministry of Public Health and Social Assistance.

#### 3.2.2.3. Scholarship Program

Distributes resources donated by citizens of West Germany and coordinates programs with orphanages throughout the country to feed, educate and care for orphaned and abandoned children.

#### 3.2.2.4. Machinery for Technical Education

Coordinates distribution of PADF donated tools and equipment to technical and vocational schools throughout the country.

#### 3.2.2.5. Housing Construction - Fondo Negro

Eighty seven (87) houses are being constructed in the area with a donation from the West German government.

4. Financial Structure

4.1. Sources of Funding

The FDD, being the largest and one of the oldest of SOLIDARIOS NDF's has a broader base of financial support than most of the other foundations. It has also been the recipient of more SOLIDARIOS financing than any other member NDF, having received \$1,690,000 or 22% of total SOLIDARIOS Development Fund disbursements of \$7,598,000 between 1977 and 1984.

4.1.1. SOLIDARIOS Disbursements

Table 2 details the SOLIDARIOS financing received by the FDD during this period.

Table 2: SOLIDARIOS Disbursements to Dominican Development Foundation; 1977 - 1984 (US\$)

| Fund          | Amount Approved     | Amount Disbursed    | Year Disbursed | Lending Conditions   |
|---------------|---------------------|---------------------|----------------|--|
| PACT          | \$ 50,000           | 50,000              | 1978           | -  |
| SOL/AID       | 540,000             | 425,000             | 1979           | 5% - US\$; 24 semiannual pmts. 12/82 - 6/94                |
|               |                     | 115,000             | 1980           |  |
|               |                     | 300,000             | 1983           | 5% - US\$; 24 semiannual pmts. 2/88-8/97                   |
| SOL/CEE       | 550,000             | 187,000             | 1981           | 5% - US\$; 24 semiannual payments 5/85 - 11/96             |
|               |                     | 181,500             | 1982           |  |
|               |                     | 181,500             | 1983           |  |
| SOL/BID       | 250,000             | 167,500             | 1981           | 5% - payable in RD pesos; 24 semiannual pmts. 5/85 - 11/96 |
|               |                     | 82,500              | 1982           |  |
| <b>TOTALS</b> | <b>\$ 1,690,000</b> | <b>\$ 1,690,000</b> |                |  |

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All loans except from the SOL/BID fund are payable in U.S. dollars.  
The SOL/BID loan is payable in Dominican pesos.

#### 4.1.2. Other Sources of Funding

In addition to SOLIDARIOS loans, the FDD's other sources of funding are:

- Non interest or dividend bearing capital stock shares; at the end of fiscal 1985, capital stockshares held were valued at RD\$ 70,500
- Annual Membership Fees: RD \$106,700 in 1985 and RD \$105,830 in 1984.
- Donations. The FDD received RD \$491,000 in four project specific donations during 1985; and six project specific donations of RD \$604,000 in 1984. The projects, amount and source of the 1985 donations were as follows:

| <u>Project</u>  | <u>Amount (RD\$)</u> | <u>Donor</u>  |
|---|----------------------|---|
| Microenterprise Program<br>Managerial Training and<br>Support | 42,000               | USAID Economic Support Funds<br>via Banco de Reservas de RD |
| Integrated Rural Develop-<br>ment - Zona Fondo Negro          | 390,000              | West German government                                      |
| Microenterprise Promotion<br>Fund - Cotui                     | 40,000               | Rosario Mines, S.A.   |
| Miscellaneous   | 19,000               | Various   |

- Loans. By virtue of being the largest member NDF's in assets, one of the oldest, and situated in a relatively small nation (population 6,000,000) with traditions of heavy government support of the agricultural sector and private sector foundation involvement, the FDD is able to draw much more widely upon local establishment sources of credit than seems to be the case of the other evaluated NDF's. In addition to the SOLIDARIOS credits, as of June 1984 the FDD had 12 additional loans outstanding all except one from domestic sources. The debt situation of the FDD will be analyzed in more detail in Section 4.4.
- Other sources of income: Consists of interest on loans (RD \$723,000), profits from coin, and artisanware sales (RD \$185,000) and other miscellaneous income (RD \$224,000). Figures in parenthesis are for fiscal 1985.

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## 4.2. Financial Statements

### 4.2.1. Balance Sheet

Comparative balance sheets for the FDD for the fiscal years ending on June 30th of 1984 and 1985 are given in Annex 1, Financial Statements.

As was previously noted, due to a RD\$ 3,000,000 exchange rate adjustment, mainly in valuation of dollar denominated debt outstanding, the FDD assets on 30 June 1985 were RD\$ 12,808,000, whereas liabilities were RD\$ 15,264,000 to produce a negative net worth of (RD\$ 2,457,000). The entry for loans and interest receivable, RD\$ 8,388,878 is the net figure after a write off of RD\$ 3,581,000 for non-recoverables. Most are balances of groups which disintegrated or whose projects suffered major damage due to porcine fever and Hurricane David.

Though the FDD does use the SOLIDARIOS standard system of funds accounting, financial statement printouts by source of funds were unavailable during the evaluation visit. It is clear though, given the value of total SOLIDARIOS disbursements and direct AID support for the enterprise development program relative to total assets, that these sources do not play as dominant a role in the composition of the asset base as is the case, for example, with FEDNORTE (Quito, Ecuador) or FUCODES (Costa Rica).

### 4.2.2. Income Statement

Income Statements for fiscal 1984 and 1985 are also shown in Annex 1.

Income for 1985 was RD\$ 1,729,000 versus RD\$ 1,789,000 for 1984, the decrease being the result of reductions in income from coin and

artisanware sales and a reduction in donations. Expenses for 1985 were RD\$ 4,934,000 vs. RD\$ 1,683,000 for 1984. The increase was due to the net exchange rate losses of RD\$ 2,999,324. This write off resulted in a loss on operations for 1985 of (RD\$ 3,205,000), as compared with a 1984 operating surplus of \$105,000.

Internally generated (i.e. non donation) income in 1985 was RD\$ 1,237,000 or 72% of all income, whereas staff salaries and other direct operating costs amounted to RD\$ 1,263,000. Total direct expenses, including interest payments and depreciation were RD\$ 1,933,000.

The FDD, thus, effectively supported direct operating expenses, exclusive of financial charges, from internal sources, a position similar to that of FUNDACEN (Guatemala). It will be seen that both FUCODES (Costa Rica) and FEDNORTE (Quito, Ecuador) are, to the moment, incapable of supporting direct operating costs without donated income.

The operating budget for fiscal 1986 was estimated at RD\$ 1,758,000, including RD\$ 407,000 for interest payments on debt. Salary related expenses were projected at RD\$ 662,000 versus a 1985 figure of RD\$ 715,000, whereas projected general and administrative expenses were RD\$ 571,000 versus an incurred RD\$ 548,000 in 1985.

Projected income for 1986 was RD\$ 1,960,000 versus an actual RD\$ 1,728,000 for 1985.

Table 3 of Annex 1, Sources and Uses of Funds, 1984-85 indicates that in spite of the RD\$ 3,000,000 charge for exchange losses, the FDD had a net positive cash flow for 1985 of RD\$ 952,000. This figure is somewhat deceptive, however. It was achieved only by incurring an additional RD\$ 2,859,000 in newly contracted debt. The cash flow from operations, alone was negative (RD\$ 1,539,000).

#### 4.3. Ratio Analysis

Analysis of the FDD 30 June 85 balance sheet indicated the following critical ratios (RD\$ 000's):

$$\text{Current Ratio} \quad \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{8,000 \text{ (est.)}}{1,400 \text{ (est.)}} = 5.7$$

$$\text{Liquidity Ratio} \quad \frac{\text{Current Assets less inventory}}{\text{Current liabilities}} = \frac{7,500}{1,400} = 5.35$$

$$\text{Debt Ratio} \quad \frac{\text{Total Debt}}{\text{Total Assets}} = \frac{12,505}{12,808} = 0.98$$

The debt ratio of 0.98 reflects to the negative net worth noted earlier, an obviously unsatisfactory financial position for any organization. Though the negative net worth situation resulted from the exchange rate loss of RD\$ 3,000,000 in 1985, the debt ratio of the FDD was already high before the devaluation, as is seen by the calculation as of 30 June 1984, which was 0.64:

$$\text{Debt ratio} \quad = \quad \frac{\text{Total Debt}}{\text{Total Assets}} \quad = \quad \frac{7,191}{11,259} \quad = \quad 0.64$$

30/6/84

#### 4.4. Debt Structure

##### 4.4.1. Total Debt

The outstanding debt of the FDD as of 30 June 1985, RD\$ 12,505,918, broken down by classification of loans is as follows:

*What equity?*

|  | <u>AMOUNT<br/>OUTSTANDING</u> |
|--|-------------------------------|
| - Loans guaranteed by equity of the FDD, Inc. 4% to 6%; 1-5 yrs grace; due between '86 and '89   | RD\$ 3,651,430                |
| - 12%, due in 1986   | 150,000 ✓                     |
| - Loans guaranteed by the Central Bank via a guarantee of reserve of 33% to 50% of loan amount; 4% and 6%; 3 yr grace periods; due in 1990 and 1996          | 3,471,566 ✓                   |
| - Unsecured loans: 2-1/2 to 5% grace periods of 1 to 10 yrs due between 1986 and 1996, including in 1985, US\$ 1,586,000 at exchange rate of RD\$ 3.1/US\$ 1 | <u>5,232,922</u>              |
| <b>TOTAL</b>   | <b>RD\$ 12,505,918</b>        |

**Source:** 1985 Annual Report Financial Statements, note 6.

Except for one RD\$ 150,000 loan, all of the credit was granted at concessionary interest rates and terms, and except for the SOLIDARIOS debt and \$US 194,000 due the Pan American Development Foundation, all is from domestic sources. Though the FDD's debt position is clearly overextended, the figures do illustrate the close working relationship between the Foundation and domestic sources of credit.

When the debt due is programmed on an annual basis as shown in Table 3, it is seen that 28%, or RD\$ 3,457,000, including RD\$ 1,955,000 already in arrears, was due to be paid in fiscal 1986 (7/1/85 to 6/30/86).

✓  
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**Table 3: Annual Distribution of FDD Total Debt (RD\$ 000's)**

| <u>YEAR</u>                                      | <u>AMOUNT (RD\$ 000's)</u> | <u>% of TOTAL</u> |
|--|----------------------------|-------------------|
| 1986 (including<br>arrears of<br>RD\$ 1,955,000) | RD\$ 3,457                 | 28%               |
| 1987   | 917                        | 7%                |
| 1988   | 807                        | 6%                |
| 1989   | 1,110                      | 9%                |
| 1990   | 1,143                      | 9%                |
| 1991-99  | <u>5,072</u>               | <u>41%</u>        |
| TOTALS   | RD\$ 12,506                | 100%              |

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**Source:** FDD 1985 Annual Report, Financial Statements, Note 6

Given the magnitude of the figures involved, when compared with the internally generated cash flow of the Foundation; and the desire, even on the part of creditors, not to seriously contract the FDD's operations, it is clear that there is little alternative but to reschedule much of the FDD's debt.

#### 4.4.2. FDD Debt Due SOLIDARIOS

The debt due SOLIDARIOS from the FDD as of 30 June 1985 is summarized as follows in Table 4.

Table 4: FDD Debt Due Solidarios 30 June 1985 (\$US 000's)

| LOAN    | PRINCIPAL           |         |                |            | INTEREST |          |                      |                      |
|---------|---------------------|---------|----------------|------------|----------|----------|----------------------|----------------------|
|         | AMOUNT<br>DISBURSED | BALANCE | NOT YET<br>DUE | ARREARS    | BALANCE  | DUE 30/6 | OVERDUE<br>>180 DAYS | OVERDUE<br><180 DAYS |
| PACT    | 50                  | -       | -              |            | -        | -        | -                    |                      |
| AID/02  | 540                 | 518     | 405            | 112        | 77       | -        | 60                   | 17                   |
| BID/02* | 250*                | 250*    | 229*           | 21*        | 14*      | 1*       | 6*                   | 7*                   |
| CEE/02  | 550                 | 550     | 527            | 23         | 58       | 2        | 41                   | 15                   |
| AID/16  | 300                 | 300     | 300            | -          | 10       | 7        | -                    | 3                    |
| TOTALS  | 1,690               | 1,618   | 1,461          | 156<br>=== | 159      | 10       | 107<br>===           | 42<br>==             |

\* Denominated in Pesos

Source: SOLIDARIOS

The balance of principal figure of Table 4 indicates that one amortization payment of \$ 22,000 was made on the AID/02 loan in December 1982. Since that time, neither principal nor interest payments have been made on any of the \$ 1,640,000 disbursed by SOLIDARIOS to the FDD between 1979 and 1983. Total arrears as of 30 June 1985 were \$US 135,000 principal and \$US 136,000 interest; and RD\$ 21,000 principal and RD\$ 13,000.

If even first payments could not be made on the BID/02 and CEE/02 loans as they came due, it is quite reasonable to ask, given the current financial situation of the FDD, what is the probability that any of this debt will ever be repaid on its original terms?

*Historical question*  
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It is also quite reasonable to ask whether the \$US 850,000 which was disbursed to the FDD by SOLIDARIOS between 1981 and 1983 as dollar denominated loans was truly perceived by both SOLIDARIOS and the FDD as loans which must be repaid; or was there an implicit understanding on the part of SOLIDARIOS, the FDD, USAID and the IDB that they would be de facto donations?

Neither the overextended financial position of the FDD nor the Dominican peso exchange rate crisis happened overnight. Reasonable assessment of the post 1980 circumstances of the FDD, i.e. the high default rate of beneficiaries occasioned by natural disaster; the desire to continue as much as possible to aid these disaster victims; the heavy domestic borrowing necessary to do so, and the artificial maintenance of the official peso exchange rate at a par with the dollar; would certainly lead to the assessment that dollar denominated loans, even with a grace period, would be difficult to repay.

Given the objectives of development foundations, and the clientele they serve, no supporter of the development foundation movement, least of all original donors such as USAID, wants to see a contraction of credit activities to beneficiaries if the funds are available.

Nevertheless, the concept that economically viable revolving credit funds for low income beneficiaries can be successfully operated by private sector, self supporting, non profit organizations has yet to be consistently demonstrated, and in fact, does have its skeptics.

Continued disbursement of dollar denominated credit to NDF's who could reasonably be expected to have repayment problems has now made future replenishment of revolving funds at both the SOLIDARIOS and the NDF levels more difficult to justify, even for the sympathetic.

*It would be reasonable to ask whether the \$US 850,000 which was disbursed to the FDD by SOLIDARIOS between 1981 and 1983 as dollar denominated loans was truly perceived by both SOLIDARIOS and the FDD as loans which must be repaid; or was there an implicit understanding on the part of SOLIDARIOS, the FDD, USAID and the IDB that they would be de facto donations?*

*Rhetorical Q. S.*

It is reasonable to inquire if SOLIDARIOS lenders (IDB) and donors (USAID/CEE) were forewarned prior to the post 1980 disbursements, and certainly prior to 1983? From the vantage point of 1985, it would seem that the attempts at renegotiation of some of the SOLIDARIOS Development Fund money to either a donation or a local currency repayment basis prior to disbursement would have been politically more palatable than the current post factor situation of loan renegotiations and possible defaults.

Yes!

#### 4.5. Summary

The current financial situation of the FDD can be summarized as follows:

- At the beneficiary level, much of the debt from prior operations must be written off as non-recoverable. Repayment levels from current operations appears to be satisfactory.
- The FDD is technically bankrupt, with a negative net worth. The debt structure of the foundation, relative to its cash flow generation potential, is unmanageable.
- Operations were sustained during 1985 only by contracting of even more debt.
- A complete financial restructuring, to include postponement and/or write off of external debt and/or huge cash infusions on a donation basis, will be required if the foundation is to continue its field program at the current level of activity.

## 5. Analysis of Operations

### 5.1. Internal Procedures

With resident field staff and project offices scattered in almost twenty sites throughout the nation; coordination of personnel and activities poses more complex requirements for the FDD than for the other evaluated foundations. Highway and telephone connections between Santo Domingo and most towns where regional supervisors and field coordinators reside are generally satisfactory. The impression given is that operations are not being significantly hampered by communication problems.

The administrative and accounting procedures of the FDD appear to be adequate. The system of accounting by funds is used, external audits are carried out annually, and accounting operations and information are handled with the aid of an IBM PC computer. The lack of fund accounting information in this evaluation was attributable to the absence of a computer operator at the time of the evaluation rather than system deficiencies.

Written manuals and guidelines for administrative and field operations exist, and those examined, i.e. credit, promotion, and project evaluation are detailed, clear, and relevant. Inspection of beneficiary files indicated that the system is adequately organized and information generally sufficient upon which to base credit decisions.

Transportation requirements of the FDD are extensive. Many of the field personnel, although it was not clear if all, are equipped with motorcycles, and the foundation does have several four wheeled vehicles as well. The recent steep cost inflation for petroleum and parts, coupled with the FDD's restricted operational budget for 1986,

parts, coupled with the FDD's restricted operational budget for 1986, will most likely create increasing mobility problems for field staff unless suitable adjustments are made. Effectiveness of the rural development program is directly dependent upon unimpeded mobility of the field staff.

## 5.2 Human Resources

The FDD is an organization with one hundred employees, of whom perhaps fifty, including support personnel, are based in the headquarters office while the rest are dispersed throughout the republic. Meaningful evaluation of overall staff competence and relevance was not possible in an evaluation of one week's duration.

The FDD does employ a considerable number of agronomic engineers, agronomists, and personnel with a social promoter orientation. The technical competence of those with whom the evaluator had personal contact was satisfactory.

It was indicated that that a difficult situation could develop in the retention and recruitment of competent and committed field coordinators for the agricultural development programs. Minimum salaries for junior agronomists in the public sector were raised during 1985 to RD\$ 600/month plus RD\$ 200/month motorcycle allowance. This is considerably higher than the prevailing level in the FDD, whose salary scale for fiscal 1986 was frozen at the 1985 level.

## 5.3. Promotion, Training, Technical Assistance and Evaluation

### 5.3.1 Promotion

Active social promotion and organization of beneficiary groups is central to the field activities of the FDD. This emphasis originates

in two basic conditions of the rural sector of the Dominican Republic:

- the tradition of and inclination towards communal cooperation in agricultural labor, in spite of the fact that family lands are worked on an individual basis,
- the generally reduced size of individual plots and scarcity of capital in the rural sector require that some activities (e.g. land preparation) be financed on a collective basis in order to achieve satisfactory scale economies.

Indicative of the role of social promotion in the FDD's operations is the fact that a distinction is made between social coordinators and agricultural coordinators and, though they often work in tandem, each has distinct responsibilities. The active approach to group promotion can be appreciated by the following which are among the stated duties of social coordinators:

- Identify potential leaders and train them in the democratic exercise of group action; and,
- Serve as the channel of communication between the groups, the FDD, and other agricultural sector groups.

It is quite evident that the strongly active group promotion philosophy is not replicable in all NDF's, requiring as it does, a political environment which is amenable to the concept of campesino organization to promote their economic, social, and sometimes political ends.

### 5.3.2 Training

Training activities of the FDD are concentrated in the areas of social organization and democratic practices of group operation, management and administration of group activities, and training in appropriate agricultural and livestock production techniques.

Training programs are of three types:

- Those given by social and agricultural coordinators and technical support personnel at group reunions;
- Courses given at the Development Training Center (CEDE) operated by the Promocion Humana y Financimienta Programa at Villa Mella; and,
- The application of the human promotion, management and finance program of the FDD to the beneficiaries of the microempresa program and solidarity groups by the microempresa program coordinators.

Fig. 1 of Annex 3, Training and Evaluation Information, gives a statistical breakdown of training activities of the rural development program for fiscal 1985, and a listing of the themes covered for the three basic types of programs, i.e.

- Basic Training in Group Operations (Formacion Social Basica)
- Group Management and Administration (Gerencia y Administracion)
- Training in Agricultural Techniques

Referring back to Table 1 of Sec. 3.2, it will be remembered that 100 group loans were disbursed in the rural development program during fiscal 1985. While the figures for active groups who didn't receive loans are not at hand, even if it is assumed that the FDD was working with 150 rural groups, the density of coverage is quite high, an average of about 10 training encounters per group per year and about 26 visits, or one every two weeks per group.

### 5.3.3 Technical Assistance

Technical assistance organized by the FDD is focused on improved production techniques for its agricultural beneficiaries and the

The economic evaluation of group loan requests consists of fairly standard production cost and cash flow analysis. For crop financing loans, the information and evaluations reviewed was adequate. Several credit requests requiring somewhat more subtle economic analysis such as irrigation pump installation and oxen purchase were also reviewed. The analyses in these cases was not well documented, indicating that perhaps sufficient appreciation of all cost factors had not been taken into account.

Since the cash flow analyses for most rural loan requests are prepared by the agricultural coordinators, who have little formal background in economics, it would appear that economic analysis of loan requests of a nature somewhat more complex than crop financing (e.g. animal traction; livestock production; infrastructure; equipment purchase) might not be as complete as it should be.

Group evaluation is an ongoing process carried out on a semi-annual basis. Its purpose is to serve as a basis for planning the monthly and weekly programs of the coordinators in each region and to design the activities of the Participative Education Program.

Fig. 2 of Annex 3, illustrates the various forms and procedures used in the group evaluation process.

#### 5.4. Credit Operations

Credit operations of the FDD are larger in currency volume, number of beneficiaries, and dispersion of activity than those of the other evaluated foundations. Approximately 90% of all credit dispersed is to small holder rural beneficiaries. This profile of the FDD credit operations will focus on these beneficiaries.

#### 5.4.1. Credit Policies

As a reflection of the scope of its credit activities, the FDD maintains a very detailed manual of promotion and credit policies and procedures (Manual de Promocion y Financimiento of the FDD). The main features of credit policy are outlined as follows:

- All credit activities except in the small and micro enterprise programs are channelled through groups, formal or informal of at least six individual producers
- Potential beneficiaries must demonstrate that credit for the purpose requested can not be obtained under reasonable terms from any other source.
- New Credit will not be granted to groups who are still in arrears on current credits without special justification.
- Loans will be granted for the following purposes; agriculture and livestock production, equipment purchase, technical inputs, marketing costs, working capital, capital improvements.
- Loans will not be granted to groups for political or cultural purposes, nor to government organizations, nor to pay dividends.
- Guarantees: The FDD will lend based only upon a good faith guarantee, but may, if conditions warrant, require collateral.
- Terms and Conditions
  - For fixed assets: to 90% of value and up to 20 years
  - For capital improvements: to 80% of value; for useful life
  - Crop financing: to 80% of production costs for crop cycle
  - Marketing: 85% of value of production for one year
  - Working capital: 100% of value of materials up to 5 years.

- Interest rates: as determined by loan committee; can not exceed legal limits established by government. Rates for 1985 were in the 9%-13% range.
- Maximum amounts: RD\$ 100,000 per group loan; maximum group debt RD\$ 130,000 for experienced groups. First loan with FDD: maximum RD\$ 25,000.
- Required Approvals:

| <u>Amount</u>   | <u>Approval</u>   |
|---|---|
| i) to RD\$ 2,499  | Comptroller, Finance or Promotion Division chiefs                       |
| ii) to RD\$ 49,999 to 24 months; to RD\$ 24,999 if >24 mos. | Regular Committee: Ass. Executive Director, Mgr. of Finance, controller |
| iii) >RD\$ 50,000 or >RD\$ 25,000 if > 24 months            | Two members of Executive Council and Executive Director.                |

In addition to the above policies, the credit manual contains very explicit instructions for processing, disbursement and collection of loans.

Based upon the sample with whom contract was made during field visits, there is little question that the FDD is serving beneficiaries of very limited economic resources, and of very modest educational level.

#### 5.4.2 Composition of Loan Portfolio

#### 5.4.3 Analysis of Loans in Arrears

The composition of the portfolio for credit granted during fiscal 1985 was detailed in Table 1, Distribution of FDD Credit by Program, Fiscal Year 1985, which is found in Sec. 3.2 of this report. Two hundred twenty six (226) loans were made to 2,545 individual beneficiaries for a total of RD\$ 2,419,000.

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Note 2 of the Financial Statements for 1985 (Annex 1) details the balance of loans outstanding by program. The total before write offs was RD\$ 11,970,330.

No precise figures as to the loans in arrears situation were available during the evaluation visit. Nevertheless, the high ratio between loans payable and loans disbursed in 1985 (4.95/1); the large figure for write offs (RD\$3,581,000), 30% of the outstanding portfolio in 1985; and write offs in 1984 of RD\$ 2,890,000 on a portfolio of RD\$ 11,560,039 (25% of the portfolio), would indicate that a serious recuperation problem exists. In spite of the lack of available statistics, review of the files of active beneficiaries gave the impression that the arrears situation with the current group of borrowers is considerably more under control than was true several years ago.

During 1984 SOLIDARIOS itself reviewed the arrears situation of FDD beneficiaries and reported the following in its 1984 financial report (NOTE 5):

"The FDD has not yet completed a detailed analysis of its loans in arrears situation. The information which could be obtained gives only a general idea concerning the situation of the FDD portfolio. According to this information, approximately 20% of the portfolio is overdue."

FDD management stated that the current overall level of arrears in the Microenterprise program was between 5% and 10%.

#### 5.4.4 Loan Portfolio by Source of Credit

No breakdown of the FDD Portfolio by source of credit was available. It can be assumed however that the \$1,690,000 in SOLIDARIOS disbursements to the FDD were converted to pesos at par. When compared with the level of the foundations' loan portfolio; it is

evident that SOLIDARIOS funds have financed a smaller proportion of the total portfolio than was the case in the other evaluated foundations.

The microempresa program is financed by USAID funds. Loans outstanding in the microempresa program at the end of 1985 were RD\$ 493,000 or 4% of the portfolio.

## 6. Assessment of Foundation Impact upon Beneficiaries

The objective of this phase of each NDF's evaluation was to make some influence as to the economic and social impact of the foundations' activities upon beneficiaries. The approach used was:

- a series of visits/interviews by the evaluator with beneficiaries at their project sites. As may be appreciated, the judgements reached in this type of exercise can only be of an impressionistic nature. Nevertheless, the close contact in the beneficiaries' environment does provide a good qualitative feel for the nature of problems faced and a measure of the effectiveness and relevance of the foundation's activities.
- review of other evaluations, if available, particularly if there are any quantitative indicators of impact.

### 6.1. Field Visit Report

Field visits were made during the period Oct. 22-24, 1985 to three distinct agro-ecological areas where the FDD is active:

Oct. 22 - South coast highland coffee growers in Province of Peravia

Oct. 23 - Tobacco growers in the fertile valley of the Rio Yaque del Norte.

Oct. 23/24 - Groups cultivating predominantly traditional food crops in semi-arid areas of Dajabon Province, near the northwestern border with Haiti.

A total of eight groups were visited, two in Peravia, two in the Rio Yaque area, and four operating in the northwestern semi-arid zone. All of the groups visited were essentially up to date in their debt obligations with the FDD.

Direct contact and interaction was good. This probably is a result not only of some having been advised of the visits before hand, but also due to the relatively heavy rural population density and the pattern of rural beneficiaries of the FDD to devote themselves

but also due to the relatively heavy rural population density and the pattern of rural beneficiaries of the FDD to devote themselves exclusively to their agricultural labors. They are, therefore, usually in the vicinity of their land, a distinct contrast with the situation which prevails among FUNDACEN's (Guatemala) beneficiaries.

The profiles and observations concerning the individual groups visited are included in Annex 2, Field Visit Reports.

Though country and beneficiary group characteristics are vastly different, the design of the rural development program of the FDD is similar to that of FUNDACEN (Guatemala) i.e. crop financing for beneficiaries who have long cultivated their own smallholder plots. The FDD, however, in addition to financing technical inputs, also finances labor costs, so that the amount financed can be up to 80% of total production costs, as contrasted with a maximum of 50% for FUNDACEN.

The coffee-growing beneficiaries of Peravia and other southern provinces cultivate small stands of unimproved coffee in fairly remote mountainous areas (one to three hectares per family). They typically live in the settled lowland towns for part of the year, and spend the harvest season in fairly rustic conditions in the mountains. This region's beneficiaries were among those who suffered heavy damage from Hurricane David.

It can be safely concluded that additional planting has not taken place with FDD credit. No reliable information seems to be available concerning without FDD and with FDD yield levels. One suspects that

gains are not significant, given the limited potential for yield improvement even with economic levels of input usage.

The undisputed positive impact of FDD activity has been that the availability of FDD credit on reasonable terms to pay for inputs and for plucking labor has freed the growers completely from a dependency upon financial and marketing intermediaries, who certainly do not look after the best interests of the beneficiaries. A recent benefit of a windfall nature was generated due to the devaluation of the Dominican peso. Having no longer to deal across intermediaries, the producer groups themselves can purchase export licenses directly, enabling them to receive the net foreign exchange benefits after export taxation, from dollar denominated export prices.

For the tobacco and traditional crop cultivators of the Northwest, the impact is similar in pattern vis-a-vis production; though less clear-cut on the marketing end.

Being seasonal crop cultivators, FDD credit and access to newly installed irrigation systems seems to have resulted in the expansion of land under cultivation, and increases in yield levels, if the beneficiaries are to be believed. For others, the credit and extension service provided by the FDD fills gaps in public sector coverage in the region.

One non quantitative, but obvious positive impact which can be sensed is that the FDD is perceived as a friend who is there to help and to actively assist the groups in the development of solutions to their problems. The perceived impression concerning public sector services on the other hand is something as follows:

- extension agent visits are infrequent, less personal, and due to heavy case loads, of limited duration and usefulness;

- even when one is able to qualify, the time, travel and expense involved, and the impersonal nature of the transactions are a distinct disincentive to dealing with the Banco Agricola.

## 6.2. Other Evaluations

No other evaluations at either the institutional or beneficiary level were available for review.

## 6.3. Conclusions:

Based upon the field visits, no data was generated which could be used for estimates of quantitative impact. If, however, the estimated cost, sales and net income figures estimated by the FDD in collaboration with beneficiaries are used, an order of magnitude of the economic level of the beneficiaries can be estimated. In a normal cropping season, with no natural or marketing calamities, these figures can be considered to be reasonably reliable.

- Coffee growers: Sales figures for both groups were based upon average yields of 6.25 quintales <sup>1</sup>(625 pounds)/hectare and a sales price of RD \$90/quintal plus a 48% foreign exchange premium due to devaluation. The average holding for the Santa Cruz group was 3.4 hectares per family and average income RD\$ 910/family. The average holding of the El Recodo group was 1.55 Has./family and average family income was RD\$ 440 per family.

As an indicator of the economic level of these families, it should be recalled that being coffee growers, much of the food consumption must be purchased out of earnings.

- Tobacco growers (Piloto cubano) - Sale figures were based upon a price of RD\$ 95/cq and a yield level of 31qq/Ha. The average holding with 1.5 hectares/family and average family income RD\$ 1,850.

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<sup>1</sup> 1 quintal = 100 pounds

- Beans (Habichuelas) - Sales based upon price of RD\$ 50/qq and yield of 39qq/Ha. Average family holding was 1.6 Has and average family income RD\$1,830.

The above figures indicate that the coffee growing beneficiaries of the foundation, even with their foreign exchange premiums, live at a significantly deeper level of poverty than the beneficiaries in the northwest cultivating seasonal crops. Given the extent of the land holdings, and the unsuitability of their land for any crop other than coffee, even with the foundation's help, they are consigned to a truly marginal existence. The economic level of the beneficiaries in the northwest is obviously of a different order of magnitude, though still far from prosperous, when one considers the average family size is five or six persons per household.

Although the current level and the future potential increases in income are better than those of the coffee growers, the cruel mathematics of the situation are that the average size of land holdings worked by the beneficiaries of the FDD, under the best of attainable circumstances, will not generate sufficient income to raise the income level of beneficiaries much above the poverty line, however poverty may be defined.

The other conclusion which can be reached, even based upon a sample of eight visits, reflects more on the FDD than its beneficiaries. Preoccupation with the current financial management problems of the foundation, and with the unfortunate history of natural disaster-induced repayment problems of several years ago should not distort judgments vis-a-vis the quality of the FDD's field activities. The relatively large rural development program is being executed in competent fashion, and within the limited potential

possible, beneficiaries are better off as a result of the FDD's work than if the foundation were not there.

In terms of the macro-economy, given the generally unrecorded nature of land tenure among beneficiaries, and their general but not total inability to qualify for public sector (Banco Agricola) credit, the FDD can be considered to be adding to the total supply of rural credit available. It is estimated in fact that the FDD is responsible for approximately one per cent of the nation's agricultural credit, a relative impact far greater than that of the other evaluated foundations.

## 7. Institutional Relationship

### 7.1. With AID

The Dominican Republic is a recipient of USAID Economic Support Funds. In fiscal 1985, the FDD received a counterpart soft loan of RD \$500,000 from the Technical Secretariat of the Presidency. The AID Mission is also financing the Microenterprise program. AID officials who were queried concerning the FDD were of the opinion that its reprogrammed field operations were competently administered, but expressed some misgivings concerning the FDD's financial management.

### 7.2. With the Inter-American Development Bank

In accordance with the IDB's existing policy directives concerning SOLIDARIOS member NDF's, there is no direct support of the FDD by the IDB small projects window. The FDD has received a peso denominated IDB funded loan from SOLIDARIOS.

The IDB Mission in Santo Domingo is the direct contact between the IDB and SOLIDARIOS, and by virtue of location is quite familiar in a non-official manner with the FDD.

### 7.3. SOLIDARIOS

With both located in Santo Domingo, the official and unofficial ties between the FDD and SOLIDARIOS are strong. The ties are somewhat strained at present, however, due to failure to reach agreement on renegotiation of the FDD's debt to SOLIDARIOS (as of November 1985).

### 7.4. With Others

The development foundation movement in the Dominican Republic is stronger and more widely accepted at all levels of both public and private sectors than is the case in quite a few other countries. A

second foundation in the country, Mujeres Dominicanas en Desarrollo (MUDE), is, in fact, also a member of SOLIDARIOS.

It would appear that given the high visibility of the FDD, and given the support it has received already from the Dominican banking industry, it should be able to renegotiate its way through its present financial crisis without a severe curtailment of its field program.

**FUNDACION DOMINICANA DE DESARROLLO, INC.**

**ANNEX 1**

**FINANCIAL STATEMENTS FISCAL 1983 AND 1984**

TABLE 1

FUNDACION DOMINICANA DE DESARROLLO, INC.BALANCES GENERALES

|  | <u>30 de junio</u>    |                       |
|--|-----------------------|-----------------------|
|  | <u>1985</u>           | <u>1984</u>           |
| <u>A c t i v o s</u>   |                       |                       |
| Efectivo, incluyendo US\$223,141 en 1985 y US\$71,408 en 1984, a las tasas de cambio de cierre | RD\$ 1,189,852        | RD\$ 237,552          |
| Préstamos e intereses por cobrar (Notas 2 y 10)  | 8,388,878             | 8,669,762             |
| Cuentas por cobrar (Nota 3)  | 373,501               | 447,103               |
| Inventarios de artículos para la venta (Nota 4)  | 555,706               | 480,254               |
| Proyecto de viviendas para la venta, en proceso (Nota 12)                                      | 915,084               | 163,487               |
| Inversiones  | 7,423                 | 7,423                 |
| Propiedades, muebles y equipos, neto (Notas 5 y 6)   | 1,248,184             | 1,144,189             |
| Otros activos  | 129,521               | 109,781               |
|  | <u>RD\$12,808,149</u> | <u>RD\$11,259,561</u> |
| <u>Pasivos y patrimonio</u>  |                       |                       |
| Préstamos a plazo (Nota 6)   | RD\$12,505,918        | RD\$ 7,191,394        |
| Cuentas, intereses y gastos acumulados por pagar   | 1,108,544             | 466,774               |
| Avance para Centro-Taller Artesanal (Nota 11)  | 340,727               | 340,727               |
|  | <u>13,955,189</u>     | <u>7,998,895</u>      |
| Fondos en administración (Nota 10)   | 1,309,778             | 2,513,279             |
| Patrimonio:  |                       |                       |
| Certificados de asociación emitidos (Nota 8)   | 70,500                | 69,300                |
| (Déficit) ingresos acumulados  | (2,527,318)           | 678,087               |
|  | <u>(2,456,818)</u>    | <u>747,387</u>        |
|  | <u>RD\$12,808,149</u> | <u>RD\$11,259,561</u> |

TABLE 2

FUNDACION DOMINICANA DE DESARROLLO, INC.ESTADOS DE INGRESOS, GASTOS Y (DEFICIT) INGRESOS ACUMULADOS

|  | Año terminado<br>30 de junio |                     |
|--|------------------------------|---------------------|
|  | <u>1985</u>                  | <u>1984</u>         |
| <b>Ingresos:</b>   |                              |                     |
| Donaciones (Nota 7)  | <u>RD\$ 491,017</u>          | <u>RD\$ 604,324</u> |
| Intereses sobre préstamos  | 722,662                      | 614,331             |
| Ganancia bruta en venta de medallas,<br>artesanía y otros  | 184,590                      | 240,282             |
| Cuotas de asociados  | 106,700                      | 105,830             |
| Otros ingresos   | <u>223,613</u>               | <u>223,560</u>      |
|  | <u>1,728,582</u>             | <u>1,788,327</u>    |
| <b>Gastos:</b>   |                              |                     |
| Sueldos y servicios personales   | 714,526                      | 719,525             |
| Otros gastos generales y administra-<br>tivos  | 548,396                      | 555,152             |
| Préstamos de dudoso cobro  | 16,354                       | 7,243               |
| Pérdida en cambio  | 2,999,324                    | -                   |
| Intereses  | 563,249                      | 315,426             |
| Depreciación   | <u>92,138</u>                | <u>86,108</u>       |
|  | <u>4,933,987</u>             | <u>1,683,454</u>    |
| (Deficiencia) exceso de ingresos<br>sobre gastos   | <u>(3,205,405)</u>           | <u>104,873</u>      |
| <b>Ingresos acumulados al principio del<br/>año:</b>   |                              |                     |
| Según fueron previamente reportados  | <u>678,087</u>               | <u>573,214</u>      |
| <u>Menos</u> - Ajuste al estimado para prés-<br>tamos e intereses de dudoso cobro<br>(Notas 2 y 10)  | 1,203,501                    | 989,595             |
| <u>Más</u> - Fondos en administración usados<br>en el ajuste al estimado para prés-<br>tamos e intereses de dudoso cobro<br>(Notas 2 y 10) | <u>1,203,501</u>             | <u>989,595</u>      |
|  | <u>-</u>                     | <u>-</u>            |
| Modificados  | <u>678,087</u>               | <u>573,214</u>      |
| <b>(Déficit) ingresos acumulados al final<br/>del año</b>  | <u>RD\$(2,527,318)</u>       | <u>RD\$ 678,087</u> |

TABLE 3

FUNDACION DOMINICANA DE DESARROLLO, INC.ESTADOS DE CAMBIOS EN LA POSICION FINANCIERA

|  | Año terminado<br>30 de junio |                    |
|--|------------------------------|--------------------|
|  | <u>1985</u>                  | <u>1984</u>        |
| <b>Fuentes del efectivo:-</b>  |                              |                    |
| (Deficiencia) exceso de ingresos<br>sobre gastos   | RD\$ (3,205,405)             | RD\$ 104,873       |
| Más (menos) - Partidas que no<br>requirieron (proveyeron) efec-<br>tivo:                           |                              |                    |
| Cuentas de dudoso cobro  | 16,354                       | 7,243              |
| Depreciación   | 92,138                       | 86,108             |
| Cuentas y gastos acumulados<br>por pagar   | 23,295                       | 17,493             |
| Inventarios de artículos para<br>la venta  | (75,442)                     | 62,251             |
| Intereses sobre préstamos  | (722,662)                    | (609,024)          |
| Intereses sobre préstamos por<br>pagar   | 433,907                      | 51,171             |
| Pérdida en cambio  | 2,999,324                    | -                  |
| Efectivo usado en operaciones  | (438,491)                    | (279,885)          |
| Cobro de préstamos   | 1,465,526                    | 1,213,354          |
|  | <u>1,027,035</u>             | <u>933,469</u>     |
| <b>Usos del efectivo:</b>  |                              |                    |
| Préstamos desembolsados  | 1,655,366                    | 1,142,658          |
| Cuentas por cobrar   | (57,248)                     | 65,533             |
| Proyecto de viviendas para la<br>venta, en proceso   | 751,597                      | 163,487            |
| Propiedades, muebles y equipos   | 196,133                      | 253,235            |
| Otros activos  | 19,740                       | 20,485             |
| Inversiones  | -                            | 5,000              |
|  | <u>2,565,588</u>             | <u>1,650,398</u>   |
| Disminución del efectivo antes de<br>actividades financieras                                       | <u>(1,538,553)</u>           | <u>(716,929)</u>   |
| <b>Actividades financieras:</b>  |                              |                    |
| Avances para Centro-Taller Artesanal   | -                            | 230,117            |
| Préstamos obtenidos  | 2,828,751                    | 961,995            |
| Préstamos pagados  | (328,981)                    | (411,115)          |
| Préstamos eliminados contra la reserva   | 487,838                      | -                  |
| Aumento del estimado para préstamos<br>e intereses de dudoso cobro con<br>fondos en administración | 705,546                      | 989,595            |
| Ventas de certificados de asociación   | 1,200                        | 1,300              |
| Fondos en administración   | (1,203,501)                  | (979,595)          |
|  | <u>2,490,853</u>             | <u>792,297</u>     |
| <b>Aumento del efectivo</b>  | <u>RD\$ 952,300</u>          | <u>RD\$ 75,368</u> |

**FUNDACION DOMINICANA DE DESARROLLO, INC.**

**ANNEX 2**

**FIELD VISIT REPORTS**

1. **Asoc. de Cafecultores Santa Cruz**
2. **Asoc. Cafecultores El Recodo**
3. **Asoc. Agricola El Progreso**
4. **Asoc. Agricola Porfino Antonio Campos**
5. **Asoc. Agricola San Rafael**
6. **Asoc. Agricola San Antonio**
7. **Asoc. Agricola La Clavellina**
8. **Asoc. Agricola Talanquera**

Case No. 1: October 22, 1982

1. Project No. 4569
2. Name of Group: Asociacion de Cafecultores Santa Cruz
3. Location: El Recodo, Bani, Province of Peravia
4. Date of Establishment: March 15, 1975
5. Number of Members: 30 of which 28 participants
6. Years Working with FDD: First loan
7. Purpose of Loan: Finance coffee harvest for 592 quintales on 1480 Tareas (95 Has.) Estimated sales value RD \$52,280; Estimated income RD \$17,000 plus 48% foreign exchange premium.
8. Amount of Loan RD\$ 24,568; 8 mos. @ 11.5%; total payback \$26,451 on 7/27/85.
9. Loan status at time of interview: Loan full reimbursed.
10. Present at interview:  
Area supervisor for Bani: Hector Soto  
Director of Rural Development: Bienvenido Molina  
SOLIDARIOS Official: Vanessa Saladin  
President of group and supervisor of Centro de Acopio.
11. Field Observations:
  - As a result of loan, members no longer have to market through intermediaries or deal with them for credit. Result is that their net family incomes have increased.
  - Cannot say that overall production has increased.
  - Transport costs do not seem to be a problem; fixed rates per quintal depending on location.
  - As all production costs, except fertilizer are in pesos, group has benefited greatly from free market exchange rate, in spite of additional 36% export tax after devaluation.

- FDD loan interest is 12%; Banco Agricola rate is 16%. Some group members had received crop financing before from the BANCO AGRICOLA, but the FDD loan was the first they had received as a group.
- Warehouse was financed on 50/50 basis under government program, but government has never pursued reimbursement, effectively converting the government credit to a grant.
- Coffee crop financing is a relatively safe form of credit for the FDD, barring natural disasters such as Hurricane David in 1979. The principal impact is to allow beneficiaries to retain a larger share of income from production by being able to avoid financing through intermediaries.
- Production patterns are traditional, same for fertilizer use; did not appear that FDD technical assistance had made significant impact on production, but certainly had on assisting members to be more in control of their environment than before.

Case No. 2:

1. Project No.: 4542
2. Name of Group: Asociacion Cafecultores El Recodo
3. Location: El Recodo, Bani
4. Date of Organization: August 16, 1980
5. Number of Members: 118
6. Years Working with FDD: 3
7. Purpose of Loan: To finance the harvest of approximately 809 quintales of coffee distributed among 84 members. Total sales value est. at RD\$ 72,810; production cost estimate RD\$ 48,217; net income RD\$ 24,593. Cultivation area 2,022 taresos (130 Has.).
8. Loan Value/Terms: RD\$ 43,281 for 8 months @ 12%/yr. Total Payback RD\$46,744
9. Current Loan Status: Loan was paid back in full on May 28, 1985. Have submitted another application for financing of this year's crop.
10. Present at Interview:  
Same as case 1 for FDD, SOLIDARIOS and evaluator; Pedro Bernabe; President of Association; several other members.
11. Field Observations:
  - Same as case 1
  - Would like to see adjustment in local school schedule to correspond to peak harvest period.
  - Group leadership quite astute.

Case No. 3                      October 23, 1985

1. Project No. 4548
2. Name of Group: Asociacion Agricola El Progreso
3. Location: Maizal; Esperanza; Mao Prov. (30 km. west of Santiago)
4. Group Founded: December 21, 1978
5. Number of Members: 32; 24 participating in project
6. Years Working with FDD: 6; 6 previous loans, all paid in full.
7. Purpose of Loan: Finance planting of 558 taresos (36 Has), approx. 1,116 quintales of production) of Piloto Cuban tobacco. Estimated sales value of RD\$106,000. (RD\$95/qq.) Estimated production cost of \$64,147; net benefit \$41,873.
8. Amount of Loan/Terms: RD\$53,064 for 9 months @ 12% per annum interest.
9. Loan status at time of interview: Total loan amount \$59,829 due on July 30, 1985 had a balance due of RD\$375 on September 30, 1985.
10. Present at Interview: Evaluator  
Calixto Castillo, FDD  
Juan Fernandez, FDD  
Teofilo Rosario - member of group  
(in charge of health affairs)
11. Field Observations:  

The inauguration of a new government gravity irrigation scheme which reaches the land of all participant members in combination with availability of FDD. Credit has decreased risks associated with tobacco cultivation and lead to expansion of area cultivated.

- Credit availability permits purchase of more appropriate levels of fertilizer, fungicides and herbicides which account for about 35% of production cost. All are imported.
- Reportedly a shortage of machinery exists in the area, leading to high rental costs for land preparation. Nevertheless, since all of group's lands are in a flat, intensively cultivated area, opportunity cost involved in switching to animal traction for land preparation is perceived as not being financially justified.
- Overall impact of groups association with FDD and availability of FDD credit for last six years has been to reduce cultivation risks, expand area under cultivation in tobacco, and reportedly, increase average yields.
- Tobacco marketing in the Northwest and Cibao areas is more complicated than coffee marketing. Group still sells to intermediaries who then sell to Tobacco Growers Coop. To sell directly to tobacco co-op would involve a formal association with co-op; which involves such conditions as construction of additional drying and storage space; min. production level of 1000 q/year, etc. All are perceived as resulting in increased risk and financial burden which group is as yet unwilling to take on.
- Tobacco crop loans are consistent with FDD's policy of consolidation and concentration on low-risk loans with groups of known performance record.

Case No. 4

October 23, 1985

1. Project No. 4549
2. Name of Group: Asociacion Agricola Porfino Antonio Campos Campos
3. Location: Ojo de Agua, Guayacanes, Esperanza, Valverde (30 km west of Santiago)
4. Group Organized: April 12, 1979
5. No. of Members: 25; 21 participating in loan
6. Years working with FDD: 3; Four previous loans
7. Purpose of loan: Plant 516 tareas (33 Has) of tobacco (approx. 1032 quintales of prod.) of Piloto Cubano Tobacco. Estanted sales value of RD\$98,040; production cost, RD\$53,788, est. net income RD\$40,192.
8. Amount of Loan/Terms: RD\$47,080 for 9 months @ 12% per annum. Total payback RD\$51,317.
9. Loan status at time of interview: Loan paid on July 9, 1985.
10. Present at Interview:
  - Evaluator
  - Calixto Castillo
  - Juan Fernandez
  - About ten group members
11. Field Observations:
  - As a result of previous loan for construction of "ranchos" (tobacco drying sheds), availability of irrigation from recently completed permanent system; and increased use of inputs through availability of FDD credit; the group has more land in tobacco, and increased average yields (they said yields have doubled, but this is not considered a reliable figure).

- In contrast to nearby El Progreso Group, this association has sold directly to Tobacco Coop but reportedly with mixed results, citing a one-year delay in payment and delays in weighing. Intermediaries in area weigh and pay immediately in cash.

Case No. 5

October 23, 1985

1. Project No. 4610
2. Name of Group: Asociacion Agricola San Rafael
3. Location: Puerto Rico, Sabana Cruz, Guabin, Monte Cristo Prov. (95 km. northwest of Santiago)
4. Date of Establishment: January 29, 1983
5. Number of Members: 22, all participating in project
6. Years working with FDD: 2, four previous loans for a total of RD\$65,000
7. Purpose of Loan: Construction of 21 tobacco drying sheds; total cost estimated at RD\$14,900.
8. Amount of Loan/Terms: RD\$6,174 @ 9% for three years in three annual payments; total cost RD\$7,285.
9. Loan Status at Time of Interview: First payment not due until January 3, 1986. Previous loans have been repaid as scheduled.
10. Present at Interview:
  - Evaluator
  - C. Carillo
  - J. Fernandez
  - Four-five group members and several vocal non-members
11. Field Observations
  - The group cultivates a total of about 900 tareas (958 Has) of land in an isolated area of poor access and irregular light rainfall. Principal crops are low grade "criollo" tobacco and some habichuelas. The agronomic potential of the area is limited as there is no economically implementable irrigation potential.

- The group is in early stages of organization, but is considered a very good group by the FDD.
- The FDD has traditionally initiated financing activities with tobacco groups with loans for "Ranchos." These are low cost sheds built of locally available material whose cost is only a small percentage of expected annual receipts. An improved tobacco-drying operation should result in higher selling prices.
- Due to isolation and lack of transport, the group is completely at the mercy of marketing intermediaries.
- The group fits into the FDD's policy of working with groups in isolated areas that government agencies do not reach. They have however paid back previous loans.
- The FDD's operational policy of field coordinators going to the groups and processing credit applications with them on-site, can be particularly appreciated with the group, located 20 km from pavement on a poor dirt road. If soliciting Banco Agricola credit, repeated visits to the nearest B.A. branch with subsequent cost and loss of time would be required.

Case No. 6                      October 23, 1985

1. Project No. 4572
2. Name of Group: Asociacion Agricola San Antonio.
3. Location: Carnero, Guayabin, Montecristo (20 km northeast of Dajabon)
4. Group formed: April 9, 1981
5. Number of Members: 39, of whom 29 are participants in the project
6. Years Working with FDD: 3; six previous loans, all reimbursed.
7. Purpose of Loan: finance planting of 717 tareas (46 Has) of habichuelas (estimated product: 1,792 quintales). Estimated sales: RD\$89,625; production cost: RD\$36,472; net income RD\$53,154. The group also has loan applications for #4575 for tobacco (RD\$20,755) and #4571 for rancho construction (RD\$4,156)
8. Loan Amount/Terms: RD\$29,132 at 12% for five months.
9. Loan Status at Time of Interview: Not available: presumably acceptable if being approved for new financing
10. Present at Interview:

Evaluator

C. Carillo

J. Fernandez

Arrived without previous notice at time of group's weekly meeting

11. Field Observations:

- Group cultivates rather good land, although area is characterized by irregular rainfall.
- It would appear that financing by FDD has led to increased use of technical inputs.
- No good opinions available as to whether production has expanded as a result of FDD financing.
- Project is another example of FDD's new policy of low-risk loans to viable groups with previous good payback records.
- Assured domestic market for habichuelas.

Case No. 7

October 24, 1985

1. Project No. 4604
2. Name of Group: Asociacion Agricola La Clavellina
3. Location: Clavellina, Cayuco, Dajabon (15 km east of Dajabon)
4. Group Founded: April 13, 1985
5. Number of Members: 39, of which eight are participants in loan.
6. Years Working with FDD: 5; a previous loan of same type is being repaid on time.
7. Purpose of Loan: Finance purchase of 8 yoke of oxen (yuntas de bueyes)
8. Loan Value/Terms: RD\$8,000 for three years @ 9% Total to be repaid, RD\$9,260 in six payments.
10. Present at Interview:
  - Evaluator
  - C. Carillo, FDD
  - Alfonso Fernandez Bute, FDD
  - About five or six members of group
11. Field Observations:
  - The group's 39 members cultivate approximately 900 tareas (58 Has) in yuca, maize, papas, mani in an area of rolling land and very irregular rainfall patterns.
  - Given the availability of hilly land unsuitable for other than pasture use, the opportunity cost of maintaining oxen is low.
  - Tractor plowing (rented) costs RD\$13.50/tarea. With oxen the rental cost is RD\$6/tarea. With ownership within the group, the actual costs will be even less. A demand also exists outside of the group for rental at 50 pesos/day.

- The group is working 130 tareas of irrigated land on a communal basis. They will cultivate habichuelas and eggplant for export.
- The dam was built by government; pumps donated by West German government. Operating costs by group.
- The favorable economics in certain situations of replacing mechanization by animal traction is often not as well appreciated as it should be.

Case No. 8                      October 24, 1985

1. Project No. 4604
2. Name of Group: Asociacion Agricola Talanquera
3. Location: Talanquera, Sabana Larga, Dajabon (20 km northeast of Dajabon)
4. Group Founded: September 1, 1974
5. Number of Members: 22, of whom 3 are included in loan.
6. Years Working with FDD: 5. Four previous loans paid on time.
7. Purpose of Loan: To finance three pumps; to be purchased by three individuals of group to draw off water from stream to irrigate at total of 300 tareas (19 Has.) of land.
8. Loan Amount/Condition: RD\$20,000 at 9% for three years. The group also has applications for crop loans for habichuelas (RD\$4,861) and tobacco (RD\$25,145). Total payback for pump loan will be RD\$23,623 or \$7,875 per pump owner. Annual payments per owner will be approx. RD\$2,625.
9. Loan Status: Pumps purchased and delivered. First payment not due until April 1, 1986.
10. Present at Interview:

Evaluator

C. Carillo

B. Fernandez

One pump owner's wife

## 11. Field Observations:

- Pumps will be used and paid for on an individual basis by the three owners who will reimburse group. Approx. 300 tareas in total will be irrigated by the diesel-powered pumps.
- Irrigation will ensure against crop loss and make possible maize and habichuela cultivation in a dry area.
- One must question depth of technical/economic analysis that led to approval decision; and the extent of planned and irrigated cultivation methods training necessary to ensure program success. If there was an estimate of marginal benefits and costs associated with pump use, it was not apparent in loan documentation.
- In the prevailing economic environment, the payback requirements will be rather steep for the three individuals involved. It is obvious, however, that the individual responsibility will be a stimulus towards the proper care with which the pump viewed was being maintained. The FDD and many other organizations are well aware that communal ownership of mechanical equipment generally results in rapid deterioration.

**FUNDACION DOMINICANA DE DESARROLLO**

**ANNEX 3**

**TRAINING AND EVALUATION INFORMATION**

**Fig. 1: Rural Development Program Training Activities - 1985**

**Fig. 2: Forms and Procedures for Group Evaluation**

**CUADRO RESUMEN ACTIVIDADES DE CAPACITACION REALIZADAS  
POR REGION PERIODO JULIO 1984-JUNIO 1985,  
GERENCIA DE DESARROLLO RURAL**

| ACTIVIDADES         | REGIONES   |            |            |            |              | NO. PART.     |
|---------------------|------------|------------|------------|------------|--------------|---------------|
|                     | SUR        | SUROESTE   | NORTE      | NOROESTE   | TOTAL        |               |
| Charlas             | 238        | 222        | 118        | 389        | 967          | 18,519        |
| Jornadas            | 58         | 66         | 17         | 83         | 224          | 5,068         |
| Cursos              | 2          | 2          | 3          | 40         | 47           | 1,085         |
| Talleres            | 13         | 51         | 15         | 1          | 80           | 1,446         |
| Demostraciones      | 7          | 30         | 36         | 61         | 134          | 2,435         |
| Círculos de Estudio | 20         | 15         | 31         | 1          | 67           | 1,387         |
| Encuentros          | 2          | 1          | 1          | 6          | 10           | 1,228         |
| Intercambios        | -          | 1          | 1          | 5          | 7            | 373           |
| Conferencias        | -          | -          | -          | 2          | 2            | 200           |
| <b>TOTALES</b>      | <b>340</b> | <b>388</b> | <b>222</b> | <b>588</b> | <b>1,538</b> | <b>31,741</b> |

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TABLE 2

FDD: FORMS AND PROCEDURES FOR GROUP EVALUATION

## C U A D R O

| EPA N° | SEGUIMIENTO | RESPONSABLE  | FRECUENCIA  | OBJETIVO   |
|--------|-------------|--|---|--|
| 1.     |             | Coordinador  | Anual   | Determinar e informar acerca de los grupos que integran área.  |
| 2.     |             | Coordinador  | 1. Cada reunión asistida<br>2. Bimensual<br>3. Discrecional | Evaluar reuniones de los grupos y determinar próxima actividad.                                      |
| 3.     |             | 1. Coordinador<br>2. Supervisor<br>3. Encargado División | Quincenal   | Programación de Actividades.   |
| 4.     |             | 1. Coordinador<br>2. Supervisor<br>3. Encargado División | Semestral   | Planear visitas a grupos durante período programado.   |
| 5.     |             | 1. Supervisor<br>2. Encargado División                   | Cada acción de supervisión                                  | Informar actividades ejecutadas.   |
| 6.     |             | Coordinador  | Diario  | Informar actividades diarias.  |
| 7.     |             | Supervisor   | Quincenal   | Reportar datos e informaciones, de actividades ejecutadas y programadas y otros aspectos de interés. |
|        |             | Coordinador  | Anual   | Recoger resultados eva-  |

**ECUADOREAN DEVELOPMENT FOUNDATION**

**SOUTHERN ZONE - GUAYAQUIL**

**FEDEQUIL**

**FEDERACION ECUATORIANA DE DESARROLLO**

**ZONA SUR - GUAYAQUIL**

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1. Background

The Ecuadorean Development Foundation-Guayaquil (FEDED-Zona Sur) or FEDEQUIL together with FEDED Zona Norte (FED Norte-Quito) were chartered on July 3, 1968 as two branches of the Equatorian Development Foundation. Though legally chartered as a single foundation; FEDEQUIL and FEDNORTE are effectively separate institutions and considered as such by SOLIDARIOS, and by the Pan American Development Foundation with whom both are affiliated. In practical terms, the only relationship between the two foundations other than legal is one of occasional liaison.

FEDEQUIL currently functions at a reduced level of activity, having a salaried staff of only two professionals, and no current credit operations. It has never received financial support from SOLIDARIOS. A loan request for \$185,000 was submitted to SOLIDARIOS in September 1979. It was denied on the grounds that FEDEQUIL possessed neither the institutional structure, nor an adequately designed program of developmental activities to justify granting of the credit. This situation had not materially changed as of the time of the evaluation visit to Guayaquil in November 1985.

## 2. Organizational Structure

On paper, FEDEQUIL is organized along the lines of other SOLIDARIOS members, with an Executive Counsel, a Board of Directors, an Executive Director, both a salaried and volunteer staff, and reportedly, more than 100 professionals, who can be called upon on a volunteer basis to support and implement foundation activities.

The foundation operates in the provinces of Manabi, Guayas, Los Rios, El Oro, Azuay, Canai and Loja, all of which are located in the southern Guayas region and southeast of Ecuador.

The president of the foundation since 1980 has been Sr. Jose D. Feraud, a Guayaquil entrepreneur. The Executive Director position is currently vacant, due to resignation several months ago. The acting Executive Director is Ing. Fernando Marino G., a salaried staff member. Staff members who function part time, on a volunteer basis are the Program Director and the Administration Coordinator. The only other salaried staff are a social promotor, two secretaries and several custodial personnel.

The social promotor has been associated with the foundation since 1968, but presently functions as a bookkeeper. The informal organizational structure of the foundation appears to be dominated by the president, who is reportedly also the foundation's principal financial supporter. There appears to be virtually no delegation of authority, responsibility or decision making within the organization.

The Foundation has had an active credit program in the past. Interamerican Bank (IDB) information indicates that as of 30 June 1978, FEDEQUIL had a staff of seven employees, a loan portfolio of \$69,000, mostly in urban enterprise, assets of \$154,000, a net worth of \$61,000, and a loss on operations for the preceeding year of

\$11,000. Activities apparently contracted sharply thereafter, when the Foundation reportedly encountered financial difficulties. The impression which is conveyed at present is one of a nearly moribund institution functioning with a skeleton staff and a highly centralized, if not paternalistic mode of operation.

The Foundation president states that he is quite aware of the relative lack of action in recent years, but that an ambitious program for 1986 is now being developed.

### 3. Policies, Programs, and Activities

#### 3.1. Objectives and Policies

As stated in their promotional literature, the basic objective of FEDEQUIL is to:

"Provide opportunity, not charity, to Ecuadorians of limited economic resources, in order that they may develop their potential to the level where they may be integrated into the nation's organized economic activity."

FEDEQUIL policy, as reiterated by Mr. Feraud is that financial, technical and managerial resources to be channelled by the foundation to its beneficiaries will be provided as much as possible from private sector entrepreneurs in the Guayaquil region. Financial assistance will be in the form of credit and never as donations, so as to develop independence rather than generate dependence.

Ultimately, FEDEQUIL, wishes to assist its beneficiaries, in the non-formal sector such as small farmers, market vendors, mechanics, carpenters, etc. to improve their financial position to the level where they may be integrated into the formal sector of the economy and qualify for credit from normal banking channels.

#### 3.2. Programs and Activities

##### 3.2.1. Previous Programs (1968-1985)

The following record of past activities is abstracted directly from information contained in FEDEQUIL promotional literature.

Neither SOLIDARIOS, the IDB, nor the USAID Mission has recently evaluated FEDEQUIL. Consequently, independent information concerning the impact of the following programs is unavailable.

- Aid to Small Business Entrepreneurs (micro empresarios)  
The Federation established a revolving credit fund accompanied by technical and administrative assistance for small business owners who did not otherwise qualify for credit from other sources. The program financed a total of 2,758 loans for a total of 25.1 million sucres.

The breakdown of beneficiaries by type of activities and amounts loaned is as follows in Table 1.

Table 1: FEDEQUIL SMALL BUSINESS PROGRAM CREDIT ACTIVITY

| Business or Activity               | Number of Loans | Loan Amount<br>(000's Sucres) |
|------------------------------------|-----------------|-------------------------------|
| Housing Improvement                | 603             | 4,867                         |
| Artisans                           | 238             | 3,875                         |
| Small businesses                   | 160             | 1,898                         |
| Tailors, seamstresses              | 198             | 1,216                         |
| Butcher shops                      | 80              | 343                           |
| Restaurants, cafeterias            | 111             | 739                           |
| Beauty parlors, pharmacies         | 93              | 940                           |
| Community projects                 | 76              | 2,157                         |
| Shoe stores                        | 102             | 785                           |
| Bakeries                           | 622             | 3,960                         |
| Employees of Foundation<br>Members | 475             | 4,383                         |
| <b>TOTALS</b>                      | <b>2758</b>     | <b>S/.25,163</b>              |

This is presumably the same urban small industry and commerce oriented program mentioned in the 1978 IDB information. Operations were terminated sometime thereafter, as the program is no longer active.

1 Exchange rates

1968 = \$1 US/25 sucres  
1982 = \$1 US/33 sucres  
Nov. 1985 = \$1 US/117 sucres

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- Tools for Education

In a program that was implemented in collaboration with the Pan American Development Foundation, FEDEQUIL distributed tools and machinery donated by private enterprise in the United States to non profit institutions of technical instruction. Machinery with a value of two million sueres (approximately \$50,000) was donated to two universities, 8 secondary schools (colegios) and a vocational school.

- Operation Children

Thirteen public and private schools in the Guayas region received small donations from the foundation for physical improvements.

- Medicine and Hospital Program

FEDEQUIL contributed vitamins, medicine and hospital equipment to twelve medical dispensaries in the Guayaquil area.

- Aid to Small Farmers

The Foundation has financed or donated equipment for small irrigation and other projects in the Guayas Region. No figures as to number of beneficiaries, amount of financing or extent of area benefitted were available.

- Plastic Surgery Program in Machala and Santa Rosa

In a more recent program carried out in early 1985, the Foundation organized and partially financed a program of outpatient consultation and surgery for low income patients with burns, hair lips, and other ailments of a disfiguring nature requiring plastic surgery. More than 80 operations were carried out in two hospitals in the adjacent cities of Santa Rosa and Machala.

Though the FEDEQUIL proposes to be a development foundation; the orientation of many of the above activities appears to be of a social welfare nature, with the materials and services being donated to beneficiaries rather than financed.

### 3.2.2. Current and Future Programs

FEDEQUIL personnel indicated that at present virtually no activity directly impacting upon beneficiaries is being carried out by the Foundation. Nevertheless a fairly lengthy list of programs which are in various stages of design was produced. The list of the programs is as follows:

#### FEDEQUIL: Action Programs 1985

##### Rural Development

- Research and development of household scale food processing industries to raise the nutritional level of the rural population.
- Small industries for rural settlements.
- Design and construction of low cost housing for rural areas and colonization projects.
- Design and production of agricultural machinery and tools.
- Transfer of modern medical techniques to medical professionals working in rural areas.

##### Urban Development

- Professional training center in activities which generate self-employment.
- Development of low cost/high nutrition processed food.
- Low cost housing for the urban poor.
- Home for troubled juveniles
- Professional and technical assistance for small scale entrepreneurs.
- Technology transfer in industries with export potential.
- Credit for small businesses and trades.
- Cooperative and social organization.

- Medical dispensaries in isolated areas.
- Organization of a technical and management assistance program utilizing retirees.

Apart from some preliminary research which the acting executive director is doing on some of the food technology projects and on the small business credit program, there was little indication of activity within the FEDEQUIL offices on the other projects. The extent of current volunteer work in the planning and design of the above programs was not indicated to the evaluator.

4. Financial Structure

No quantitative information of any sort was provided concerning the FEDEQUIL financial structure. Financial statements, if prepared, were not available for scrutiny.

The foundation president indicated that he was quite aware that audited financial statements were a prior condition to the initiation of discussions with potential international donors or lenders, and that the Foundation was currently deficient in this respect. He stated that these deficiencies would be rectified in 1986.

5. Analysis of Operations

5.1. Internal Procedures:

Internal operating procedures, appear to be rather ad hoc. Discussions with the social promotor/bookkeeper indicated that the system of accounting by funds practiced by SOLIDARIOS and the other evaluated foundations is not used by FEDEQUIL. All bookkeeping is done manually.

5.2. Credit operations

No indication was given that any of the previous or planned credit programs mentioned are active at present.

5.3. Promotion and Technical Assistance

There is no organized plan for promotion and organization of potential beneficiaries. Technical assistance provided by the volunteer force would appear to be organized on an ad hoc basis as required for the programs which the foundation organizes.

It is apparent that technical assistance in institutional organization and program development of the type which SOLIDARIOS, PADF, IAF and other donor foundations could provide, would be very beneficial to FEDEQUIL. Nevertheless, given the apparent internal dynamics of the organization; acceptance and implementation of assistance of this nature, unless specifically requested by FEDEQUIL, might be problematic.

#### 5.4. Human Resources

As previously noted, FEDEQUIL presently employs only two professional staff. The acting executive director is a practicing chemical engineer. The social promotor in the absence of current foundation activity in this field, is being used as a bookkeeper.

#### 5.5. Summary

The environment surrounding the foundation is quite contradictory. On one hand, there seems to be a very sincere commitment on the part of those connected with the foundation, from the president on down, to the concept of "development" and uplift of the low income population of the Guayas region. Yet, the foundation has proven for many years to be either unwilling or unable to organize the institutional structure, human resources, and financially viable programs characteristic of a successful development foundation. Apart from the assertions of the president concerning the 1986 program, there was little indication that this state of affairs was in the process of near term transition.

6. Evaluation of Field Activities

No field visits were made as it was indicated by the acting executive director that there were no Foundation sponsored field activities ongoing at the time of the evaluation (November 1985).

## 7. Institutional Relationships

### 7.1. With AID

Conversations with the USAID Mission Office in Quito and the American Consul General in Guayaquil indicated that there is little contact with and no funding of FEDEQUIL contemplated by USAID Ecuador at present. AID has selected the Eugenio Espejo Foundation to implement the micro empresa program in Guayaquil analogous to the PRODEM project which is being implemented by FEDNORTE in Quito.

### 7.2. With IDB

FEDEQUIL has never received IDB financing of any sort. It is unlikely that this situation will change under current circumstances.

### 7.3. With SOLIDARIOS

Contact between FEDEQUIL and SOLIDARIOS appears to be minimal. According to SOLIDARIOS statistics, only two technical assistance visits to FEDEQUIL took place between 1978 and 1983. By contrast ten technical assistance visits were paid to FEDNORTE during the same period. The SOLIDARIOS representative who covers Ecuador indicated that were it not for the legal obligations imposed by the Ecuadorian Development Foundation's charter which mandates the continued establishment of both FEDNORTE and FEDEQUIL, FEDEQUIL would probably cease to be a member of SOLIDARIOS.

The president of FEDEQUIL indicated that he had little desire for broader contacts with SOLIDARIOS. This attitude is consistent with

what appears to be a strongly felt sentiment on the part of FEDEQUIL to pursue its own independent path, however divergent it may be from that of the other evaluated foundations.

**ECUADOREAN DEVELOPMENT FOUNDATION**

**NORTHERN ZONE**

**FEDERACION ECUATORIANA DE DESARROLLO**

**ZONA NORTE**

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1. Background

The Ecuadorean Development Foundation (Fundacion Ecuatoriana de Desarrollo) was founded on April 26, 1968 by a group of private sector entrepreneurs from both Quito and Quayaquil. The foundation was organized in two divisions, Zona Sur Guayaquil (FEDEQUIL) and Zona Norte-Quito (FEDNORTE or La FED). Both continue to function as autonomous organizations, being considered as separate and distinct foundations by SOLIDARIOS, of whom both are members.

During its first ten years of existence, the FED remained a rather small organization, having a staff of ten employees, a loan portfolio of \$108,000 (S/ 2,500,000) in 1978, and an exclusively rural orientation in its operations. The loan portfolio, quite often had high default rates, a consequence not only of a series of draughts in Northern Ecuador, but due also to lending policies which did not give high priority to the financial feasibility of the social infrastructure projects being financed.<sup>1</sup>

Lending policy was subsequently revised during the 1978/79 period, with higher priority given to economic and financial feasibility of projects being financed.

The current Executive Director of the foundation, Ing. Agr. Sergio Guevara, assumed his position in 1979. During 1980 the FED received its first financial support from SOLIDARIOS, and also began a close collaboration with SOLIDARIOS in the areas of

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<sup>1</sup> Information source: IDB appraisal of SOLIDARIOS loan.

institutional organization; project planning and evaluation methodology; and implementation of the system of accounting by funds.

Since 1979 the FED has experienced a significant expansion of activities. Loans outstanding increased from S/ 3.1 million (\$130,000) in 1979 to S/ 6.2 million (\$248,000) in 1980, S/ 12 million (\$273,000) in 1983 and S/ 27.3 million (\$345,000) in 1984. The staff increased during this period from ten to 55 employees. The FED's activities continued to have a completely rural orientation until 1984, when the PRODEM program to provide credit and managerial assistance to street vendors and micro entrepreneurs in Quito was initiated. PRODEM is financed with a two-year \$460,000 OPG grant of USAID.

As of June 1985, total assets of the FED were S/ 49.3 million (\$550,000), loans outstanding S/ 34.7 million (\$385,000) and net equity S/ 30 million (\$330,000).

## 2. Organizational Structure

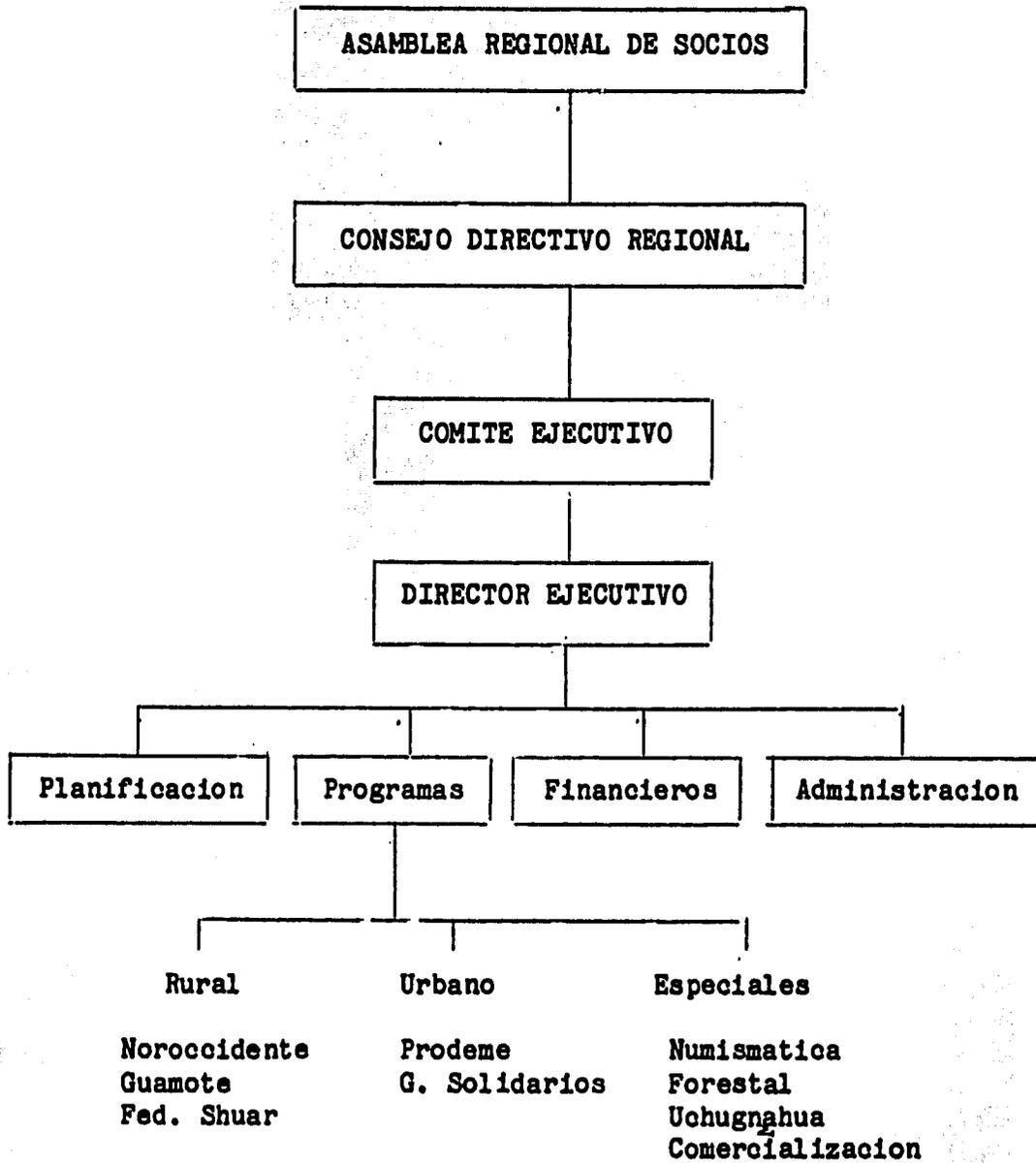
The current organizational structure of FED Norte is shown in Figure 1.

The Regional Assembly (Asamblea Regional de Socios) is composed of all the active members of the Foundation. They contribute an initial capital donation and an annual membership fee. The assembly meets once per year.

The Executive Council (Consejo Directivo Regional) is composed of fifteen members elected by the assembly for terms of two years. The Executive Director is the senior official of the administrative staff, and is responsible for the operations and administration of the foundation.

The central office of FEDNORTE is located in Quito, as are the department directors, accounting office and the PRODEM Project Office. The foundation has a regional office in Guamate, Chimborazo Province and a staff which works out of the Training Center at Uchughahua on the northwest Pichincha project. The payroll currently consists of 55 employees, of whom six are in Guamate, and fifteen with the northwest Pichincha project in Uchughahua. Sixteen of the staff of 34 in the Quito office work exclusively in the PRODEME project. Their operational costs are financed through AID/AITEC implementation contract.

**Figure 1. FED NORTE ORGANIZATION CHART**



### 3. Policies, Program and Activities

#### 3.1. Objectives and Policies

The objective of FED NORTE as stated in its charter and its promotional literature is to:

Rise the standard of living of the informal sector through the channelling of resources to innovative demonstration projects in the areas of promotion, organization, training and technical assistance, which will enable beneficiaries to establish control of their own economic, social and cultural development.

The FED works towards these objectives through activities among which are included:

- Group promotion and organization
- Training courses and seminars
- Group and individual technical assistance
- Assistance in marketing of production
- Revolving and longer term credit programs
- Planning programming and evaluation of ongoing and projected activities.

FEDNORTE is a very action-oriented foundation whose policies are flexible and adaptable to whatever opportunities may be presented in pursuit of its general stated objective. The FED has no fixed policy concerning promotion. While it prefers to work with groups, it will work with individual rural beneficiaries, in regions where there is little tradition of group organization, or as mandated by grant conditions such as in PRODEM. A subproject of PRODEM, the ICRW program is oriented exclusively towards female beneficiaries.

### 3.2. Programs and Activities

FEDNORTE currently is active in three rural areas: Northwest Pichincha Province, near Quito; Chimborazo Province, in the Andean Highlands of Central Ecuador, and Morona Santiago Province in the tropical Amazon area of Eastern Ecuador. Another rural project, the Carchi Potato Cooperative in the Northern Highlands near Tulcan was terminated several years ago due to financial irregularities among beneficiaries.

PRODEM is the foundation's only urban project.

The other major activity of the foundation, which is also located in the Northwest Pichincha district, is the FED owned and operated Sub-tropical Training Center at Uchughahua.

#### 3.2.1. Rural Projects

The rural programs of the FED tend to have a broader base of activities than those of the other evaluated foundations, encompassing not only crop financing and related extension work for already active producers; but also the financing of completely new activity, marketing assistance, and very active technical training programs. A description of each project follows.

##### 3.2.1.1 Northwest Pichincha Project (Proyecto Noroccidental de Pichincha)

The project area is a sparsely populated, steeply sloped district of somewhat limited agricultural potential located 110 km. to 150 km. from Quito. The predominantly Spanish mestizo culture population, largely settlers within the last generation, has been engaging primarily in woodcutting, slash and burn agriculture and criollo livestock production. Indicative of the low value added, extensive nature of these subsistence

activities is the fact that the average land holding of FED project beneficiaries is in the 15ha. - 30ha. range, most often steeply sloped, unimproved pasture.

Road construction, albeit still unpaved, and the arrival of electric energy in recent years have, however, brought to this once very isolated area an important advantage: it is now only a three hour trip from the 1,000,000 population Quito market area, where demand for dairy products has outpaced supply in recent years.

The FED initiated activities in the area in 1980. Since then, it has established a comprehensive program of credit, technical assistance and training, which has resulted in the conversion of most beneficiaries from subsistence level activity to cash livestock and dairy production for the Quito market. Among the major program components are:

- Cattle purchase sub-project: the foundation has financed cattle purchase and stable construction for both group and individual beneficiaries.

Since most beneficiaries have had little previous experience in commercial livestock and milk production or pasture improvement, the field extension and marketing assistance aspects of the program are particularly important. As of mid-1985, 51 farms had benefitted from the program. Initial emphasis has centered on development of improved skills for subsistence level criollo cattle raising; particularly the introduction of a schedule of two milkings per day instead of one, a relatively cost free, but difficult to implement modification of traditional practice. To upgrade stocks, the FED has also introduced a program of artificial insemination.

An important organizational aspect of the cattle sub-project has been the establishment, via the collaboration of the FED and the Santa Elena Cooperative, of AGANOR (Asociacion de Agricultores y Ganaderos del Noroccidente). Through AGANOR, four molasses feed distribution tanks and six agricultural supply stores have been established in the region; and an Austrian volunteer veterinarian and a Swiss

technical assistance group in milk processing have worked with Association members.

- Milk processing and cheese production: taking advantage of the recent availability in the project area of electric energy, and the aforementioned Swiss technical assistance, five cheese plants have been constructed which are supplied by an average of 95 producers and 3,100 liters/day of milk. The milk is processed into natural cheese and mozzarella, both of which find a ready market in Quito. One of the plants at the Santa Elena Coop also produces gruyere and other varieties of aged cheese. The remarkable feature of the cheese program is that many of the producers were not even raising cattle before 1980, and the processing plants function on a completely cooperative basis. At the present, more than S/ 9 million (\$100,000+) have been invested in the program, S/ 5.7 million credit from the FED, S/ 1 million bank credit, and S/ 2 million capital of members.
- Pork production: in an attempt to raise the quantity and quality of pork production in the zone, the FED provides credit for purchase and distributes breeding stock to individual families. In 1984, 210 animals were distributed to 58 families who received 161 technical assistance visits.
- Poultry program: the sale of stock to area families is financed and supplied by the FED. The objective is to raise local nutritional levels and stabilize area prices for eggs and poultry.
- Agricultural development: a component of the program similar to the crop financing of other foundations. In 1984, 13 credits were granted for the purchase of improved varieties of corn, beans, soya and vegetable seeds.
- Enriched animal feed (alimentos balanceados) program: The FED finances the sale of animal feed to beneficiaries of the poultry, pork and cattle programs. Much of the feed will be blended and packaged at the Training Center in the future.
- Non-conventional energy: the FED has designed, financed, and installed two biogas generators fueled by animal wastes which generate methane gas for household cooking and illumination. Though not quite economically feasible in the low cost energy environment of Ecuador, the units have demonstrated operational feasibility, and offer potential for use in isolated areas. The FED has also financed and promoted the use of the "bomba arrieta" (See Annex 2), a hydraulic principle pump which can transport water to a

discharge level higher than the water inlet without the need for an external energy source.

- Reforestation: the FED is currently planning a reforestation and wood fuel farm program in the seriously deforested area.

### 3.2.1.2. The Shuar Federation (Morona Santiago Province)

The Shuar Indians are indigenous to the Amazon lowlands of eastern Ecuador. Groups of Shuar families (centros Shuar) have cleared land to be used for cattle raising and to a lesser extent, agriculture. The Shuar Federation, which maintains an office in Quito, is an umbrella group of centros Shuar. During 1981, the FED financed 12 centers of 182 families for the purchase of 238 cattle. The loans totaled S/ 3,000,000 and was financed with SOLIDARIOS/AID funds. An additional loan of S/ 1,935,000 was made in 1985.

Due to language, culture and distance barriers, the FED provides only credit to the Shuar. The Shuar Federation itself manages organization and technical assistance.

### 3.2.1.3. Chimborazo Province Projects

The FED has been active in seven communities of Chimborazo Province since 1979. Most beneficiaries are of indigenous highland Indian cultures.

Activities consist of group promotion and organization, technical assistance, and credit for agriculture and livestock development, operation of community stores and assistance in marketing. As of December 1984, the balance on loans outstanding to 45 groups was S/ 3.6 million. In response to beneficiary requests for a marketing center in order to minimize selling through intermediaries, the FED

established the "Centro de Acopio" at Guamote. It includes the following facilities:

- Warehouse for corn, wheat, potatoes, vegetables, etc. where the beneficiaries can market direct to consumers.
- Agricultural supply warehouse for distribution of fertilizer, fungicides, insecticides and agricultural tools. Appropriate technical assistance by FED staff.
- Community store - basic commodities.
- Training center - classroom.
- Finance center - establishment of a rotating credit fund with capital from the FED, savings despoits of members and international assistance.
- Solar grain drying center.
- Solar-heated hot water bathhouse.
- Campesino guest house - a center where beneficiaries may stay in a hospitable and fairly priced atmosphere while doing business in Guamote, conditions markedly different from the normal in such trading centers.

### 3.2.2. Urban programs.

#### 3.2.2.1. PRODEM (Programa de Desarrollo de Microempresas) Small Business Development

Initiated in May 1984 with USAID Grant funds, this is the first urban oriented program of the FED. As described in the AID project paper, the program's purpose is to:

. . . establish a Program for microenterprise development which will consist of credit and related technical assistance which will enable street vendors and microenterprises to expand operations, thereby increasing productivity and income, generating new employment and strengthening precarious employment.

. . . a related objective is to demonstrate mechanisms by which lending to the urban informal sector can be a financially and economically viable activity.

The grant budget for the first two years of operation is \$460,000; of which \$206,000 is for establishment of a rotating credit fund; \$82,000 to support PRODEM project staff at the FED and other project operating expenses; and a \$172,000 technical assistance contract for AITEC, the project implementation contractor.

Beneficiaries are of two classes, street vendors organized into "solidarity groups," and individual microenterprises. Beneficiaries receive initially small amounts of credit for short terms (e.g., one month) for working capital, and qualify successively for larger amounts and longer terms. The goal is for beneficiaries to eventually qualify for "formal system credit," and for the program to be self-sufficient in two years. The latter is to be accomplished by charging fairly high rates of interest, but still considerably lower than what traditional moneylenders would charge.

During the first year of operation (1 May 1984 - 30 April 1985) 574 microempresarios received 2,067 loans totaling S/ 42,714,000 (approx. \$475,000), and 370 solidarity groups of street vendors totaling 2,024 individuals received 1,706 loans totaling S/ 41,981,000 (approx. \$470,000). By April 1985 the program had reached a level of 78% self-sufficiency.

### 3.3. The Sub-tropical Training Center at Uchugnagua.

Shortly after announcement of its activities in the northwest Pichincha area, the FED had established a rural center at Santa Elena, adjacent to the milk and cheese processing plant of the Cooperativa Santa Elena. At first it was merely a

resthouse for FED staff traveling in the area, but gradually it came to be used for training sessions and agricultural and livestock demonstrations and tests. By 1983, the demand for the FED's services had outgrown Santa Elena's facilities. The decision was made by the FED to purchase property and to establish a permanent training center and demonstration farm in the project area. In 1984, the FED thus closed down the Santa Elena center and established operations at the "Centro Multiple de Capacitacion de la Zona Subtropical" (Subtropical Training Center) at Uchughahua.

The Uchughahua Center is located on 370 has. of property, purchased by the FED. The objectives of the training center are to:

- Establish a practical training center in livestock and agricultural operations for area farmers and farm labor.
- Establish a mixed farming and animal raising colony for area youth up to the age of twenty-one. Each will be responsible for management of one of the farm's operations, receiving training and technical assistance from resident FED staff, and will share in profits.
- Create demonstration farms and livestock operations for area farmers where they may be instructed in new techniques to be adopted in their own operations.
- Establish a nursery for vegetable, fruits, and trees for reforestation.
- Establish a training center for practical experiments for student agronomists at the professional level.

The training center's operations will be supported by operating profits from the following operations within the center's property:

- milk and cheese production and processing
- balanced animal feed blending and packaging operation
- hog raising and pork production for sale in the Quito market

- egg production and broiler fattening
- nursery sales

Infrastructure for the above operations is for the most part already constructed and partial production is underway. The school and visitor lodging center are also under construction. Until very recently, the center's establishment was financed out of FED capital, but since early 1985, the AID loan guarantee fund credit line is also being used.

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#### 4. Financial Structure

##### 4.1. Sources of Funding

FEDNORTE's sources of funding in recent years have consisted of:

- Internally generated income from loan interest payments, investment of cash balances and miscellaneous project operations;
- An annual donation from Partners of the Americas Collaborating Together (PACT), used to support staff salaries and administrative expenses related to project implementation;
- SOLIDARIOS loans the the SOLIDARIOS/AID loan guarantee fund;
- The USAID grant for the PRODEM operation;
- Local donations and membership dues.

Table 1 details the SOLIDARIOS credit disbursements to FEDNORTE, the first of which was transferred in 1980.

Table 1: SOLIDARIOS Loan Disbursements to FEDNORTE Quito  
1980 - 1984. (\$US)

| <u>Fund</u>          | <u>Approved</u> | <u>Disbursed</u> | <u>Year of Disbursement</u> | <u>Pending Disbursements</u> | <u>Loan Conditions</u>          |
|----------------------|-----------------|------------------|-----------------------------|------------------------------|---------------------------------|
| SOL/AID-06           | \$185,000       | \$170,000        | 1980                        | --                           | 5%, 20 pmts,<br>8/83 - 2/92     |
|                      |                 | 15,000           | 1982                        | --                           |                                 |
| SOL/AID <sup>1</sup> | 350,960         | 100,000          | 1983                        | --                           | 1)                              |
|                      |                 | 250,960          | 1984                        | --                           | 1)                              |
| SOL/BID <sup>2</sup> | 95,000          | 63,650           | 1982                        | --                           | 2) 5%, 22 pmts,                 |
| SOL/BID <sup>2</sup> | 95,000          | 62,700           | 1983                        | --                           | 2) 5%, 22 pmts,<br>6/87 - 12/97 |
| SOL/BID              |                 | 32,300           | 1984                        | 31,350                       |                                 |
| SOL/CEE              | 105,000         | 35,000           | 1982                        |                              | 5%, 22 pmts,<br>12/85 - 6/96    |
|                      |                 | 41,474           | 1984                        | 27,826                       |                                 |
| <b>TOTALS</b>        | <b>830,960</b>  | <b>771,784</b>   | <b>--</b>                   | <b>3</b>                     |                                 |

- 1 Represents a guarantee deposited in US\$ with Bank of America, Miami. FED draws sucres from a line of credit in the Central Bank of Ecuador guaranteed by the dollar deposit with Bank of America.
- 2 Denominated in Sucres at prevailing rate of exchange with dollar at time of disbursement; payable in sucres with principal at sucre value at time of disbursement.
- 3 Authorization expired in November, 1984.

Table 5 of Annex 1, "Evolucion de los Recursos Conseguídos" shows the income sources of the FED by category in sucres for the period 1979-1984, and the average annual dollar exchange rate for each year. It will be noted that local donations have decreased sharply as a percentage of total resources, and that the FED's recent expansion has been financed exclusively with international donations and credit.

Table 1 indicates that the SOL/CEE and SOL/AID-06 loans were denominated in and repayable in US dollars. These conditions have since been renegotiated so that principal repayments will be in sucres to be deposited in a local currency revolving fund, while interest will continue to be paid to SOLIDARIOS in US dollars. The SOL/BID loan was disbursed in the sucre equivalent of dollars at the prevailing exchange rate at the time of disbursement. The principal will remain fixed at that level of sucres, regardless of subsequent exchange rate adjustments.

The SOL/AID credit of \$350,960 has been deposited by SOLIDARIOS in the Bank of America, Miami and a line of credit in sucres established with the Central Bank of Ecuador against the guarantee. Interest on the deposit is paid to SOLIDARIOS. Per the guarantee agreement, the line of credit may be used only for the Northwest Pichincha cattle subproject.

#### 4.2. Financial Statements

##### 4.2.1. Balance Sheet

The balance sheet by funds for the FED for December 31, 1984 and June 30, 1985 are shown in Tables 1 and 2 of Annex 1,

Financial Statements. Evaluated at an exchange rate of S/ 80/\$US 1, on December 30, 1984, the FED's total assets were S/ 46,400,000 (\$580,000) and net equity S/ 15,700,000 (\$197,000).

The distribution of assets by fund are as shown in Table 2.

Table 2: Distribution of FED Assets by Fund:  
December 31, 1984

| <u>Fund</u>              | <u>Assets</u><br><u>(S/ x 10<sup>6</sup>)</u> | <u>% of</u><br><u>Total</u> |
|--------------------------|---|-----------------------------|
| SOL/AID                  | 2.1   | 5%                          |
| SOL/CEE/BID              | 11.0  | 24%                         |
| PRODEM                   | 13.7  | 30%                         |
| ICRW                     | 2.7   | 6%                          |
| FED Development (Equity) | 8.2   | 17%                         |
| Others (IAF, etc.)       | <u>8.7</u>                                    | <u>18%</u>                  |
| Totals                   | 46.4  | 100%                        |

SOLIDARIOS and USAID supplied resources account for 65% of total assets, which exclude the guarantee fund loans payable.

The SOL/AID fund appears to have been significantly decapitalized, even when denominated in sources. At the time of disbursement, the SOL/AID credit of \$185,000 had a sucre value of S/ 4,615,000, whereas total assets on 31 Dec. 1984 amounted to S/ 2,112,102, after allowances for S/ 183,000 non-recoverable loans on the Carchi and Shuar projects and S/ 264,000 accumulated depreciation on vehicles. The balance due SOLIDARIOS on the loan on 30 June 1985 was \$174,222, evaluated at S/ 3,846,000.

As of 31 August 1985, loans outstanding drawn on the AID Guarantee Fund line of credit, S/ 15,600,000 had been incorporated into the SOL/AID account, so that stated assets on that date were S/ 17,980,000.

#### 4.2.2. Income Statements

Income statements for calendar year 1984 and 1 Jan. - 30 June 1985 are shown in Tables 3 and 4 of Annex 1.

For 1984, total income, including SOLIDARIOS and grant disbursements was S/ 36,000,000 and total expenses S. 21,190,000 for an operating profit of S/ 14,810,000. Non donor income amounted to S/ 6,790,000 or 32% of operating expenses, indicating that the foundation is far from being self supporting from internally generated income.

The 1985 budget (Table 6, Annex 1) projected total income of S/ 41,200,000 and expenses of S/ 19,170,000 for a projected operating surplus of S/ 22,000,000. Recorded figures for January 1 - June 30, 1985 were income S/ 16,200,000 and operating costs S/ 9,150,000. The surplus apparently was used for expanding the loan portfolio, whose balance outstanding increased from S/ 26,400,000 to S/ 34,700,000 over the six month period. Most of the expansion was in the PRODEM portfolio which increased from S/ 16,900,000 to S/ 21,460,000. The BID/CEE portfolio increased from S/ 4,800,000 to S/ 7,900,000.

#### 4.3. Ratio Analysis

Analysis of the FED's December 31, 1984 balance sheet indicated the following critical ratios:

$$\text{Current ratio} \quad \frac{\text{current assets}}{\text{current liabilities}} = \frac{\text{S/20,281,000}}{5,549,000} = 3.65$$

$$\text{Liquidity ratio} \quad \frac{\text{Current assets less inventory}}{\text{Current liabilities}} = \frac{\text{S/15,320,000}}{5,549,000} = 2.76$$

$$\text{Debt ratio} \quad \frac{\text{Total debt}}{\text{Total Assets}} = \frac{\text{S/6,763,000}}{46,386,487} = 0.36$$

The current ratio and liquidity ratio indicate that the FED balance sheet possesses adequate short term liquidity, though with lower ratios than some of the other evaluated foundations.

The debt ratio indicates that debt/assets is 0.36, a seemingly manageable ratio for a nonprofit foundation of this nature. Dollar denominated debt had, however, been stated at the exchange rates in effect at the time of disbursement, not at the rates in effect at the time of balance sheet preparation. When the dollar denominated debt is restated at current exchange rates,<sup>1</sup> the financial position of the FED changes considerably, a factor taken into account in the renegotiation agreement.

#### 4.4. Debt Structure

The outstanding debt of the FEDNORTE on June 30, 1985 is shown in Table 3.

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<sup>1</sup> The average annual free market exchange ratios of the sucre vs. the U.S. dollar in recent years are as follows:

|             |                   |
|-------------|-------------------|
| 1979 - 24/1 | 1983 - 44/1       |
| 1980 - 25/1 | 1984 - 80/1       |
| 1981 - 26/1 | 1985 - 95/1       |
| 1982 - 31/1 | Jan. 1986 - 125/1 |

Table 3: Outstanding Debt Balance: FEDNORTE 30 June 1985 - 30 Aug. 1985

| <u>Fund</u>        | <u>Debt Outstanding<br/>in Sucres</u> | <u>in Dollars</u>             | <u>Not yet<br/>due</u> | <u>Over-<br/>due</u> | <u>Remarks</u>                            |
|--------------------|---------------------------------------|-------------------------------|------------------------|----------------------|---|
| SOL/AID-06         | 3,846,458                             | 174,220 <sup>1</sup>          | \$143,889              | \$30,833             | Denom. in sucres                          |
| SOL/BID-09         | 3,379,767                             | Denomina-<br>ted in           | 3,379,767              |                      | 1st pmt. 12/85                            |
| SOL/BID-10         | 3,644,000                             | Sucres                        | 3,644,000              |                      | 1st pmt. 12/87                            |
| SOL/CEE            | 2,941,085                             | 77,269                        | 77,269                 |                      | Denom. in<br>Sucres at 38/1<br>exch. rate |
| Loan Guara-<br>tee | 16,985,616 <sup>2</sup>               | Denomina-<br>ted in<br>Sucres |                        | --                   | 30 Aug. 1985                              |
| <u>Totals</u>      |                                       | <u>\$251,491</u>              | <u>\$221,158</u>       | <u>\$30,833</u>      |   |

<sup>1</sup> Weighted average exchange rate for outstanding dollar debt, when denominated in sucres is S/ 27/\$US1. (\$251,491 equiv. to S/ 6,787,543).

<sup>2</sup> As of 30 Aug. 1985.

The SOL/BID loans are repayable in sucres in semi-annual payments beginning in December 1985 and December 1987 respectively. The five per cent annual interest payments on principal were S/ 318,000 in arrears on June 30th. The principal not yet due is S/ 7,023,777 payable over twelve years. As of 30 June 1985, total dollar debt with SOLIDARIOS consisted of \$221,158 principal not yet due, \$30,833 principal overdue, and \$14,756 overdue interest payments.

Cross reference of the FED June 30, 1985 balance sheet and the SOLIDARIOS statement of the same date for FED debt outstanding indicated that the balance sheet value of the dollar debt due when denominated in sucres had a weighted average exchange rate of S/

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27/\$US1, 85/\$US1. The sucre has since devalued to a rate of S/ 125/\$US1 in December 1985.

The impact of devaluation upon the FED's finances can be appreciated through analysis of the June 30, 1985 FED balance sheet, which showed the following amounts:

|                    |  |
|--------------------|--|
| Total Assets       | S/ 49,351,307  |
| Total Liabilities  | S/ 29,801,399 of which non-dollar liabilities: S/ 23,013,856 |
| Dollar Debt @ 27/1 | S/ 6,787,543   |
| Equity             | 19,549,908   |

If the balance sheet is adjusted to restate dollar debt at the then prevailing exchange rate of S/85/\$U.S. 1, the revised figures are as follows:

| <u>Total Assets</u>   | <u>Liabilities and Net Worth</u>      |                        |
|-----------------------|---------------------------------------|------------------------|
| S/50,000,000 (est.)   | Non Dollar Liabilities                | S/ 23,014,000          |
|                       | Dollar Debt Restated at S/85/\$U.S. 1 | 21,368,000             |
|                       | Total Liabilities                     | 44,382,000             |
|                       | Equity                                | 5,618,000              |
| -----<br>S/50,000,000 |                                       | -----<br>S/ 50,000,000 |

After restating dollar debt at S/85/\$U.S. 1, net equity decreases from S/ 19,550,000 to S/5,618,000 or \$66,100.

Further inspection of FED financial statements showed that between 31 Dec. 1984 and 30 June 1985 the loans payable portfolio expanded by S/7,300,000 and, the cash balance went from a low S/367,753 to being overdrawn by S/4,030,381. Invested assets remained at S/5,011,082 or 14% of loans outstanding. Such figures indicate

that the FED has a very tight cash reserve position for the scale of its operations.

The tight cash flow reserve position; coupled with the continuing devaluation is causing a rapid decapitalization of the FED in dollar terms, rendering repayment of dollar obligations virtually impossible, even if operations were severely contracted.

It was recognition of the above process that led to the approval by the Executive Committee of SOLIDARIOS of the renegotiation agreement in July 1985. Similar dollar decapitalizations are now occurring in all member NDFs whose national currencies have undergone sharp devaluations.

#### 4.5. Summary

After debt renegotiation the financial situation of the FED has been put on a more manageable basis with the only foreign exchange requirements being \$16,500 annual interest payments (S/ 2.05 million at the current exchange rates). Since the FED is the only SOLIDARIOS member NDF with a currently functioning loan guarantee arrangement, it is extremely important that these credit arrangements be scrupulously honored. To a great extent, the future viability of the SOLIDARIOS movement rests upon the ability of SOLIDARIOS itself to remain an effective means of channelling resources untied by project specific conditions to the individual NDF's. In a world of devaluing currencies, the loan guarantee concept is one of the few instruments available to SOLIDARIOS for maintaining this role. For SOLIDARIOS to be able to establish additional guaranteed lines of credit in other countries, FEDNORTE must be perceived as an example of a national development foundation which can responsibly manage a loan guarantee

fund, while simultaneously honoring its other financial obligations. Failure in this regard would send very negative signals to banking systems in other member NDF countries.

## 5. Analysis of Operations

### 5.1. Internal Procedures

#### 5.1.1. Program Level

The successful establishment of integrated development programs which are generating new economic activity where little existed before, as in Pichincha; the establishment of the training center at Uchugnahua and the rapid implementation of the PRODEM program are testimony to the FED's obvious ability to organize and implement relatively complex project activities under fairly limited economic constraints. In all the FED does, one constantly sees evidence of good prior planning, imagination, innovation, and the ability to respond flexibly and rapidly to changed circumstances.

The FED operates on the basis of a constantly updated five-year development plan and annual operating plans. An integral part of its operating methodology and programming activities are regular exercises in participatory project evaluation by the FED staff. These brainstorming exercises and an emphasis on participatory decentralized decision making are key elements in the innovative and flexible approach to development which is characteristic of FEDNORTE.

A sample of loan applications and project documents which were reviewed indicated that technical and cash flow analysis of loan requests is generally satisfactory. The frequent participation of FED management in technical assistance and promotion results in very few new loans in Pichincha being approved without management having first established personal relationships with beneficiaries.

### 5.1.2. Administration

The FED has used the SOLIDARIOS standard funds accounting system since 1980. Due to the decentralized, relatively complex nature of its rural projects and the large volume and short turn around time of PRODEM loans, accounting procedures are somewhat more complex than in other evaluated foundations and the accounting staff somewhat larger. Accounting is partially computerized. Financial statements and accounts data are prepared and issued on a monthly basis.

An area which appears to require more attention is the audit function. Annual reports have not been prepared for the last several years, and it was not clear whether independent external audits, apart from that of SOLIDARIOS headquarters had or had not been carried out.

### 5.2. Human Resources

One of the readily apparent strengths of the FED is the high morale, dedication, and generally relevant professional preparation of staff. Of the total staff of 55, 31 are management, technical, and field staff, 20 are support personnel and four are Peace Corps or other international volunteers, generally with specific technical expertise.

For PRODEM, a new field of endeavor, an experienced project director is being provided by AITEC of Cambridge, MA under the technical assistance component of the AID implementation contract.

### 5.3. Promotion, Technical Assistance and Training

#### 5.3.1. Promotion

The practice of organizing campesinos into legally constituted groups is not as prevalent in Ecuador as in the other three nations

visited. This lack is even more pronounced in northwest Pichincha, due to the dispersed population and lack of a strong agricultural tradition. Nevertheless, the FED has been quite successful in its promotion efforts, as illustrated by the pre-cooperatives which have been organized around the rural cheese processing plants, and the establishment of AGANOR.

In its rural projects, the FED does not utilize social promoters per se, whose sole function is to "concientizar" groups. Field technicians and staff carry out the promotion role in pragmatic fashion by illustrating to often skeptical potential beneficiaries how the FED can be agronomically and economically useful to them.

The process is somewhat different with PRODEM. The basic function of the ten promoters is to disseminate information about credit availability and program qualification requirements and to organize solidarity groups of potential beneficiaries. The promoters also arrange short courses in simple bookkeeping and accounting procedures for beneficiaries. The statistics for the program's first year of operation, 574 individual micro-procedures and 370 "grupos solidarios" organized, testify to the energy expended and institutional capability for promotion. This is especially so in the case of the "grupos solidarios" when one considers that their arrears rate is less than 3%, in spite of their extreme economic marginality.

#### 5.3.2. Technical Assistance, Training and Publications

The FED maintains an active program of courses and technical assistance for its rural beneficiaries. In 1984, 31 courses were given to 436 beneficiaries. The subject matter included artificial insemination, disease control, cheese production, egg

production, beef and pork slaughtering, processing and marketing and vegetable production.

In technical assistance and training, the FED cooperates closely with the government, coordinating its programs for beneficiaries with government sponsored applied research or trials in the same regions.

The FED has also received support, particularly in the Pichincha Region from the Interamerican Institute for Agricultural Cooperation (ITCA), volunteer Austrian veterinarians, the Swiss Technical Cooperation in the milk and cheese processing plant design, and the Peace Corps. Table 4 indicates the presence of FED technical assistance in the Pichincha area as measured by number of visits of FED technical personnel to beneficiaries during 1983 and 1984.

Table 4: FED Technical Assistance Visits to Northwest Pinchincha Beneficiaries 1983 - 1984

| <u>Project Type</u>     | <u>Number of Visits</u> |             |
|-------------------------|-------------------------|-------------|
|                         | <u>1983</u>             | <u>1984</u> |
| Cattle raising          | 355                     | 588         |
| Poultry                 | 72                      | 393         |
| Pork production         | 201                     | 161         |
| Agricultural production | 71                      | 50          |
| Nonconventional Energy  | 25                      | 44          |
| Reforestation           | <u>12</u>               | <u>12</u>   |
| Total                   | 736                     | 1,248       |

Source: SOLIDARIOS

Clearly, effectiveness of technical assistance cannot be measured using number of visits as the sole criterion. Nevertheless, when one eats fresh mozzarella cheese at its point of production in a remote rural village in a plant fully equipped with stainless steel processing tanks; and sees that all credits have been reimbursed when due, and that both the plant and milk producers are operating at a profit, and then realizes that five years before most members of the

cooperative were subsistence level woodcutters, one cannot fail to be impressed with the fact that some very effective technology transfer is taking place during these visits.

Both the intensity and the impact of technical assistance of the FED will be increased when the Sub-tropical Training Center at Uchughuahua becomes fully operational.

In addition to verbally transmitted field extension work and training courses, a more tangible expression of the FED's technical assistance is the number, variety, and stylistic relevance of the training manuals it publishes for distribution to beneficiaries and others. A lot of titles of publications produced by the FED between 1979 and 1984 is included in Annex 2. Several of the "Gilda, Mi Vaca Lechera" manuals were reviewed. The tone and style are excellent for their campesino reading audience.

#### 5.4. Credit Operations

##### 5.4.1. Credit policies

Given the rather diverse nature of the FED's programs, there has been considerable variation among them in terms of credit eligibility, and loan terms and conditions. The basic conditions for the Pichincha and PRODEM programs which account for over 90% of the existing loan portfolio are as follows:

##### 5.4.1.1. PRODEM:

- Solidarity groups: street vendors formed into groups of four to eight members. Loans from S/ 2,000 to S/ 9,000 per member for terms of two to four weeks for working capital. Effective interest rate including fees of 4.5% per month.
- Micro producers: fixed assets less than S/ 725,000. Loans from S/ 5,000 to S/ 100,000 and terms from two weeks to four months. Effective interest rate including fees also 4.5% per month.

#### 5.4.1.2. Northwest Pichincha Project

Terms and conditions vary somewhat depending on type of project being financed. Loans may be to both individuals and groups. Of a random sample of files examined, the most representative loans were for the purchase of cattle and construction of stables. Representative conditions were:

Term 5 - 7 years with a two-year grace period.

Interest rate: escalating with inflation in 1983, 13 - 15%,  
in 1985, 17 - 19%.

In all cases, real interest rates are negative (current inflation approximately 40% per annum). This combined with the grace period and relatively long terms of the loans would normally result in considerable decapitalization of the loan fund at the time of amortization. New loans are however being financed in sucres under the loan guarantee line of credit with the Central Bank so there is no danger of loss of value of loaned funds.

#### 5.4.2. Composition of Loan Portfolio

#### 5.4.3. Source of Credit

As part of its monthly financial statements, the FED produces computer printouts of loan balances outstanding by individual loan and by project for each fund from which the credit is supplied.

Table 5 summarizes the composition of the loan portfolio in this manner, based upon August 31, 1985 data for the guarantee fund and December 31, 1984 data for all funds.

Table 5: Loan Portfolio Composition by Project and Source of Funding: December 31, 1984

| <u>Fund</u>                          | <u>Project</u>       | <u>Number of Loans</u> | <u>Balance Payable (Sucres)</u> | <u>Avg. per Loan (Sucres)</u> | <u>Remarks</u>                  |
|--------------------------------------|----------------------|------------------------|---------------------------------|-------------------------------|---------------------------------|
| SOL/AID                              | CARCHI               | 2                      | 123,000                         | 61,326                        | non-recoverable                 |
| SOL/AID                              | SHUAR FEDERATION     | 3                      | 1,435,000                       | 478,000                       |                                 |
| SOL/CEE                              | N.W. PICHINCHA       | 22                     | 1,716,000                       | 78,070                        |                                 |
| SOL/BID                              | N.W. PICHINCHA       | 47                     | 3,095,000                       | 65,850                        |                                 |
| Loan Guarantee                       | N.W. PICHINCHA       | 55                     | 916,000                         | 16,650                        |                                 |
| <hr/>                                |                      |                        |                                 |                               |                                 |
| 1. Subtotal                          | N.W. PICHINCHA       | 124                    | 5,727,000                       |                               |                                 |
| <br>                                 |                      |                        |                                 |                               |                                 |
| 2. PRODEM                            | MICROENTERPRISE      | 249                    | 9,126,000                       | 36,650                        |                                 |
| <br>                                 |                      |                        |                                 |                               |                                 |
| 3. PRODEM                            | SOLIDARITY GROUPS    | 367                    | 7,782,000                       | 21,204                        | (Per avg. group of 6.2 members) |
| INTERAMERICAN FOUND. CANADIAN HUNGER | BOLIVAR (CHIMBORAZO) | 19                     | 1,595,000                       | 84,000                        | 17 group loans                  |
|                                      | GAUMOTE (CHIMBORAZO) | 27                     | 2,074,000                       | 76,000                        | All groups                      |
| <hr/>                                |                      |                        |                                 |                               |                                 |
| 4. Subtotal                          | Chimborazo           | 46                     | 3,669,000                       |                               |                                 |
| <br>                                 |                      |                        |                                 |                               |                                 |
| 5. TOTALS                            |                      |                        |                                 |                               |                                 |
| Rural                                |                      | 175                    | 10,954,000                      | --                            |                                 |
| Urban                                | PRODEM               | 616                    | 16,908,000                      | --                            |                                 |
| <br>                                 |                      |                        |                                 |                               |                                 |
| 6. Total Portfolio                   |                      | 791                    | 27,908,000                      | --                            |                                 |
| <br>                                 |                      |                        |                                 |                               |                                 |
| 7. Loan Guarantee Fund - 31/8/85     | N.W. Pichincha       | 71                     | 15,652,000                      | 220,450                       | As of 31 Aug. 1985              |

SOURCE: FED

The figures of Table 5 illustrate the following data and trends.

- After only eight months of operation, PRODEM credit had become 60% of the portfolio outstanding of an organization that, for the first 16 years of its existence, had a 100% rural clientele.

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- During the first eight months of 1985, the loan guarantee fund portfolio grew from S/ 916,000 to S/ 15,652,000. A good deal of this balance was refinancing of previous beneficiaries occasioned by the rapid purchase price increase of cattle. S/ 6,846,000 was for various components of the Uchughahua school complex.
- All new lending is being financed from USAID and SOLIDARIOS sources.
- FED credit is being increasingly concentrated in the PRODEM and Northwest Pichincha programs.

#### 5.4.4. Analysis of Loans in Arrears

The information obtained concerning the arrears situation of the various projects was as follows:

**Carchi:** A total of S/ 855,000 was disbursed between 1980 and 1983. S/ 732,000 was paid back. The remainder S/ 123,000 is considered non-recoverable.

**Federation Shuar:** The project balance from SOL/AID funds at December 31, 1984 was S/ 1,385,000. On June 30, the balance had decreased to S/ 1,170,152. A reserve of S/ 60,000 is being set aside for noncollectables. A new loan of S/ 1,935,000 from the guarantee fund was granted during 1985, indicating that arrears are not a problem.

**CHIMBORAZO:** The outstanding balance of the Bolivar project (S/ 1,595,000); the reserves for uncollectables (S/ 185,000); and the overdue balance considered potentially recoverable (S/ 398,000) remained unchanged during the six month period. The balance (S/ 2,074,000) and the reserve (S/ 234,000) for the Guamote project were also unchanged over the same six month period. The stagnant situation would tend to indicate that significant repayment problems do exist. This could easily be verified with normally generated accounting data.

**PRODEM:** The PRODEM system is arranged so that new loans will not be granted until the present loans are repaid. The arrears rates for the street vendor solidarity groups has been in the 2% - 3% range throughout the program. Obviously, group pressure combined with the extremely short term loans is effective. The situation of the loans to

individual microproducer beneficiaries is less satisfactory; arrears being 15% at the end of the first year of operation. The FED states that some of this is due to market cycle problems, but also that disappearance of beneficiaries after receiving the first loan has occurred.

N.W. Pichincha: Reliable figures would be difficult to estimate, given the recent expansion of the portfolio; and the two year grace period for most loans. The FED is of the opinion that arrears rates will be kept to a satisfactory level due to the close collaboration of staff with beneficiaries, the low operating costs of most producers, and the ready markets in Quito for milk, cheese and beef. Given the prevailing two year period for most of this credit, FED cash flow related to the guarantee fund will have to be closely monitored. The allowance for non-collectable loans remained unchanged from December 31, 1984 to 31 June 1985 at S. 2,781,000. this figure amounted to 10.5% of the end of 1984 portfolio, and 8% of the 30 June 1985 portfolio.

It is to be emphasized that in spite of the approximate figures presented here, the accounting systems of not only the FED but the other evaluated Foundations (except FEDEQUIL) do produce very up to date arrears information for each individual beneficiary.

## 6. Assessment of Foundation Impact upon Beneficiaries

The objective of this phase of each NDF's evaluation was to make some inference as to the economic and social impact of the foundation's activities upon beneficiaries. The approach used was:

- a series of visits/interviews by the evaluator with beneficiaries at their project sites. As may be appreciated, the judgements reached in this type of exercise can only be of an impressionistic nature. Nevertheless, the close contact in the beneficiaries environment does provide a good qualitative feel for the nature of problems faced and a measure of the effectiveness and relevance of the foundation activities.
- review of other evaluations where available, particularly if there are any quantitative indicators of impact.

### 6.1 Field Visit Report

The field inspection of Fundacion Ecuatoriana de Desarrollo (Zona Norte) which took place on 4-5 November 1985, concentrated on the Northwest Pinchincha project.

The base of FED Norte operations in the region is the Sub-tropical Rural Production School at Uchughahua.

From Uchughahua, a series of visits were made to beneficiaries throughout the region. Due to the rugged terrain and dispersed nature of settlement, personal contact with beneficiaries was more limited than was the case with the FDD and FUCODES beneficiaries:

Among the specific projects and beneficiaries visited in addition to the Uchughahua School were the following:

- Queseria Nuevo Horizontes de Paraiso:

This is a pre-cooperative group whose members have started milk and cheese production with financing from the Foundation.

Two loans have been made to the group:

S/ \$4,905,000 7 years with a two year grace period and 14% annual interest rate to finance cattle purchase and stable construction.

S/ 1,425,000 5 years with 2 year grace period; 19% interest rate to finance construction of the cheese factor.

A visit was made to the cheese factory. It is still under construction but production of natural and mozzarella cheese has already started. The cheese operation was made possible only after financing by the group of the extension of electric transmission lines within the last eight months to the plant site.

Of the original S/ 6,330,000 financing, the current balance is S/ 3,200,220 and payments are up to date.

#### Gerardo Alvarado

This beneficiary has a mixed small scale sugar cane (1 1/2 ha.) and aguardiente production (not financed by the Foundation), and a cattle operation. The latter was financed in part by the foundation but the loan has been paid back in full. The most noteworthy aspect of this visit was a demonstration of a "bomba arrieta" which Mr. Alvarado has installed on his property. By means of a hydraulic force principle, the pump can take water from a high suction intake, and pump it to a yet higher discharge point without use of an external energy source. This is an appropriate technology solution to many water problems in rural areas whose potential utilization has scarcely been tapped. An information sheet about the pump is included in Annex 2.

#### Cooperative Santa Elena

Located near the site of the FED Norte's first training center, which was subsequently moved to Uchugnahua. The cooperative has several hundred milk producing members and produces a wide variety of cheeses including gruyere. It collaborates with FED (Norte) and AGANOR (Asociacion de Ganaderos del Nor Occidente) in the organization of technical assistance and marketing "ferias."

A beneficiary of the FED (Norte) adjacent to the Santa Elena factory has a functioning manure fueled methane bio gas generator, designed and installed by FED (Norte), which is used for household cooking fuel and illumination by gas lamp.

#### Queseria Pueblo Nuevo

A pre-cooperative group with 13 milk producing members. Cattle purchase and cheese factory construction were financed by the foundation. The group operates a store on a

key local highway, soon to be paved, through which much of its production is sold. The store reportedly does a weekend business volume of S. 30,000, quite high by regional standards.

- Pedro Ortiz

A Pueblo Nuevo group member whose land is located in an area accessible only by foot or horseback. Received financing of S/ 305,000 in 1983 for 5 years at 14.7% with a two year grace period. Used for construction of a stable, the materials for which all had to be transported by mule.

### 6.1.1. Field Observations

Of all projects of the five national foundations which were visited, the northwest Pichincha program is the one in which foundation activity has most directly resulted in the generation of new economic activity where little existed before project implementation.

The mountainous, marginal nature of most of the terrain in the area renders it quite unsuitable for commercial crop production, a factor which has led to the emphasis on dairy, hog and poultry development. Initial increases in milk production have been achieved at low marginal costs through the introduction of very basic technology and modified handling procedures. Further gains will however require herd upgrading, improved animal nutrition, etc., all of which will require more capital intensive investment and operating costs.

Given the rapid growth of Quito and improved access via a paved highway which will penetrate the area within two years, market prospects seem quite secure for some time to come.

Possible difficulties which could arise in the future are:

rapidly escalating costs of cattle purchase could decrease economic feasibility of dairy activities.

inability of the Training Center operating costs to be covered by its internally generated cash flow. If successful as a training institution, however, it would be likely that donor funds could be acquired to cover operating deficits.

## 6.2. Other Evaluations

Two evaluations which contained estimates of quantitative impacts of FED activities upon beneficiaries were located. The first was an evaluation of the Northwest Pichincha project by the SOLIDARIOS representative for South America, based upon a FED executed survey. The other was a report on the first full year of operations of the PRODEM project. It was prepared by the FED itself, and is a good example of the FED's capacity for "auto evaluation" as opposed to self promotion. The salient results of each are summarized below:

### 6.2.1. SOLIDARIOS Evaluation of Northwest Pichincha Project

- This evaluation was carried out in early 1985.
- Cattle purchase program:

For a group of twenty one beneficiaries, selected at random, the following figures representing the before project case, and the situation prevailing on Nov. 30, 1984 were assembled.

For the 21 beneficiaries the total herd size increased from 296 head to 538; milk producers from 76 to 114. Monthly production of milk from 13,600 liters to 21,600 liters; cattle sales from 6 head to 88 head. Pasture area increased from 244 Has. to 443 Has.

For all 21 beneficiaries, gross annual income increased S/ 2,060,000/yr. to S/ 5,400,000.

In February 1985, the FED carried out a survey of 19 beneficiaries of the poultry, pork and cattle subprojects. Some of the results of the survey are presented in the following Table 6, in terms of change between the before project and after project situation.

**Table 6: Results of FED Survey of 19 Beneficiaires of N.W. Pichincha Project**

(Note: Figures represent change from Before Project to After Project situation)

|                                      | Poultry Project     | Pork Project        | Cattle Project         |
|--------------------------------------|---------------------|---------------------|------------------------|
| <u>Economic Indicators</u>           | <u>(5 families)</u> | <u>(3 families)</u> | <u>(11 families)</u>   |
| 1. Hectars of Pasture                | + 8                 | 0                   | + 79                   |
| 2. Hectars of Improved Pasture       | + 2                 | 0                   | + 43                   |
| 3. Hectars of Foodcrops              | + 2.7               | + 1                 | + 11                   |
| 4. New Construction                  | 6 coops<br>1 house  | 3 prod. units       | 11 stables<br>4 houses |
| 5. Investment in Tools and Equipment | + S/ 112,000        | + S/ 12,500         | + S/ 167,000           |
| 6. Monthly Savings                   | + S/ 1,400          | + S/ 1,000          | + S/ 7,650             |
| 7. Investment in Animals             | + S/ 701,000        | + S/100,000         | +S/3,234,000           |

Social Indicators

| 1.     | <u>Children Working</u> | <u>Children Studying</u> |
|--------|-------------------------|--------------------------|
| Before | 15                      | 14                       |
| After  | 9                       | 38                       |

2. Participation in organizations

| <u>Scale of Participation</u> | <u>Before</u> | <u>After</u> |
|-------------------------------|---------------|--------------|
| None                          | 95%           | 5%           |
| Little                        | 5%            | 32%          |
| Moderate                      | --            | 26%          |
| Much                          | --            | 37%          |

SOURCE: SOLIDARIOS

6.2.2. FED Self Evaluation of PRODEM's First Full Year of Operations

The first full year of operation for the program which was completely new both for the FED and for Ecuador was 1 May 1984 - 30 April 1985. Table 7 summarizes the aggregate figures of impact for the microproducer and the Solidarity groups of street vendors. Among the microproducers the most common activities were shoemaker, seamstress, carpenter, bakery and mechanics.

The FED notes that in spite of the rapid turnover of loans and the small value of loans, operating costs were 6 centavos per sucre disbursed.

Table 7: PRODEM Beneficiaries: Aggregate Impact of First year of Program Operations (1984/85)

| <u>Indicator</u>                              | <u>Individual<br/>Micro Producers</u> | <u>Street Vendor<br/>Solidarity Groups</u> |
|---|---------------------------------------|--|
| 1. Direct beneficiaries - credit              | 574                                   | 2024                                       |
| 2. Direct beneficiaries - credit and training | 568                                   | N. A.                                      |
| 3. Value of credit disbursed                  | S/ 42,714,000                         | S/ 49,981,000                              |
| 4. Average loan amount                        | 20,664                                | S/ 4,707 per group                         |
| 5. Employment generated                       | 749                                   | 185  |
| 6. Average fixed assets before program        | S/ 148,000                            | N. A.                                      |
| 7. % feminine participation                   | 35%                                   | 65%  |
| 8. % loans in arrears                         | 14%                                   | 3%   |
| 9. % financial self sufficiency (program)     | 75%                                   | 82%  |
| 10. Active portfolio                          | S/ 11,920,000                         | S/ 11,879,000                              |
| 11. Other indicators of impact                |                                       |  |
| - Investments in fixed assets                 | 53%                                   | N. A.                                      |
| - Salary expenses                             | 8%                                    | N. A.                                      |
| - Raw material purchase                       | 39%                                   | 100% (working capital)                     |
| - Savings generated                           | S/ 7,584,000                          | S/ 4,176,000                               |
| 12. Courses (Accounting, Prod. Planning)      | 30                                    | --   |
| 13. Meetings (motivation, guidance)           | 14                                    | 24   |
| 14. Evaluations                               | 8                                     | 8  |

Source: FED

To better illustrate the impact of the PRODEM project at the individual beneficiary level, the FED produced the following case study statistics for two microproducers and two solidarity groups for before and after PRODEM credit.

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Case 1: Microproducer/carpenter (female)  
 Number of loans - 7; current loan total S/ 45,000

|                  | <u>Before Credit</u> | <u>After Credit</u> |
|------------------|----------------------|---------------------|
| Sales            | S/ 75,000            | S/ 250,000          |
| Capital          | 25,000               | 125,000             |
| Profit           | 7,600                | 50,000              |
| No. of employees | 2                    | 5                   |
| Savings          | --                   | 13,300              |

Case 2: Microproducer/shoemaker (male)  
 Number of loans - 7; current loan total S/ 35,000

|                  | <u>Before Credit</u> | <u>After Credit</u> |
|------------------|----------------------|---------------------|
| Sales            | S/ 85,000            | S/ 250,000          |
| Capital          | 60,000               | 180,000             |
| Profit           | 100                  | 30,000              |
| Savings          | --                   | 38,700              |
| No. of employees | 1                    | 6                   |

Case 3: Solidarity Group/street vendors  
 Number of loans - 8; current loan total S/ 72,000

|                             | <u>Before Credit</u> | <u>After Credit</u> |
|-----------------------------|----------------------|---------------------|
| Daily Sales                 | S/ 800               | S/ 1,800            |
| Own working capital         | 25%                  | 70%                 |
| Dependency on money lenders | 50%                  | --                  |
| Savings                     | --                   | S/ 39,100           |

Case 4: Solidarity group/street vendors  
 Number of loans 7; current loan total S/ 72,000

|                             | <u>Before Credit</u> | <u>After Credit</u> |
|-----------------------------|----------------------|---------------------|
| Daily sales                 | S/ 600               | S/ 800              |
| Own capital                 | 33%                  | 50%                 |
| Dependency on money lenders | 80%                  | --                  |
| Savings                     | --                   | S/ 8,000            |

### 6.3. Conclusions:

The field observations in northwest Pichincha lead to a very obvious conclusion which is supported by the FED and SOLIDARIOS evaluation data. By fortuitous circumstance of relative accessibility of a large market to a sparsely populated project

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area, the FED has been able to initiate a process of direct generation of economic activity where little existed before. This impact is to be differentiated from that characteristic of crop financing in already cultivated areas. The latter results in better distribution of income to producers through avoidance of intermediaries, but less measurable, and probably smaller impact in terms of increased economic production.

The results of the PRODEM evaluation of individual microproducers parallel those of the FUCODES evaluation, indicating the very strong employment generation potential of making available relatively modest amounts of capital to established trade and small industry. In the case of PRODEM, one new employment per \$600 of total credit disbursed, and 1.3 new employees per beneficiary were generated, if the reported figures are reasonably realistic.

The street vendor program figures show some surprising results. One would expect a distribution impact similar to crop financing but not the employment generating potential; in this case, one employment generated per eleven beneficiaries, i.e. one per every two groups.

The fact that these quantitative estimates of impact were available also indicates the effort the FED is putting into post project evaluation.

7. Institutional Relationships

7.1. With AID

The current direct involvement of USAID with the FEDNORTE is via the PRODEM grant. The AID guarantee loan fund agreement was arranged by SOLIDARIOS, the FED and the Central Bank.

The USAID mission in Quito is not at the moment directly supporting any FED programs, but ranks them as a competent, well run, private volunteer organization, and is disposed to work with the FED on any program which falls within its funding strategy which the FED is capable of implementing.

7.2 With the InterAmerican Development Bank (BID)

The only current involvement of the BID with FEDNORTE is via SOLIDARIOS credits drawn on the SOL/BID fund. The BID Mission in Quito states that they would be glad to work directly with the FED's Small NonGovernmental Projects facility but that current policy directives that BID missions are not to work directly with any organization which is a SOLIDARIOS member foundation.

7.3. With SOLIDARIOS

FEDNORTE is a member in good standing of SOLIDARIOS. Sr. Jorge Landivar, the President of FEDNORTE, is a member of the incoming Executive Council of SOLIDARIOS. Indicative of the close relationship between the FED and SOLIDARIOS has been the establishment of the Loan Guarantee Fund and the close collaboration between SOLIDARIOS staff and FED in the establishment of FED's funds accounting system, and the program planning and evaluation process.

#### 7.4. With Domestic Donors

Though no specific information or questioning was directed to this area during the visit to FED, the tendency in local donations as manifested in Table 5 of Annex 1 would appear to indicate that the FED may be neglecting its domestic diplomatic relations and fund raising efforts. The recent rapid expansion has been funded entirely from outside sources.

**ANNEX 1**

**FINANCIAL STATEMENT**

**(TABLES 1 - 6)**

SERGIO GUEVARA T.  
DIRECTOR GENERAL

PATRICIA HOLGUIN  
CONTADOR GENERAL

FUNDACION ECUTORIANA DE DESARROLLO  
- 30MA NORTE -

BALANCE GENERAL CONSOLIDADO Y POR FONDOS  
AL 31 DE DICIEMBRE DE 1984

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|                             | F.E.D (FONDO 1)   |             |                  | IAF<br>FONDO 2    | MOVIB<br>FONDO 3  | EZE<br>FONDO 4   | CANABIA<br>HUNGER<br>FONDO 5 | CERERO<br>FONDO 6 | LAS<br>FONDO 7   | IED<br>FONDO 8  | AID/<br>SOLIDARIOS |                    | PRODEN<br>FONDO 11 | ICRM<br>FONDO 12  | TOTAL              |
|-----------------------------|-------------------|-------------|------------------|-------------------|-------------------|------------------|------------------------------|-------------------|------------------|-----------------|--------------------|--------------------|--------------------|-------------------|--------------------|
|                             | DESARROLLO        | FED-PACT    | PACT             |                   |                   |                  |                              |                   |                  |                 | FONDO 9            | FONDO 10           |                    |                   |                    |
| <b>ACTIVOS</b>              |                   |             |                  |                   |                   |                  |                              |                   |                  |                 |                    |                    |                    |                   |                    |
| CAJA CHICA                  | 78487.00          |             |                  |                   |                   |                  |                              |                   |                  |                 |                    |                    |                    |                   | 78487.00           |
| SANCOS                      | -6050870.27       |             | 134933.84        | 96247.48          | 1626003.64        | 85124.67         | -892907.80                   |                   | -91500.21        | 59685.98        | 487182.67          | 4904135.86         | -2545583.16        | 2656222.50        | 267753.18          |
| DEPOSITO EN TRANSITO        |                   |             | 55620.00         |                   |                   |                  |                              |                   |                  |                 |                    |                    |                    |                   | 55620.00           |
| DEPOSITO EN GARANTIA        |                   |             |                  |                   |                   |                  |                              |                   |                  |                 |                    |                    | 42000.00           |                   | 42000.00           |
| CUENTAS POR COBRAR FONDOS   |                   |             |                  | 35553.18          |                   |                  |                              |                   |                  |                 |                    |                    |                    |                   | 35553.18           |
| CUENTAS POR COBRAR VARIOS   | 2470678.27        |             |                  |                   |                   |                  |                              |                   |                  | 2987.03         |                    |                    |                    |                   | 2472665.30         |
| CUENTAS POR COBRAR PROYECT  |                   |             |                  | 1595140.20        | -507301.40        |                  | 2974124.45                   |                   |                  | 1507652.00      | 4311293.86         | 16798000.00        |                    |                   | 23388919.11        |
| RESERVA PARA OTAS. INCOSRA  |                   |             |                  | -194455.65        | 7609.52           |                  | -227952.01                   |                   |                  | -183422.48      | -547571.41         | -1639269.65        |                    |                   | -2781041.88        |
| CUENTAS POSIBLE RECUPERACI  |                   |             |                  | 298413.84         |                   |                  |                              |                   |                  |                 |                    |                    |                    |                   | 298413.84          |
| CUENTAS POR COBRAR AVALES   |                   |             |                  |                   |                   |                  | 157508.00                    |                   |                  |                 |                    | 1925050.00         |                    |                   | 2082558.00         |
| PROGRAMA NUMISMATICO        | 937926.30         |             |                  |                   |                   |                  |                              |                   |                  |                 |                    |                    |                    |                   | 937926.30          |
| INVENTARIOS                 | 32070.00          |             |                  |                   |                   |                  |                              |                   |                  |                 |                    |                    |                    |                   | 32070.00           |
| MATERIALES EN CONSIGNACION  | 4923725.97        |             | 5468.30          |                   |                   |                  |                              |                   |                  |                 |                    |                    |                    |                   | 4929194.27         |
| TERRENOS                    | 1946432.00        |             |                  |                   |                   |                  |                              |                   |                  |                 |                    |                    |                    |                   | 1946432.00         |
| EDIFICIOS                   | 279685.70         |             |                  | 250000.00         |                   |                  |                              |                   |                  |                 |                    |                    |                    |                   | 529685.70          |
| VEHICULOS                   | 568220.00         |             |                  |                   |                   |                  |                              |                   |                  |                 | 562037.75          |                    |                    |                   | 1122257.75         |
| DEPRECIACION ACUMULADA      | -154733.99        |             |                  |                   |                   |                  |                              |                   |                  |                 | -264334.40         |                    |                    |                   | -419068.39         |
| MOVILIARIO Y EQUIPOS        | 1742558.69        |             |                  |                   |                   |                  |                              |                   |                  | 66549.62        |                    |                    | 932475.25          |                   | 2741582.96         |
| DEPRECIACION ACUM. M. Y E   | -193288.23        |             |                  |                   |                   |                  |                              |                   | -28990.88        |                 |                    |                    |                    |                   | -213279.11         |
| CONSTRUCCIONES EN PROGRESO  |                   |             |                  |                   |                   | 260000.00        |                              |                   |                  |                 |                    |                    |                    |                   | 260000.00          |
| SEMIOBRANTES                | 36310.00          |             | 13000.00         |                   |                   |                  |                              |                   |                  |                 |                    |                    |                    |                   | 49310.00           |
| INVERSIONES FINANCIARIAS    | 1463224.66        |             |                  |                   |                   |                  |                              | 3379037.72        |                  |                 |                    |                    |                    |                   | 4842262.38         |
| MATERIAL DE BIBLIOTECA      | 3600.00           |             |                  |                   |                   |                  |                              |                   |                  |                 |                    |                    |                    |                   | 3600.00            |
| INTERESES POR COBRAR        | 8603.58           |             |                  |                   |                   |                  |                              |                   |                  |                 |                    |                    |                    |                   | 8603.58            |
| PARTICIPA DE CONSUNDS       | 163000.00         |             |                  |                   |                   |                  |                              |                   |                  |                 |                    |                    |                    |                   | 163000.00          |
| <b>SUBTOTAL ACTIVOS</b>     | <b>3213629.19</b> | <b>0.00</b> | <b>209022.14</b> | <b>2510899.05</b> | <b>1126391.76</b> | <b>345124.67</b> | <b>1165794.64</b>            | <b>3379037.72</b> | <b>-44951.47</b> | <b>59685.98</b> | <b>2112102.57</b>  | <b>10992508.31</b> | <b>13697622.24</b> | <b>2656222.50</b> | <b>46384487.30</b> |
| <b>PASIVOS</b>              |                   |             |                  |                   |                   |                  |                              |                   |                  |                 |                    |                    |                    |                   |                    |
| DOCUMENTOS POR PAGAR        | 490700.00         |             |                  |                   |                   |                  |                              |                   |                  |                 |                    |                    |                    |                   | 490700.00          |
| CUENTAS POR PAGAR FONDOS    | 330533.18         |             |                  |                   |                   |                  |                              |                   | 22000.00         |                 |                    |                    |                    |                   | 352533.18          |
| CUENTAS POR PAGAR VARIOS    | 676986.52         |             |                  |                   |                   |                  |                              |                   |                  |                 |                    |                    |                    |                   | 676986.52          |
| OTAS. POR PAGAR CONTINGENTE | 1978950.62        |             |                  | 1538945.65        |                   |                  |                              |                   |                  |                 |                    |                    | 373613.03          |                   | 2891509.30         |
| REVENIMIENTOS POR PAGAR     | 102907.93         |             |                  |                   |                   |                  |                              |                   |                  |                 |                    |                    |                    |                   | 102907.93          |

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IMPRESO POR UNIVISION

|    |                            |            |            |            |            |            |            |            |            |            |             |            |             |
|----|----------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|------------|-------------|
|    |                            |            |            |            |            |            |            |            |            | 715992.83  |             | 715992.83  |             |
|    |                            |            |            |            |            |            |            |            |            | 236458.65  |             | 236458.65  |             |
| 1  | PRESTAMOS POR PAGAR A.I.D. |            |            |            |            |            |            |            |            | 5977190.00 |             | 5977190.00 |             |
| 2  | PRESTAMOS POR PAGAR B.I.D. |            |            |            |            |            |            |            |            | 2941085.00 |             | 2941085.00 |             |
| 3  | PRESTAMOS POR PAGAR C.E.E. |            |            |            |            |            |            |            |            | 1925050.00 |             | 2082550.00 |             |
| 4  | AVALES POR PAGAR           |            |            |            |            |            |            |            |            |            |             | 32000.00   |             |
| 5  | CONACIONES EN ESPECIES     | 22000.00   |            |            |            |            |            |            |            |            |             |            |             |
| 6  | BALANCE DE FONDOS          | 1900528.79 | -339565.14 | 2695354.70 | 1118782.24 | 345124.67  | 1180226.65 | 3379037.72 | -89951.47  | 59683.98   | -711447.66  | -31555.99  | 5226278.49  |
| 7  | + SALANCE RESULTADOS       | 2694943.25 | 3.00       | -890358.37 | -134455.65 | 7609.52    | 9.00       | -257972.01 | 3.00       | 0.00       | -1938901.26 | -318850.70 | 13324009.21 |
| 8  | SUMAN PASIVOS              | 3233629.19 | 9.00       | 209022.14  | 2510899.05 | 1126591.76 | 345124.67  | 1103774.64 | 3379037.72 | -44951.47  | 59683.98    | 2112102.57 | 10992908.31 |
| 9  |                            |            |            |            |            |            |            |            |            |            |             |            | 13897622.24 |
| 10 |                            |            |            |            |            |            |            |            |            |            |             |            | 2656222.50  |
| 11 |                            |            |            |            |            |            |            |            |            |            |             |            | 46386487.39 |

ELABORADO EN EL DEPARTAMENTO  
DE PLANNIFICACION DE FED.

SERSIO GUEYARA T.  
DIRECTOR GENERAL

PATRICIA HOLGUIN  
CONTADOR GENERAL

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IMPRESION EN UNO DE LOS LADOS

TABLE 2

FUNDACION ECUATORIANA DE DESARROLLO  
- ZONA NORTE -

ESTADO DE PERDIDAS Y GANANCIAS POR FONDOS  
DEL 1 DE ENERO AL 31 DE DICIEMBRE DE 1984

|                             | F.E.D. FONDO 1) |            | IAF<br>FONDO 2 | NOVIS<br>FONDO 3 | EZE<br>FONDO 4 | CANADIA<br>HUNGER<br>FONDO 5 | CESEB<br>FONDO 6 | KAS<br>FONDO 7 | IEB<br>FONDO 8 | AIB/<br>SOLIDARIOS<br>FONDO 9 | BID/CEE<br>SOLIDARIOS<br>FONDO 10 | PRODEM<br>FONDO 11 | ICRM<br>FONDO 12 | TOTAL       |
|-----------------------------|-----------------|------------|----------------|------------------|----------------|------------------------------|------------------|----------------|----------------|-------------------------------|-----------------------------------|--------------------|------------------|-------------|
|                             | DESARROLLO      | FEB-PACT   |                |                  |                |                              |                  |                |                |                               |                                   |                    |                  |             |
| <b>INGRESOS</b>             |                 |            |                |                  |                |                              |                  |                |                |                               |                                   |                    |                  |             |
| VENTAS MATHSMATICO          | 4600.00         |            |                |                  |                |                              |                  |                |                |                               |                                   |                    |                  | 4600.00     |
| CONACIONES NACIONALES       | 92944.00        |            |                |                  |                |                              |                  |                |                |                               |                                   |                    |                  | 92944.00    |
| CONACIONES INTERNACIONALES  | 57597.50        |            | 6499573.60     |                  |                |                              |                  |                |                |                               |                                   |                    |                  | 6499573.60  |
| INTERESES SOBRE PRESTAMOS   | 251322.20       |            |                |                  |                |                              |                  |                |                | 449856.20                     | 179784.61                         | 18281643.25        | 2677500.00       | 27507314.45 |
| DIVIDENDOS DE ACCIONES      | 175312.47       |            |                |                  |                |                              |                  |                |                |                               |                                   |                    |                  | 680963.01   |
| CONSULTORIA                 | 221680.00       |            |                |                  |                |                              |                  |                |                |                               |                                   |                    |                  | 175312.47   |
| OTROS INGRESOS              | 2707780.70      |            |                |                  |                |                              |                  |                |                |                               |                                   |                    |                  | 221680.00   |
| VENTA DE MANUALES           | 8778.00         |            |                |                  |                |                              |                  |                |                |                               |                                   |                    |                  | 2707780.70  |
| DIFERENCIAL CAMBIARIO       | 3716884.31      |            |                |                  |                |                              |                  |                |                |                               |                                   |                    |                  | 8778.00     |
| VENTA DE ANIMALES           | 21000.00        |            |                |                  |                |                              |                  |                |                | -992217.18                    | -128224.77                        |                    |                  | 2596442.36  |
| INGRESO COLONIA HORIZONTES  | 115218.00       |            |                |                  |                |                              |                  |                |                |                               |                                   |                    |                  | 21000.00    |
| CURSOS PRODEM               | 56800.00        |            |                |                  |                |                              |                  |                |                |                               |                                   |                    |                  | 115218.00   |
| APORTES PRODEM              | 1619510.52      |            |                |                  |                |                              |                  |                |                |                               |                                   |                    |                  | 56800.00    |
| INGRESOS ASISTENCIA TECNICA | 260.00          |            |                |                  |                |                              |                  |                |                |                               |                                   |                    |                  | 1619510.52  |
| INGRESOS PLANTA BALANCEADO  | 150.00          |            |                |                  |                |                              |                  |                |                |                               |                                   |                    |                  | 260.00      |
| TOTAL INGRESOS              | 9051057.90      | 0.00       | 6499573.60     | 0.00             | 0.00           | 0.00                         | 0.00             | 0.00           | 0.00           | -542360.98                    | 51559.84                          | 18281643.25        | 2677500.00       | 36009973.61 |
| <b>GASTOS</b>               |                 |            |                |                  |                |                              |                  |                |                |                               |                                   |                    |                  |             |
| COSTO DE VENTAS             | 1050.00         |            |                |                  |                |                              |                  |                |                |                               |                                   |                    |                  | 1050.00     |
| SERVICIOS PERSONALES        | 202805.00       | 1216258.00 | 1271909.00     |                  |                |                              |                  |                |                |                               |                                   | 1082780.00         | 15000.00         | 29827732.00 |
| PRESTACIONES SOCIALES       | 181055.84       | 324411.78  | 1022127.49     |                  |                |                              |                  |                |                |                               |                                   | 172958.73          | 600.00           | 2160253.84  |
| SERVICIOS PROFESIONALES     | 47242.00        | 231763.24  | 552138.25      |                  |                |                              |                  |                |                |                               |                                   | 186330.00          |                  | 1137473.49  |
| VIAJES Y DIETAS EXTERIOR    | 10292.65        | 4152.96    | 10000.00       |                  |                |                              |                  |                |                |                               |                                   |                    |                  | 24445.61    |
| VIAJES Y DIETAS LOCALES     | 106960.42       | 385575.83  | 1149703.22     |                  |                |                              |                  |                |                |                               |                                   | 86766.50           | 4000.00          | 1733005.97  |
| ALBUILERES Y ARRIENDOS      | 54925.00        | 106258.00  | 53125.00       |                  |                |                              |                  |                |                |                               |                                   | 223000.00          |                  | 437300.00   |
| AGUA Y LUZ                  | 7280.82         | 13451.75   | 23415.74       |                  |                |                              |                  |                |                |                               |                                   | 10004.51           |                  | 54432.82    |
| TELEFONO                    | 19729.94        | 22169.72   | 17907.59       |                  |                |                              |                  |                |                |                               |                                   | 119410.50          |                  | 179317.55   |
| ATENCIONES Y REPRESENTACION | 60252.00        | 68760.40   | 41910.20       |                  |                |                              |                  |                |                |                               |                                   |                    |                  | 170862.60   |
| MANTENIMIENTO OFICINA Y ED  | 31433.50        | 24372.64   | 5575.50        |                  |                |                              |                  |                |                |                               |                                   | 103117.60          |                  | 71593.24    |
| MANT. Y COMBUSTIBLE VEHICU  | 89672.10        | 13129.00   | 965186.52      |                  |                |                              |                  |                |                |                               |                                   |                    |                  | 967987.62   |
| IMPRESIONES Y COPIAS        | 17475.00        | 4309.50    | 14049.00       |                  |                |                              |                  |                |                |                               |                                   |                    | 50.00            | 182180.80   |
| CARGOS BANCARIOS            | 4759.81         |            |                |                  |                |                              |                  |                |                |                               |                                   |                    |                  | 146297.30   |
| INTERESES SOBRE PRESTAMOS   | 23132.33        |            |                |                  |                |                              |                  |                |                |                               |                                   |                    |                  | 16998.71    |
| CUENTAS INCORRIBLES         |                 |            | 184455.65      | -7689.52         | 223932.01      |                              |                  |                |                | 1215117.80                    | 322839.15                         | 22205.11           |                  | 1586484.37  |
| MATERIALES Y UTILES DE OFI  | 29659.21        | 51331.49   | 67618.06       |                  |                |                              |                  |                |                | 183422.48                     | 547571.41                         | 1639269.85         |                  | 2781641.88  |
| RESERVO                     |                 |            | 2000.00        |                  |                |                              |                  |                |                |                               |                                   |                    |                  | 590999.97   |
| APORTES PATRONALES          | 22201.01        | 135082.00  | 124396.31      |                  |                |                              |                  |                |                |                               |                                   |                    |                  | 2000.00     |
| CURSOS Y CARGOS             | 5310.70         | 227.50     | 7693.90        |                  |                |                              |                  |                |                |                               |                                   |                    |                  | 420845.15   |
|                             |                 |            |                |                  |                |                              |                  |                |                |                               |                                   |                    |                  | 12605.65    |

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ESTADISTICA DE INGRESOS Y GASTOS

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TABLE 3

FUNDACION ECUATORIANA DE DESARROLLO  
- ZONA NORTE -

Balance General Consolidado y por Fondos  
AL 30 DE JUNIO DE 1985

|                              | F.E.D FONDO 11     |             |                    | CANADIAN          |                   |                  |                   |                   | BID/             |                 | BID/CEE            |                     | PRODEN             | ICRM              | VIVIENDA         | TOTAL              |
|------------------------------|--------------------|-------------|--------------------|-------------------|-------------------|------------------|-------------------|-------------------|------------------|-----------------|--------------------|---------------------|--------------------|-------------------|------------------|--------------------|
|                              | DESARROLLO         | FED-PACT    | PACT               | IAF FONDO 2       | NOVID FONDO 3     | EZE FONDO 4      | HUNGER FONDO 5    | CEBERG FONDO 6    | KAS FONDO 7      | IED FONDO 8     | SOLIDARIOS FONDO 9 | SOLIDARIOS FONDO 10 |                    |                   |                  |                    |
| <b>ACTIVOS</b>               |                    |             |                    |                   |                   |                  |                   |                   |                  |                 |                    |                     |                    |                   |                  |                    |
| Caja chica                   | 83487.00           |             |                    |                   |                   |                  |                   |                   |                  |                 |                    |                     |                    |                   |                  | 83487.00           |
| BANCOS                       | 95558.00           | -209022.40  |                    | 94247.48          | 162483.64         | 85124.67         | -895907.80        |                   | -91500.21        | 59683.98        | -3486484.84        | 1734436.74          | -2819309.27        | 1667011.58        | -14326.08        | -4030381.71        |
| DEPOSITO EN TRANSITO         |                    | 5520.00     |                    |                   |                   |                  |                   |                   |                  |                 |                    |                     |                    |                   |                  | 5520.00            |
| DEPOSITO EN GARANTIA         |                    |             |                    |                   |                   |                  |                   |                   |                  |                 |                    |                     | 42000.00           |                   |                  | 42000.00           |
| CUENTAS POR COBRAR FONDO     |                    |             | 35553.18           |                   |                   |                  |                   |                   |                  |                 |                    |                     |                    |                   |                  | 35553.18           |
| CUENTAS POR COBRAR VARIO     | 5485068.58         |             |                    |                   |                   |                  |                   |                   |                  | 2987.03         |                    |                     |                    |                   |                  | 5488055.61         |
| CUENTAS POR COBRAR PROYECTOS |                    | 1595140.20  | -507301.40         |                   |                   | 2076134.85       |                   |                   |                  | 1170452.00      | 7962607.29         | 21437739.20         | 998160.00          |                   |                  | 34732671.74        |
| CUENTAS POSIBLE RECUPERAR    |                    | 398413.84   |                    |                   |                   |                  |                   |                   |                  |                 |                    |                     |                    |                   |                  | 398413.84          |
| CUENTAS INCORRABLES          |                    | -184455.65  | 7409.52            |                   |                   | -233932.01       |                   |                   |                  | -183422.48      | -547571.41         | -1639269.85         |                    |                   |                  | -2781041.88        |
| INTERESES POR COBRAR         | 8603.58            |             |                    |                   |                   |                  |                   |                   |                  |                 |                    |                     |                    |                   |                  | 8603.58            |
| ANTICIPOS DE CONSUMOS        | 151767.58          |             |                    |                   |                   |                  |                   |                   |                  |                 |                    |                     |                    |                   |                  | 151767.58          |
| ANTICIPO GASTOS              | 9832.50            |             |                    |                   |                   |                  |                   |                   |                  |                 |                    |                     |                    |                   |                  | 9832.50            |
| CUENTAS POR COBRAR IVALE     |                    |             |                    |                   |                   |                  | 157500.00         |                   |                  |                 |                    | 1925050.00          |                    |                   |                  | 2082550.00         |
| PROGRAMA HEMISFERTICO        | 997926.30          |             |                    |                   |                   |                  |                   |                   |                  |                 |                    |                     |                    |                   |                  | 997926.30          |
| INVENTARIOS                  | 32070.00           |             |                    |                   |                   |                  |                   |                   |                  |                 |                    |                     |                    |                   |                  | 32070.00           |
| MATERIALES EN CONSIGNACI     | 554712.46          | 5466.30     |                    |                   |                   |                  |                   |                   |                  |                 |                    |                     |                    |                   |                  | 560180.76          |
| TERRENOS                     | 1946432.00         |             |                    |                   |                   |                  |                   |                   |                  |                 |                    |                     |                    |                   |                  | 1946432.00         |
| EDIFICIOS                    | 270685.90          | 250000.00   |                    |                   |                   |                  |                   |                   |                  |                 |                    |                     |                    |                   |                  | 520685.90          |
| VEHICULOS                    | 560220.00          |             |                    |                   |                   |                  |                   |                   |                  | 562037.75       |                    |                     |                    |                   |                  | 1122257.75         |
| MOVILIARIO Y EQUIPO          | 1743558.09         |             |                    |                   |                   |                  |                   |                   | 66549.62         |                 |                    | 1063445.05          |                    |                   |                  | 2873552.76         |
| DEPRECIAC. ACUMULA VEHICU    | -154733.96         |             |                    |                   |                   |                  |                   |                   |                  |                 |                    |                     |                    |                   |                  | -419068.36         |
| DEPRECIAC. ACUMULA Y ENSE    | -193288.22         |             |                    |                   |                   |                  |                   |                   | -20000.88        |                 |                    |                     |                    |                   |                  | -213289.11         |
| CONSTRUCCION EN PROCESO      |                    |             |                    |                   | 260000.00         |                  |                   |                   |                  |                 |                    |                     |                    |                   |                  | 260000.00          |
| RENOVIANTES                  | 36310.00           | 13000.00    |                    |                   |                   |                  |                   |                   |                  |                 |                    |                     |                    |                   |                  | 49310.00           |
| INVERSIONES FINANCIARIAS     | 1632044.66         |             |                    |                   |                   |                  | 3379037.72        |                   |                  |                 |                    |                     |                    |                   |                  | 5011082.38         |
| MATERIAL EN BIBLIOTECA       | 3600.00            |             |                    |                   |                   |                  |                   |                   |                  |                 |                    | 9416.00             |                    |                   |                  | 13016.00           |
| <b>SUBTOTAL ACTIVOS</b>      | <b>13266875.24</b> | <b>0.00</b> | <b>-2015934.16</b> | <b>2510899.05</b> | <b>1126391.76</b> | <b>345124.67</b> | <b>1103794.64</b> | <b>3379037.72</b> | <b>-44951.47</b> | <b>59683.98</b> | <b>-2199064.94</b> | <b>11074544.62</b>  | <b>18094041.13</b> | <b>2665191.56</b> | <b>-14326.08</b> | <b>49351307.80</b> |
| <b>PASIVOS</b>               |                    |             |                    |                   |                   |                  |                   |                   |                  |                 |                    |                     |                    |                   |                  |                    |
| PRESTAMOS/PAGAR AIB/SOLI     |                    |             |                    |                   |                   |                  |                   |                   |                  |                 | 3846458.66         |                     |                    |                   |                  | 3846458.66         |
| DOCUMENTOS/PAGAR             | 490780.00          |             |                    |                   |                   |                  |                   |                   |                  |                 |                    |                     |                    |                   |                  | 490780.00          |
| CTAS. /PAGAR FONDOS          |                    |             |                    |                   |                   |                  |                   | 25000.00          |                  |                 |                    |                     |                    |                   |                  | 33553.18           |
| CTAS. /PAGAR VARIOS          | 1325211.25         |             |                    |                   |                   |                  |                   |                   |                  |                 |                    |                     |                    |                   |                  | 1325211.25         |
| CTAS. /PAGAR CONTINGENTES    | 1978956.62         | 1538945.65  |                    |                   |                   |                  |                   |                   |                  |                 |                    | 373613.03           |                    |                   |                  | 3891509.30         |
| RETENCIONES/PAGAR            | 964553.51          |             |                    |                   |                   |                  |                   |                   |                  |                 |                    |                     |                    | 1022.56           |                  | 965384.01          |

IMPRESION POR EFECTOS S.A.

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TABLE 4

FUNDACION ECUATORIANA DE DESARROLLO  
- ZONA NORTE -

ESTADO DE PERDIDAS Y GANANCIAS POR FONDOS  
DEL 1 AL 30 DE JUNIO DE 1985

|                             | F.E.D (FONDO 1)   |                   |                   | IAF<br>FONDO 2 | HOVID<br>FONDO 3 | EZE<br>FONDO 4 | CAMANAM<br>HUNGER<br>FONDO 5 | CEBENO<br>FONDO 6 | KAS<br>FONDO 7 | IED<br>FONDO 8 | AID/<br>SOLIDARIOS<br>FONDO 9 | BID/CEE<br>SOLIDARIOS<br>FONDO 10 | PRODER<br>FONDO 11 | ICRM<br>FONDO 12 | VIVIENDA<br>FONDO 13 | TOTAL              |
|-----------------------------|-------------------|-------------------|-------------------|----------------|------------------|----------------|------------------------------|-------------------|----------------|----------------|-------------------------------|-----------------------------------|--------------------|------------------|----------------------|--------------------|
|                             | DESARROLLO        | FED-PACT          | PACT              |                |                  |                |                              |                   |                |                |                               |                                   |                    |                  |                      |                    |
| <b>INGRESOS</b>             |                   |                   |                   |                |                  |                |                              |                   |                |                |                               |                                   |                    |                  |                      |                    |
| DONACIONES NACIONALES       | 66972.00          |                   |                   |                |                  |                |                              |                   |                |                |                               |                                   |                    |                  |                      | 66972.00           |
| EDIFICACIONES INTERNACIONAL |                   |                   | 1875052.00        |                |                  |                |                              |                   |                |                |                               |                                   | 7674149.62         | 127500.00        |                      | 9676701.62         |
| INTERESES SOBRE PRESTAMO    | 7527.16           |                   |                   |                |                  |                |                              |                   |                |                | 304597.82                     | 128402.25                         |                    |                  |                      | 440527.23          |
| DIVIDENDOS DE ACCIONES      | 281523.95         |                   |                   |                |                  |                |                              |                   |                |                |                               |                                   |                    |                  |                      | 281523.95          |
| OTROS INGRESOS              | 517132.54         |                   |                   |                |                  |                |                              |                   |                |                |                               | 750.00                            |                    |                  |                      | 517882.54          |
| VENTA DE MANUALES           | 14554.00          |                   |                   |                |                  |                |                              |                   |                |                |                               |                                   |                    |                  |                      | 14554.00           |
| DIFERENCIAL CAMBIO          | 358520.00         |                   |                   |                |                  |                |                              |                   |                |                |                               |                                   |                    |                  |                      | 358520.00          |
| APORTES PROGRAMA PRODER     | 150583.33         |                   |                   |                |                  |                |                              |                   |                |                |                               |                                   |                    |                  |                      | 150583.33          |
| INGRESOS CURSOS PRODER      | 74960.00          |                   |                   |                |                  |                |                              |                   |                |                |                               |                                   |                    |                  |                      | 74960.00           |
| ASISTENCIA TECNICA          | 100.00            |                   |                   |                |                  |                |                              |                   |                |                |                               |                                   |                    |                  |                      | 100.00             |
| CONSULTORIA                 | 70000.00          |                   |                   |                |                  |                |                              |                   |                |                |                               |                                   |                    |                  |                      | 70000.00           |
| <b>TOTAL INGRESOS</b>       | <b>6096672.98</b> | <b>0.00</b>       | <b>1875052.00</b> | <b>0.00</b>    | <b>0.00</b>      | <b>0.00</b>    | <b>0.00</b>                  | <b>0.00</b>       | <b>0.00</b>    | <b>0.00</b>    | <b>304597.82</b>              | <b>129152.25</b>                  | <b>7674149.62</b>  | <b>127500.00</b> | <b>0.00</b>          | <b>16207124.67</b> |
| <b>GASTOS</b>               |                   |                   |                   |                |                  |                |                              |                   |                |                |                               |                                   |                    |                  |                      |                    |
| SERVICIOS PERSONALES        | 119150.00         | 362237.50         | 745087.50         |                |                  |                |                              |                   |                |                |                               |                                   | 1462000.00         | 58000.00         |                      | 3245275.00         |
| PRESTACIONES SOCIALES       | 26525.24          | 259577.17         | 242995.27         |                |                  |                |                              |                   |                |                |                               |                                   | 222810.00          | 23638.42         |                      | 1075556.18         |
| SERVICIOS PROFESIONALES     | 105597.80         | 114121.74         | 93454.25          |                |                  |                |                              |                   |                |                |                               |                                   | 89640.25           | 18000.00         | 10000.00             | 430814.04          |
| VIAJES Y BIETAS LOCALES     | 48775.50          | 238897.33         | 249515.34         |                |                  |                |                              |                   |                |                |                               |                                   | 197864.00          | 11750.00         |                      | 758802.17          |
| ALQUILERES Y ARRENGOS       | 25500.00          | 51000.00          | 25500.00          |                |                  |                |                              |                   |                |                |                               |                                   | 174000.00          |                  |                      | 276000.00          |
| AGUA Y LUZ                  | 3244.66           | 20331.60          | 20256.75          |                |                  |                |                              |                   |                |                |                               |                                   | 10834.81           |                  |                      | 54647.84           |
| TELEFONO                    | 8184.40           | 12531.47          | 3630.48           |                |                  |                |                              |                   |                |                |                               |                                   | 46615.00           |                  | 3349.90              | 79311.25           |
| ATENCIONES-REPRESENTACION   | 20819.70          | 28800.00          | 14400.00          |                |                  |                |                              |                   |                |                |                               |                                   | 200.00             |                  |                      | 74219.70           |
| MANTENIMIENTO OFICINA EBI   | 9082.00           | 65.00             |                   |                |                  |                |                              |                   |                |                |                               |                                   | 18645.20           |                  |                      | 27792.20           |
| COMBUS. MANTEN. EB. TRATE   | 67609.00          | 3425.50           | 521979.51         |                |                  |                |                              |                   |                |                |                               |                                   | 800.00             |                  |                      | 593894.01          |
| IMPRESIONES Y COPIAS        | 7058.00           | 406.00            | 5515.40           |                |                  |                |                              |                   |                |                |                               |                                   | 9573.98            | 87.00            | 254.00               | 22894.38           |
| CARGOS BANCARIOS            | 130.00            |                   |                   |                |                  |                |                              |                   |                |                |                               |                                   |                    |                  |                      |                    |
| INTERESES SOBRE PRESTAMO    |                   |                   |                   |                |                  |                |                              |                   |                |                | 715.50                        |                                   | 21433.60           |                  |                      | 22278.90           |
| MATERIALES UTILES DE OFI    | 54522.92          | 25710.00          | 14303.58          |                |                  |                |                              |                   |                |                | 38850.96                      |                                   | 28327.17           |                  |                      | 417178.13          |
| APORTES PATRONALES IESS     | 10632.99          | 88209.14          | 77576.16          |                |                  |                |                              |                   |                |                |                               |                                   | 317091.44          | 1750.50          | 709.18               | 414087.70          |
| CORREOS Y CABLES            | 5484.50           |                   | 104.00            |                |                  |                |                              |                   |                |                |                               |                                   | 156080.10          | 5533.50          |                      | 338639.89          |
| GASTOS VARIOS               | 29168.90          | 852.00            | 1953.60           |                |                  |                |                              |                   |                |                |                               |                                   | 11610.00           |                  | 13.00                | 17215.50           |
| IMPUESTOS, TASAS Y MULTAS   | 79314.15          |                   | 17617.00          |                |                  |                |                              |                   |                |                |                               |                                   | 208046.50          |                  |                      | 240020.40          |
| MATERIALES Y SUMINISTROS    | 2178.00           | 7800.00           | 6583.70           |                |                  |                |                              |                   |                |                |                               |                                   |                    | 170.00           |                      | 97431.16           |
| DONACIONES                  | 572450.00         |                   |                   |                |                  |                |                              |                   |                |                |                               |                                   |                    |                  |                      | 573450.00          |
| JORNALES                    | 4400.00           | 7975.50           | 18075.00          |                |                  |                |                              |                   |                |                |                               |                                   |                    |                  |                      | 30450.00           |
| MANT. EQUIPOS               | 16559.00          |                   | 6974.80           |                |                  |                |                              |                   |                |                |                               |                                   |                    |                  |                      | 43907.40           |
| PREPARACION TERRENO (PAR    |                   |                   | 30000.00          |                |                  |                |                              |                   |                |                |                               |                                   |                    |                  |                      | 30000.00           |
| GASTOS CURSOS PRODER        | 7593.00           |                   |                   |                |                  |                |                              |                   |                |                |                               |                                   |                    |                  |                      | 49693.00           |
| GASTOS JUDICIALES           | 6529.00           |                   |                   |                |                  |                |                              |                   |                |                |                               |                                   | 40000.00           |                  |                      | 62866.00           |
| SEMINARIOS Y CURSOS         | 10700.00          |                   | 2386.00           |                |                  |                |                              |                   |                |                |                               |                                   | 56527.00           |                  |                      | 13086.00           |
| SEGUROS                     |                   |                   | 4766.50           |                |                  |                |                              |                   |                |                |                               |                                   |                    |                  |                      | 4766.50            |
| EQUIPO Y MATERIAL APLIC     | 120000.00         |                   |                   |                |                  |                |                              |                   |                |                |                               |                                   |                    |                  |                      | 120000.00          |
| <b>TOTAL GASTOS</b>         | <b>1228170.79</b> | <b>1621559.23</b> | <b>2225656.24</b> | <b>0.00</b>    | <b>0.00</b>      | <b>0.00</b>    | <b>0.00</b>                  | <b>0.00</b>       | <b>0.00</b>    | <b>0.00</b>    | <b>397566.26</b>              | <b>0.00</b>                       | <b>3192739.72</b>  | <b>119559.42</b> | <b>14326.98</b>      | <b>7152009.05</b>  |

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IMPRESO POR GAFIL S.A.

BALANCE DE RESULTADOS 4708502.19 -1321999.53 -753604.24 0.00 0.00 3.00 3.00 0.00 0.00 0.00 -84568.44 129152.25 4481418.89 7940.58 -14326.08 7855113.62  
 BALANCE DE RESULTADOS B-F 2984532.60

ELABORADO EN EL DEPARTAMENTO  
 DE PLANIFICACION DE PED

SEFRIO SUEVARA T.  
 DIRECTOR EJECUTIVO

PATRICIA HOLGUIN  
 CONTADOR GENERAL

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Table 5, Annex 1

Recursos conseguidos

EVOLUCION DE LOS RECURSOS CONSEGUIDOS  
(SUCRES)

| <u>NOMBRE DE LA CUENTA</u>           | <u>1979</u>      | <u>1980</u>      | <u>1981</u>      | <u>1982</u>      | <u>1983</u>       | <u>1984</u>       |
|--------------------------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
| Donaciones Locales                   | 1,063.821        | 506,689          | 357.432          | 501.044          | 987.215           | 114.964           |
| Rendimientos                         | 460.759          | 1,496.829        | 2,041.173        | 2,094.744        | 6,690.767         | 8,339.545         |
| Donaciones Internac.                 | 2,305.309        | 753.944          | 486.557          | 2,716.554        | 3,794.417         | 27,422.314        |
| Prestamos Internacion. Desembolsados | 0                | 4,232.221        | 383.529          | 2,961.750        | 6,711.882         | 9,919.489         |
| <b>TOTAL</b>                         | <b>3,829.889</b> | <b>6,989.683</b> | <b>3,269.691</b> | <b>8,274.092</b> | <b>18,184.281</b> | <b>45,796.312</b> |
| Average Annual Dollar Exchange Rate  | 24/1             | 25/1             | 26/1             | 31/1             | 44/1              | 80/1              |

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Table 5, Annex 1

Recursos conseguidos

EVOLUCION DE LOS RECURSOS CONSEGUIDOS  
(SUCRES)

| <u>NOMBRE DE LA CUENTA</u>           | <u>1979</u>      | <u>1980</u>      | <u>1981</u>      | <u>1982</u>      | <u>1983</u>       | <u>1984</u>       |
|--------------------------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
| Donaciones Locales                   | 1,063.821        | 506,689          | 357.432          | 501.044          | 987.215           | 114.96            |
| Rendimientos                         | 460.759          | 1,496.829        | 2,041.173        | 2,094.744        | 6,690.767         | 8,339.545         |
| Donaciones Internac.                 | 2,305.309        | 753.944          | 486.557          | 2,716.554        | 3,794.417         | 27,422.314        |
| Prestamos Internacion. Desembolsados | 0                | 4,232.221        | 383.529          | 2,961.750        | 6,711.882         | 9,919.489         |
| <b>TOTAL</b>                         | <b>3,829.889</b> | <b>6,989.683</b> | <b>3,269.691</b> | <b>8,274.092</b> | <b>18,184.281</b> | <b>45,796.312</b> |
| Average Annual Dollar Exchange Rate  | 24/1             | 25/1             | 26/1             | 31/1             | 44/1              | 80/1              |



**FUNDACION ECUATORIANA DE DESARROLLO**  
ZONA NORTE

GIJONAGUIL 1494 V ORIENTE - TELFS. 511447-570504 - APARTADO 2527 - CASLE FEDED

TABLE 6

FUNDACION ECUATORIANA DE DESARROLLO "FED"

PROFORMA PRESUPUESTARIA AÑO DE 1985

|   |           |
|---|-----------|
| SUELDOS                                   | 5'900.000 |
| PRESTACIONES SOCIALES                     | 2'500.000 |
| SERVICIOS PROFESIONALES                   | 1'000.000 |
| VIAJES Y DIETAS EXTERIOR                  | 30.000    |
| VIAJES Y DIETAS LOCALES                   | 1'700.000 |
| ALQUILERES Y ARRIENDOS                    | 600.000   |
| AGUA Y LUZ                                | 100.000   |
| TELEFONOS                                 | 180.000   |
| ATENCIONES Y REPRESENTACIONES             | 180.000   |
| MANTENIMIENTO OFICINAS                    | 90.000    |
| MANTENIMIENTO Y COMBUSTIBLE DE EQUIPOS DE |           |
| TRANSPORTE                                | 1'200.000 |
| IMPRESOS Y COPIAS                         | 150.000   |
| CARGOS BANCARIOS                          | 100.000   |
| INTERESES SOBRE PRESTAMOS                 | 2'800.000 |
| MATERIALES Y UTILES DE OFICINA            | 700.000   |
| APORTE PERSONAL                           | 620.000   |
| CORREOS Y CABLES                          | 50.000    |
| GASTOS VARIOS                             | 500.000   |
| IMPUESTOS TASAS Y MULTAS                  | 180.000   |
| MANTENIMIENTO EQUIPOS                     | 100.000   |
| CURSOS PRODEM                             | 120.000   |
| GASTOS JUDICIALES                         | 200.000   |
| SEGUROS                                   | 50.000    |
| EQUIPOS Y MATERIAL DE APOYO               | 120.000   |

TOTAL

19'170.000

\*\*\*\*\*

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FUNDACION ECUATORIANA DE DESARROLLO  
ZONA NORTE

GUAYAQUIL 1494 V ORIENTE - TELFS. 512447-570604 - APARTADO 2529 - CABLE FE

INGRESOS PROYECTADOS PARA EL AÑO 1985

DE LA F E D

| <u>FONDO</u> |                                 | <u>OPERACION</u> | <u>PRESTAMOS</u> |
|--------------|---------------------------------|------------------|------------------|
| 1            | DONACIONES NACIONALES           | 130.000          |                  |
| 1-P          | DONACIONES INTERNACIONALES PACT | 7'221.900        |                  |
| 12           | ICRW                            | 525.000          | 3'150.000        |
| 11           | AITEC/AID                       | 6'000.000        | 6'000.000        |
|              | INTERESES SOBRE PRESTAMOS       |                  |                  |
| 11           | URBANOS                         | 3'800.000        |                  |
| 1 FP         | RURALES                         | 700.000          |                  |
| 1-P          |                                 |                  |                  |
| 1-FP         | DIVIDENDO SOBRE ACCIONES *      | 800.000          |                  |
| 1-FP         | VENTA DE MANUALES               | 100.000          |                  |
| 1-FP-11      | CURSOS                          | 150.000          |                  |
| 1-5          | CONSULTORIAS                    | 200.000          |                  |
| 9            | PRESTAMO/SOLIDARIOS/AID (RURAL) |                  | 12'000.000       |
| 1.           | PRESTAMO IIZ                    |                  | 500.000          |
|              |                                 | <hr/>            | <hr/>            |
|              |                                 | 19'626.900       | 21'650.000       |
|              |                                 | *****            | *****            |

Aproximadamente.

\* El 50% se recibe en Acciones Liberadas, que sirven para incrementar nuestra contrapartida de Auales.

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**ANNEX 2**

**LA BOMBA ARRIETA**

**Lista de Manuales y Publicaciones**

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### INTRODUCCION:

agua es un factor básico para la  
está en relación directa con la  
tividad y el bienestar de una  
dad.

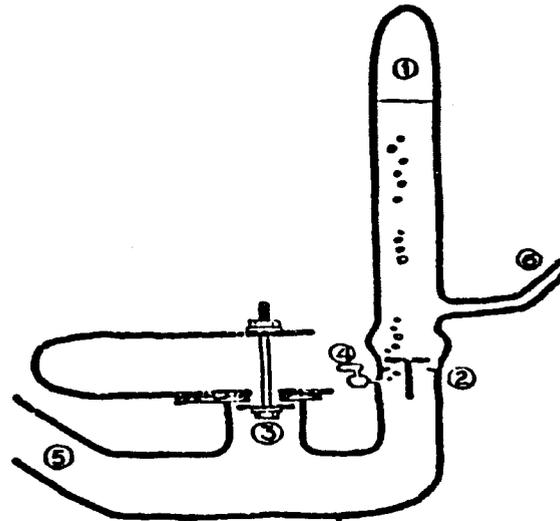
ariete hidráulico es un disposi-  
idroneumático que puede ofrecer  
bilidad de dotar de agua a la  
o de mejorar la provisión de que  
2 tanto para consumo familiar  
ara el uso de animales domésticos  
o.

### ¿ QUE ES UN ARIETE ?

El ariete hidráulico es una bomba  
ítica que funciona con el impulso  
1 corriente de agua, para elevar  
de esa agua a una altura mayor  
1 del sitio de captación de la  
2.

si existe suficiente agua impulsora  
fuente, el ariete operará las  
e y cuatro (24) horas del día como  
eae una máquina de movimiento per-  
eae una máquina de movimiento per-

### ESQUEMA BASICO DEL ARIETE HIDRAULICO:



### PARTES COMPONENTE DEL ARIETE:

- 1.- Cámara de aire.-
- 2.- Válvula Check.-
- 3.- Válvula de impulsión.-
- 4.- Válvula de alimentación.-

### OPERACION:

El ciclo de bombeo del ariete se  
desarrolla de la siguiente manera:

- a)- El agua fluye por el tubo de impulsión (5) y pasa por la válvula de impulsión (3).
- b)- La inercia del agua en movimiento cierra la válvula de impulsión (3).
- c)- El impulso de agua en el tubo de impulsión (5) arroja algo de agua al interior de la cámara de aire (1) y de ahí al tubo de descarga o de salida.
- d)- La corriente se detiene.-
- e)- La válvula check (2) o de retención se cierra.
- f)- Se abre nuevamente la válvula de impulsión (3) para comenzar el ciclo otra vez. (Este ciclo se repite de 25 a 100 veces por minuto).
- g)- La válvula de alimentación de aire permite el recabastecimiento de aire después de cada ciclo, e impide que la cámara de aire se inunde.

## INFORMACION BASICA NECESARIA PARA

### LA INSTALACION DE UN ARIETE

- Caudal de agua disponible en lts/min (Q).
- Altura en metros desde la fuente de agua al sitio en donde está el ariete. (H).
- Altura en metros a la cual debe ser elevada el agua (h); con relación a la ubicación del ariete.
- Caudal de agua de descarga necesaria por día (q).

#### FORMULA PRINCIPAL

$$QHn = qh$$

- Q = Caudal de la caída.-
- H = Altura de caída.-
- n = Rendimiento o eficiencia.-
- q = Caudal elevado.-
- h = Altura de elevación de agua.-

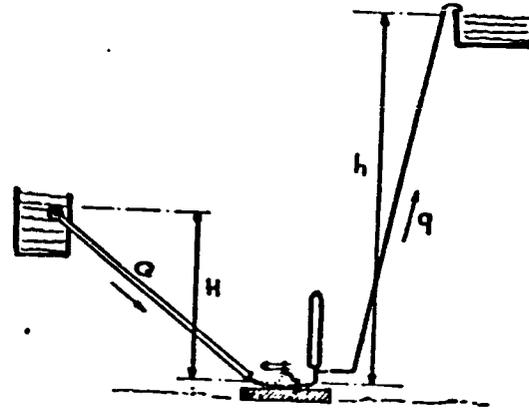
#### EJEMPLO

Si se dispone de un caudal de caída de 25 lts/min, a una altura de caída de 3 m y se requiere subir el agua a 22 m de altura. ¿Qué cantidad de agua elevaría en 24 horas ?.

$$q = \frac{QHn}{h} = \frac{25 \times 3 \times 0.5}{22} = 1.7 \text{ lts/min.}$$

$$q = \frac{25 \times 3 \times 0.5}{22} = 1.7 \text{ lts/min.}$$

es decir, si eleva 1.7 lts/min bombeará un total de 2.448 lts/24 horas.



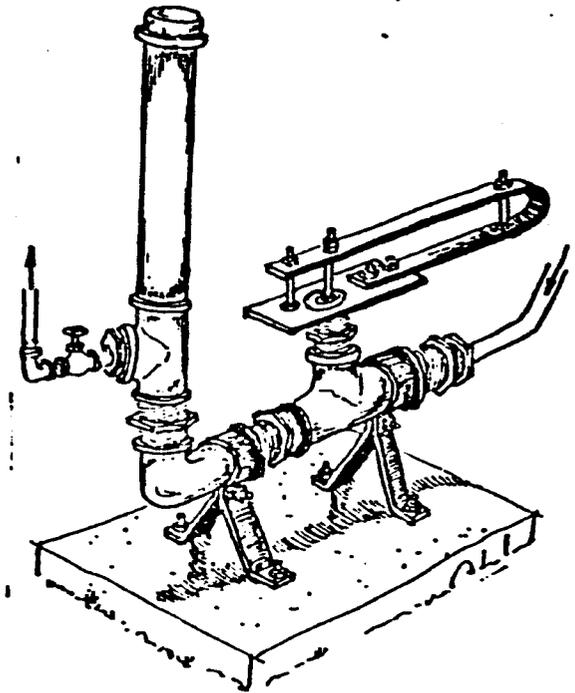
#### RECOMENDACIONES SOBRE LA TUBERIA

-- La tubería de alimentación debe ser de un material bastante rígido, se recomienda el uso de tubería galvanizada.

-- La tubería de salida o elevación puede ser de acuerdo a las condiciones de polí-tubo, pero es necesario que ésta esté lo más recta posible para evitar pérdidas por fricción o formación de bolsas de aire que bajarían el rendimiento del ariete.



CENTRO DE  
INVESTIGACIONES  
TECNOLOGICAS DEL CR



#### INFORMACION:

Bolívar N° 5-10  
Teléfono N° 8274  
Casilla N° 4933

C. R. E. A.

Cuenca - Ecuador

## **Lista de Manuales y Publicaciones**

**Preparada para La FEDNORTE**

### Serie de Manuales para la Formacion Agropecuaria

Una Casa Nueva para Gilda Mi Vaca Lechera  
Alimentando a Gilda  
Crianza de Gilda  
Ordenando a Gilda  
Control de Mastitis  
Inseminando a Gilda Mi Vaca Lechera  
Industrializando la Leche de Gilda

### Modulos

- El Laboratorio de Industrias Lacteas  
- Los Fermentos Lacteos  
- El Cuajo de Queseria  
- La Microbiologia de la Leche  
- Elaboracion de Guesos  
- Elaboracion de mantequilla  
Una Planta de Bio-abono-gas para Mi Finca  
Crianza de Conejos  
Uso y Manejo del Caldero para Queserias  
Descripcion de un Proyecto Hibrido Avicola  
Elaboracion de Queso de Soya  
Guia Practica de Agricultura  
Guia Practica Veterinaria  
La Economia Domestica  
El Arado Rompedor  
Administrando Mi Empresa (I y II Modulos)  
La Comercializacion

### Folletoes tecnicos

Aprenda a Mangejar su Ganado  
Consejos para el Cultivo de Papas  
Consideraciones Generales para Emprender una Exploracion Avicola  
Consejos para la Crianza de Cuyes  
Consejos para la Crianza de Cerdos

### Otras Publicaciones

Memorias Formas Asociativas de Productores que realizan Funciones  
de Comercializacion con el IICA  
Memorias El Credito a Grupos Marginales con la Fundacion Alemana  
para el Desarrollo Internacional - D.S.F.  
Diagnostico Socio-Economico del Noroccidente de Pichincha  
Planificacion, Preparacion y Evaluacion de Proyectos, P.P.E.  
Resumen del libro de SOLIDARIOS

*File*

Publicaciones que FED Posee entregadas por el Proyecto OPVs -  
Organizaciones Privadas de Desarrollo en Ecuador

Catalogo de Organizaciones Privadas en el Ecuador  
Folioteca para el Desarrollo  
Metodos Seleccionados del Auto-financiamiento de Desarrollo  
Comunitario  
Fuentes de Recursos Financieros para el Desarrollo Comunitario en  
Latinamerica  
Medelo Educativo con Enfoque Hacia Unidades Economicas. En  
Cooperacion con Creative Association  
Normativo para Capacitadores

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**THE PENNEY FOUNDATION**

**GUATEMALA**

**FUNDACEN**

**FUNDACION DEL CENTAVO**

**GUATEMALA**

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## 1. Background

The Fundacion del Centavo (FUNDACEN) was founded in September 1962. Fifty businessmen each contributed Q1,000 to establish its initial capital base.<sup>1</sup> FUNDACEN was the first of what later came to be known as national development foundations (NDF's).

The original charter of the foundation states that FUNDACEN would be

"a nonprofit organization to promote mutual assistance based on the philosophy that the inhabitants of rural areas will do their own work, pay their own expenses and purchase their own materials for all projects which they undertake."

At the time of its inception, the Foundation's first program was to finance the construction of latrines, water systems, and clinics in the rural areas of Guatemala. In the twenty-two subsequent years, thousands of beneficiaries in the rural area of the country have participated in a variety of programs sponsored by the foundation. The emphasis in the character of the programs has gradually shifted over time from social and physical infrastructure support to credit assistance for productive activities.

The target group of beneficiaries of FUNDACEN, regardless of the nature of program, has always been in the rural sector of the country. During 1984, 143 years groups were financed for a total of 892,000. Since 1962, it has made 2,364 loans for a total of Q 9,082,000. As of the end of 1984, the Foundation had a loan portfolio outstanding of Q 1,767,512; assets of Q 4,390,098 and net equity of Q 1,856,438.

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<sup>1</sup> Until 1985, the exchange rate of the Guatemalan quetzal (Q) was on a par with the US\$ (1Q = \$1US). The exchange rate is now quite variable. At the time of the evaluation (Nov. 1985) a representative rate was Q 3/\$1.

## 2. Organizational Structure

FUNDACEN is organized along similar lines as the other foundations who are SOLIDARIOS members, with a general assembly and volunteer board of directors and a salaried administrative staff. The general assembly has approximately 350 members, either private sector companies or individuals. The board of directors has nine members. The current president is Sr. Antonio Aycinena Arrivillaga, who was also the president of SOLIDARIOS for the 1981-1985 term.

The administrative staff of FUNDACEN is presided over by the General Manager, Ing. Hernan Quan Berducido. Reporting directly to him are the directors of three departments: Support Programs, Development Programs and Finance and Administration. The central office is located in Guatemala City. Regional offices are located in Chimaltenango and Quetzaltenango in the Western Highlands, Jutiapa in the Eastern Highlands and Chuquimulilla in the Southeast Coastal Plain.

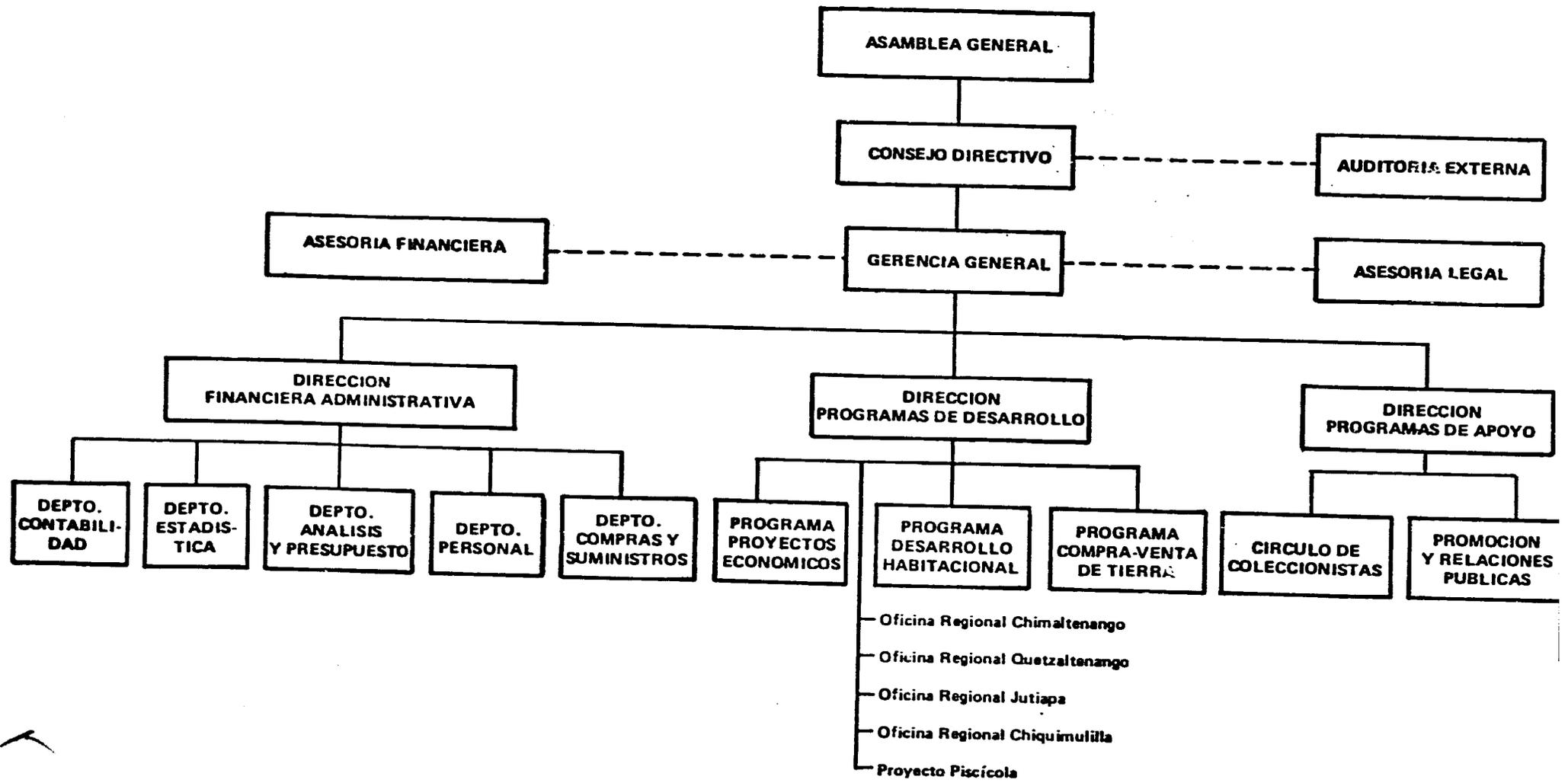
The staff of FUNDACEN consists of twenty-two professional, administrative and support personnel in the central office; eight in Chimaltenango, eight in Quetzaltenango, seven in Jutiapa and two in Chiquimulilla, or a total of forty seven salaried staff. The regional offices are staffed by regional coordinators, field technicians, and one secretary each. Most of the face to face contact with beneficiaries is done via the regional office personnel.

The character of the beneficiaries in the Western Highlands is quite distinct from elsewhere, the majority being of the indigenous Mayan culture. As a result, to function effectively, the personnel of the Chimaltenango and Quetzaltenango offices must be able to communicate in Quiche as well as Spanish.

The organization chart of FUNDACEN is shown in Figure 1.

# ORGANIGRAMA ESTRUCTURAL DE LA FUNDACION DEL CENTAVO

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### 3. Policies, Programs and Activities

#### 3.1. Policies

The basic philosophy of FUNDACEN is summed up in Spanish as "Ayuda para quienes quieren ayudarse" ("help for those who want to help themselves"). Consistent with the philosophy FUNDACEN requires a high level of group participation in programs which it finances. The foundation works only with legally constituted groups of ten or more beneficiaries and will assist potential beneficiaries to organize.

#### 3.2. Programs and Activities

FUNDACEN has two basic classes of activities:

- credit, promotion and technical assistance for the rural poor in variety of programs under the direction of the Dept. of Economic Development
- support programs of an income generating or fund raising nature under the Support Programs Department.

The currently active economic development programs are the agricultural credit and fish culture programs; minimum requirements housing program, and land purchase program. The support programs are those of information and public relations, fundraising, and coin sales.

Each of these programs is described in more detail in the sections which follow.

##### 3.2.1. Economic Development Programs

##### 3.2.1.1. Agricultural Development Programs

The principal activity of this program is the granting of credit for crop financing to groups of small farmers, working their land on an individual basis. The Foundation finances only the purchase of technical inputs (fertilizer, pesticides, etc.). It does not finance labor for planting or harvesting. The principal crops

financed are corn, wheat and beans, followed by sorghum, potatoes, garlic, onions and other vegetables. During 1984, the Foundation financed the crops of 2951 beneficiaries grouped in 125 associations for a total of Q 570,000. This latter amount constituted approximately 20% of estimated production costs, the rest being labor and/or cash investments by the beneficiaries and their families. The low percentage of production costs which is financed reflects the foundation's philosophy of encouraging the beneficiaries to maximize as far as possible, the utilization of their own resources, rather than inducing a situation of dependency of the beneficiary upon the Foundation via excessive credit relative to their minimum essential requirements.

In addition to the crop financing, the foundation also provides assistance in group organization and operation, and agronomic technical assistance as required. As an indication of the economic level of the beneficiaries, the extension of land cultivated by the 2951 individual beneficiaries under the financing was 8542 manzanas, (5980 Ha.) or an average of 2.9 Mz (2.0 Ha) per family. The percentage distribution of crops financed by area planted was corn 55%, wheat 23%, beans 17%, and vegetables 5%. The average loan was Q 195/family. The magnitude of these figures indicate clearly that the typical beneficiary of the program is functioning at a slightly above the subsistence level of the rural society.

- Fishculture project.

This project consisted of the financing of construction of 32 family operated fish farms (avg. size 130m<sup>2</sup>) in the municipios of Quezada, Mojuta y Cenguaco in the department of Jutapa. The fish

stock was provided by a government hatchery and technical assistance was provided by U.S. Peace Corp Volunteers.

### 3.2.1.2. Minimum Needs Housing

The minimum needs housing program is currently the most active credit program after crop financing. It is financed with Organization of American States (OAS) funding. FUNDACEN finances and contracts for the construction of basic housing of two different designs. The houses have two rooms with an enclosed area of 31.8 m<sup>2</sup> and a covered porch of 7m<sup>2</sup>. The walls are of concrete block; roof of galvanized zinc, floor of concrete and there are two windows and two doors.

There is no provision in the design for running water or latrines. The house offers protection against earth quakes and allows for ease of expansion. Eligible beneficiaries are those who have organized in groups and who live in rural communities and whose economic condition does not qualify them for participation in the formal housing market or to finance construction themselves. The cost to the beneficiaries is Q1300 per house, payable in 10 annual payments of Q130 each, with no interest charges.

As of the end of 1984, 209 houses had been built for 14 groups in the departments of Baja Vera Paz, Santa Rosa and Jutiapa. Many of the same beneficiaries are also participants in the crop financing program.

The objectives of the program from FUNDACEN's point of view are two

- to serve as a demonstration project to other members of the community to improve their own housing.
- the substitution of concrete floors for dirt floors produces an immediate improvement in the environmental health of the beneficiaries.

### 3.2.1.3. Land Purchase

The land purchase program is a pilot project which is attempting to carry out land redistribution entirely through the private sector.

Its design has been motivated by the failure, for whatever reason, be it political, economic, or social, of traditional land reform programs throughout Central America. The program is financed with U.S. AID Mission funds.

The objective of the program is the purchase of agricultural land on the open market for resale to beneficiaries. The latter, with the technical assistance of the foundation will then undertake production of nontraditional cash crops, which it is planned will generate a cash flow sufficient to cover the land mortgage and the crop financing.

The foundation will purchase land for 50% cash down payment and 5 year certificate of guarantee for the balance. It will resell to beneficiaries for 10% down, with twelve year mortgages for the balance.

FUNDACEN hopes to generate a resale market for the mortgages in order to finance the purchase of additional land.

This program only began in 1984 and as of the end of the year only two farms with an extension of 73 Mz. had been purchased for redistribution to 25 beneficiaries. The U.S. AID Mission in Guatemala will make up to \$2 million available on a donation basis to the Foundation for the land purchases. The foundation is, however, proceeding cautiously in its implementation due to the program's relative complexity and the need to assure that the first demonstration projects will be successful.

### 3.2.2. Support Programs

In addition to the public relations and promotion activities related to fund raising, the Foundation carries on an active program of collectors coins sales. This program raised Q 73,000 in net income in 1983.

#### 4. Financial Structure

##### 4.1. Sources of Funding

FUNDACEN has been in continuous operation for twenty-two years and over this period has received financial support from many sources public and private, domestic and international.

Having been one of the original founders of SOLIDARIOS, and always having been soundly organized, FUNDACEN has received more SOLIDARIOS financing than any other foundation except the FUNDACION DOMINICANA, \$1,395,000 to date.<sup>1</sup>

Table 1 details disbursements from SOLIDARIOS by fund.

The last disbursements of SOLIDARIOS funds to FUNDACEN were made in 1982. None have been made since then (in spite of the fact that the Quetzal did not begin to devalue until 1985) due to the restriction on both the AID and BID funds of a maximum of \$550,000 per foundation.

Other sources of Foundation support of current operations are shown in Table 2.

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<sup>1</sup>The Dominican Development Foundation has received \$1,690,000.

Table 1. SOLIDARIOS Disbursements to FUNDACEN  
1978 - 1982 (\$US)

| <u>Fund</u>   | <u>Amount<br/>Approved</u> | <u>Amount<br/>Disbursed</u> | <u>Year of<br/>Disbursement</u> | <u>Loan Conditions</u> <sup>1</sup>               |
|---------------|----------------------------|-----------------------------|---------------------------------|---|
| PACT          | \$ 45,300                  | \$ 45,300                   | 1978                            |   |
| SOL/AID       | 185,000                    | 185,000                     | 1979                            | 5%/3yrs. grace/14 semi-annual pmts. 12/82 to 6/89 |
| SOL/AID II    | 365,000                    | 365,000                     | 1982                            | 5%/2 yrs. grace/8 semi-annual pmts. 6/84 to       |
| BID/FFFS      | 250,000                    | 250,000 <sup>2</sup>        | 1981                            | 5%/3 yrs. grace/24 semi-annual pmts. 10/84 - 4/96 |
| BID/CEE       | 550,000                    | 185,000                     | 1981                            | 5%/3 yrs. grace/24 semi-annual pmts. 11/84 - 5/96 |
| <b>Totals</b> | <b>\$1,395,300</b>         | <b>\$1,395,300</b>          |                                 |   |

1 Per original terms, all loans except from the BID/FFFS fund must be amortized in U.S. dollars. Proceeds of the loans were converted to Quetzals at an exchange rate of \$US 1 = Q1. Amortization at current exchange rates would require the purchase of US dollars on the open market at a price of between 3 and 4 Quetzales/dollar.

2 Denominated in Quetzales at exchange rate of Q1/U.S.\$.

Source: SOLIDARIOS

Table 2. Non-SOLIDARIOS Sources of Support of FUNDACEN Current Operations: 1985

| <u>SOURCE</u>               | <u>Amount</u> | <u>USE</u>  |
|-----------------------------|---------------|---|
| 1. USAID Mission            | \$2 million   | Advanced as required for land purchase program on donation basis. \$200,000 of grant earmarked for support of traditional programs. |
| 2. Org. of Am. States (OAS) | Q500,000      | One time donation for use in minimum housing program  |
| 3. OAS                      | Q325,000      | Same as above--disbursed via Gov. of Guatemala  |
| 4. OAS                      | Q350,000      | One time-minimum housing program.   |
| 5. Govt. of Guatemala       | Q 50,000      | Annual contribution for operating expenses  |
| 6. Guatemala private sector | Q 50,000      | Average annual support for operating expenses   |
| 7. Miscellaneous donations  | Q600,000      | Total of miscellaneous additional donations between 1976 and 1985   |

SOURCE: FUNDACEN

#### 4.2. Financial Statements

##### 4.2.1. Balance Sheet

Comparative balance sheets for FUNDACEN on 31 December 1983 and 1984, expressed in Quetzales at an exchange rate of Q1/US\$1 are given in Table 1 of Annex 1, Financial Statements. Total assets were Q4,390,098 in 1984 and Q4,233,600 in 1983. Equity was Q1,752,159 at the end of 1983 and Q1,856,438 at the end of 1984.

As of October 31, 1985, foreign loans payable had been restated at an exchange rate of Q2/\$US1, increasing this liability from Q1,009,881 on 31 December 1984 to Q2,803,145 on 31 October 1985. Assets had increased to Q6,308,897, due also to restatement of dollar denominated reserves. Net equity had also increased to Q2,421,180, assisted by an operating surplus for the first 10 months of 1985 of Q564,000.<sup>1</sup> Nevertheless, if the financial figures are restated in U.S. dollars, using even the exchange rate of Q2/\$US1, rather than Q3.25/\$US1, the parallel market rate of 20 Nov. 1985, the decapitalization in dollar terms of the foundation when compared with the previous years is starkly illustrated, as shown in Table 3.

Table 3. Impact of Devauation on Financial Position of FUNDACEN (Q000's) (\$0001's)  
At exchange rate of Q2/\$US1

|                                      | Financial Position<br>31 Dec. 1984 |              | Financial Position<br>31 Oct. 1985 |              |
|--------------------------------------|------------------------------------|--------------|------------------------------------|--------------|
|                                      | <u>Quetzals</u>                    | <u>US\$</u>  | <u>Quetzals</u>                    | <u>US\$</u>  |
| Total Assets                         | 4,390                              | 4,390        | 6,309                              | 3,155        |
| Total Liabilities                    | 2,533                              | 2,533        | 3,888                              | 1,944        |
| Equity                               | 1,856                              | 1,856        | 2,241                              | 1,211        |
| Foreign Loans Pay-<br>able Long Term | <u>1,009</u>                       | <u>1,009</u> | <u>2,830</u>                       | <u>1,415</u> |

<sup>1</sup> See Table 2, Annex 1 for 10/30/85 balance sheet.

The figures show that assets, if denominated in dollars, had decreased from \$4,390,000 in 31 Dec. 1984 to \$3,155,000 by 31 Oct. 1985, whereas dollar denominated debt had risen from \$1,080,000 to \$1,415,000 during the same period. If the foreign loans payable were to be restated at an exchange rate of Q3/US\$1, the long term debt payable, stated in Quetzales would have escalated to Q4,245,000, or a fourfold increase in ten months from the Q1,009,000 of 31 Dec. 1984. Bearing in mind that the only internally generated income denominated in dollars would be interest from dollar term deposits, the adverse impact of devaluation upon the foundations capital structure is evident.

Of total assets of Q6,309,000 on 31 Oct. 1985, the percentage of the various SOLIDARIOS funds was 40%, as shown in Table 4.

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Table 4. SOLIDARIOS Funds as Proportion of (Total)  
 FUNDACEN Assets -- 31 Oct. 1985  
 (000's)

| <u>Fund</u>       | <u>Assets (0000's)</u> | <u>% of total Assets</u> | <u>Cash</u> | <u>Loans Outstanding</u> |
|-------------------|------------------------|--------------------------|-------------|--------------------------|
| SOLIDARIOS/AID    | 288                    | 5%                       |             |                          |
| SOLIDARIOS/AID II | 571                    | 9%                       | 566         | 8                        |
| SOLIDARIOS/CEE    | 1329                   | 21%                      | 904         | 396                      |
| TOTAL SOLIDARIOS  | 2478                   | 40%                      |             |                          |
| TOTAL FUNDACEN    | 6309                   | 100%                     |             |                          |

SOURCE: FUNDACEN BALANCE SHEET

Inspection of available individual fund balance sheets shows that much of the cash balance of the foundation is in dollar denominated AID II and CEE funds.

#### 4.2.2. Income Statement

The most recent income statement, for the period 1 January - 31 Oct. 1985, is shown in Table 3 of Annex 1. Gross income for the ten month period from all sources was Q1,020,872. Operating costs were Q428,855, cost of sales for the coin program Q16,755, and exchange rate adjustments Q11,509, leaving a net operating surplus of Q563,752. Much of this operating surplus was used to support an expansion of the loan portfolio from Q1,767,000 outstanding on 31 Dec. 1984 to Q2,280,000 on 31 Oct. 1985. Interest income for the period totaled

Q230,400 and miscellaneous income from sources other than donations was Q157,500, for a total of Q387,900 nondonation income. Of total operating expenses of Q440,000, interest on loans totaled 95,000 leaving a remainder of Q345,000, thus indicating that the Foundation, in the absence of both donations and debt repayments, is currently capable of sustaining operations with income generated from internal sources.

The operating budget of FUNDACEN for calendar 1985 is shown in Table 4 of Annex 1. Both current income and portfolio expansion are for the first ten months were running behind the budgeted figures.

#### 4.3. Ratio Analysis

Analysis of the FUNDACEN 31 Dec. 1984 balance sheet indicated the following critical ratios: (Q000's)

|                 |                                      |   |               |   |      |
|-----------------|--------------------------------------|---|---------------|---|------|
| Current ratio   | <u>Current Assets</u>                | = | <u>Q3,189</u> | = | 5.8  |
|                 | Current Liabilities                  |   | 549           |   |      |
| Liquidity ratio | <u>Current assets less inventory</u> | = | <u>3,048</u>  | = | 5.6  |
|                 | Current liabilities                  |   | 549           |   |      |
| Debt ratio      | <u>Total debt</u>                    | = | <u>1,990</u>  | = | 0.45 |
|                 | Total assets                         |   | 4,390         |   |      |

At an exchange rate of Q2/\$US1, the 31 Oct. 1985 debt ratio was 0.51 (i.e. debt Q3219/assets Q6,309).

#### 4.4. Debt Structure

##### 4.4.1. Total Debt

The 31 December 1984 balance sheet listed the following outstanding debt (Q000's):

##### Short term:

|                      |       |
|----------------------|-------|
| Foreign loans        | Q 299 |
| Bank bonds and notes | 21    |
| Total                | 320   |

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Long term:

|                      |              |
|----------------------|--------------|
| Bank bonds and notes | 662          |
| Foreign loans        | <u>1,008</u> |
| Total                | Q1,670       |

All foreign loans were denominated at an exchange rate of Q1/\$US1.

The 31 October 1985 balance sheet printout lists the following

debts:

|                 |             |
|-----------------|-------------|
|                 | (Q000's)    |
| Long term notes | Q 379       |
| Loans payable   | <u>2830</u> |
|                 | Q 3,209     |

The foreign component of the above was calculated at an exchange rate of Q2/\$US1.

4.4.2. FUNDACEN Debt Payable to SOLIDARIOS

Table 1 indicated that the repayment schedule for one of the SOLIDARIOS loans began in 1982, while for the other three, scheduled repayments commenced in 1984 (the PACT loan is not included). The SOLIDARIOS/BID loan was denominated in quetzales, whereas the others were all denominated in and payment due in dollars. FUNDACEN officials indicated that due to the devaluation of the Quetzal, payments on dollar denominated in loans have been suspended until some sort of manageable renegotiation schedule has been arranged. They indicated that at current free market rates (November 1985) including commissions and taxes, it would cost Q3.70/US1 to purchase dollars on the open market.

Table 5 summarizes the current status of FUNDACEN Debt payable to SOLIDARIOS.

Table 5. FUNDACEN Debt Payable to SOLIDARIOS: Status as of 31 Oct. 1985  
(\$000's; Q000's)

FUND

|                  | SOL/AID    | SOL/AID II | SOL/CEE    | TOTAL<br>Dollar Denomi-<br>nated Loans | SOL/BID (Q000's) |
|------------------|------------|------------|------------|--|------------------|
| Loan Value       | \$185      | \$365      | \$550      | 1,100                                  | Q250             |
| <u>Amortized</u> | <u>40</u>  | <u>91</u>  | <u>--</u>  | <u>131</u>                             | <u>31</u>        |
| <u>Balance</u>   | <u>145</u> | <u>274</u> | <u>550</u> | <u>969</u>                             | <u>219</u>       |
| Arrears          | 40         | 46         | 69         | 155                                    | --               |
| Net Yet Due      | 105        | 128        | 481        | 814                                    | 219              |

Per the above figures, of the \$1,100,000 dollar denominated disbursements; only \$131,000 of the \$286,000 in payments due to date has been amortized. Thus of the total amount disbursed, 12% has been amortized, 14% is in arrears and the remainder, 74% is not yet due. Repayment of the Quetzal denominated SOL/BID loan will proceed as scheduled.

4.5. Summary

Until the serious devaluation which began to take place in Guatemala during 1985, FUNDACEN was well capitalized, approaching the point of being able to cover costs from internally generated funds, and sufficiently liquid to repay scheduled debt outstanding. The picture has changed dramatically during the last year due to the more than 300% devaluation of the Quetzal, leaving the Foundation in a position whereby the maintenance of dollar denominated debt repayments to SOLIDARIOS would cripple the Foundation financially, and force it to severely contract its credit activities.

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This situation illustrates clearly the dilemma which major devaluations of national currencies have posed for the individual national development foundations and their relationship with SOLIDARIOS, which is, it must be borne in mind, an umbrella organization which is the creation of the national foundations themselves.

On the one side is SOLIDARIOS, which bears the responsibility to its dollar donors and lenders of operating its revolving development fund in a financially responsible fashion, and at the same time attempting to generate sufficient funds internally through interest repayments to support its operating budget.

On the other side are the national development foundations. The original rationale for the establishment of SOLIDARIOS Development Fund was to channel credit to member foundations through its umbrella group for economically feasible projects, the selection of which could be determined by the Foundation's themselves, rather than by direct donors. The foundations have for the most part used their money in a responsible fashion, but have been victimized by macro-economic difficulties particular to their individual countries, and over which they have no control.

The point in issue, given existing economic circumstances is what purpose is to be served by strict imposition on the part of donors of maintenance of dollar value clauses for the loans to the foundations, when the end result of compliance would be elimination of the national foundations' credit services to ultimate beneficiaries?

Under the circumstances, the best compromise solution would appear to be authorization by AID for SOLIDARIOS to write down the

dollar denominated debt and renegotiate based upon local currency  
repayment of principal

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## 5. Analysis of Operations

### 5.1. Internal Procedures

The internal administrative and accounting procedures of FUNDACEN appear to be adequate for the purposes at hand. The system of accounting by funds is used, external audits are carried out annually, and accounting operations and information are handled with the aid of an IBM PC computer. Written manuals for accounting and clerical procedures exist, as does a manual of guidelines for field supervisors. A general plan for field activities is produced several times yearly. There is no written manual for credit policy, but clearly defined lending policies do exist and appear to be well understood by all directly concerned.

It is less clear to the evaluator how programs are designed and policies generated. Nevertheless, the program delivery side of the foundation appears adequately organized. It is clear that the bias within the FUNDACEN's management lies on the side of action rather than on production of any but the most essential written directives. The foundation's operational record over twenty-two years suggests that its effectiveness has not been noticeably diminished by what some prior evaluations might have considered to be a lack of emphasis given to the preparation of formal operating manuals. It is worth bearing in mind that operating manuals are a means to an end, not an end in themselves.

There does at present appear to be a lack of feedback concerning post loan economic impact of credit activities. The foundation is aware of this, and according to the Director of Development Programs, is planning a rather detailed evaluation exercise for the first quarter of 1986.

Transportation requirements of the foundation are quite extensive, given the geographic dispersal of activities. The central office in Guatemala City has several four-wheeled vehicles and three or four motorcycles. Each field supervisor and technician is equipped with a motorcycle. The wear and tear of off pavement travel combined with the high cost and occasional difficulty of parts replacement exact a heavy toll on the motorcycle fleet. Mechanical condition of most viewed was not all that it should be. The impression conveyed was that operations are not yet seriously hampered by a lack of adequate transportation. It must be remembered, however, that successful implementation of rural programs is directly dependent upon the unimpaired mobility of field technicians.

## 5.2. Human Resources

Any assessment that one might care to make concerning the quality of human resources at FUNDACEN must first be prefaced by a recognition of the difficult circumstances under which the staff has worked in recent years. Given the rural focus of FUNDACEN's activities, and the nature of the political conflicts in Guatemala over the last generation, the field staff and leadership have at times functioned under circumstances in which bodily harm was more than a remote probability. Their dedication to the ideal of aiding "los de abajo" to help themselves is one of FUNDACEN's strengths.

The professional mix of the leadership of FUNDACEN is quite relevant to the foundation's activities. The president is a banker, the executive director an agricultural engineer, the director of development programs a rural sociologist, and the director of

administration an accountant. All have been connected with the foundation for many years.

The mix of disciplines at the field level appears to be somewhat unconventional. Staff agronomists are concentrated in the land purchase program due to the expertise in land classification which this program requires. At the same time, few, if any, of the regional office supervisors and technicians who implement the crop finance program have any formal agricultural training. Though most come from rural backgrounds, their training is generally that of elementary school teachers. Foundation management states that given the traditional nature of cropping systems and crops, the abundance of instructional materials and seminars conducted by fertilizer and pesticide suppliers, and the generally rural background of the employees, formal training in agronomy is not necessary to successfully implement the program.

In spite of such assurances, however, the evaluator still wonders whether the foundation has not unconsciously settled for a lower level of agronomic expectations from its clientele than might be justified.

It seems difficult to believe that even in such a traditionally subsistence level environment, trained agronomists could not provide more effective technical assistance than a non-agronomic staff, no matter how dedicated and how well instructed by input suppliers.

### 5.3. Promotion and Technical Assistance

Promotion activities of FUNDACEN are concentrated in the organization of beneficiary groups and assistance in maintaining group cohesion after formation. Technical assistance in the crop financing program is done simultaneously with promotion by the field

technicians. The nature and extent of technical assistance in the housing and land purchase programs was unobserved.

Promotion and technical assistance for the predominately Maya beneficiaries of the Chimaltenango and Quetzaltenango Regional Offices pose particularly difficult linguistic and cultural conditions. These are managed by requiring that field technicians in these areas be able to function in the Quichè language. The Jutiapa and Chiquimulilla Offices function in a completely Spanish language, mestizo environment, culturally quite similar to that of adjacent regions of El Salvador and Honduras.

#### 5.4. Credit Operations

In Section 3, it was indicated that FUNDACEN operates three credit programs; crop financing, rural housing, and the land purchase and crop financing program. In this section the profile of FUNDACEN's credit operations will be analyzed in further detail.

##### 5.4.1. Credit Policies

It has previously been noted that FUNDACEN has not produced a formal credit operations manual, but that the lending policies are well defined and known by all. The principal features of the credit policies for each program are as follows:

##### 5.4.1.1. Agricultural Development (Crop Financing)

- that the beneficiaries be a legally constituted group of ten or more members;
- that the beneficiaries not have any other source of credit;
- that the project to be financed be economically and financially feasible;

- that the community be of easy access (this is a very relative definition);
- that the beneficiaries be rural residents; and,
- that the group itself, provide 50% of the required project cost (generally in labor).

Lending conditions for crop loans are generally a term of nine or ten months; 10% interest on the loan value or overdue balance, a 3.5% commission for administration, and any legal fees incurred in group legalization will be borne by the group.

No decisions have as yet been taken concerning interest rate adjustments for next year, as current inflation rates have never been experienced before in Guatemala.

#### 5.4.1.2. Minimum Housing Program

The minimum housing program operates on an essentially interest-free basis, with the cost of Q1300 amortized in ten equal annual payments.

Eligibility for the housing program is generally similar to that of the crop financing program, and in fact many are beneficiaries of both programs.

#### 5.4.1.3. Land Purchase Program

The principal eligibility conditions are:

- to be Guatemalan by birth, of parents who were Guatemalan by birth;
- at least 75% of the beneficiary's income must be from agricultural activity;
- the beneficiary must not own agricultural land, or if he does have land, that it is insufficient to support him and his family;
- he must work the purchased land himself;

- he must have an income level less than the mandated rural minimum wage; and,
- he must be head of the family or its chief financial support.

#### 5.4.2. Composition of Loan Portfolio

The composition of the portfolio which was financed during 1984, is illustrated in Table 6, Loan Portfolio - 1984.

Table 6. Composition of FUNDACEN Loan Portfolio 1984

| <u>Programs</u>             | <u># of Group Loans</u> | <u># of Families</u> | <u>Amount Lent (000's)</u> | <u>% Distributed by Loan Value</u> |
|-----------------------------|-------------------------|----------------------|----------------------------|------------------------------------|
| 1. Agricultural Development | 125                     | 2,951                | 570                        | 62%                                |
| 2. Housing-Construction     | 12                      | 209                  | 277                        | 30%                                |
| 3. Improvements             | 2                       | 32                   | 13                         | 2%                                 |
| 4. Land Purchase            | <u>2</u>                | <u>25</u>            | <u>71</u>                  | <u>8%</u>                          |
| TOTALS                      | 139                     | 3,217                | 931                        | 100%                               |

Conversations with FUNDACEN officials indicated that the land purchase program, for which funding is assured, is likely to expand significantly in the future. Expansion of the housing and agricultural development programs will be contingent upon availability of funds.

#### 5.4.3. Loan Portfolio by Source of Credit

#### 5.4.4. Analysis of Loans In Arrears

Both of the above categories of information can be analyzed simultaneously with reference to the computer printout of Loans Payable by Funds of 31 October 1985. The information is summarized in Table 7.

Table 7. FUNDACEN Loan Portfolio by Source of Credit and Loans in Arrears  
as of 31 October 1985  
(Q000's)

| Fund              | # of Loans   | Source of Funding                        | Loan Value (Q000's) | % Dist. of Total | Loans Outstanding (Q000's) | Arrears-1 year or more (Q000's) | % of Loans Outstanding in Arrears |
|-------------------|--------------|--|---------------------|------------------|----------------------------|---------------------------------|-----------------------------------|
| General Fund      | 4            | Foundation                               | 16                  | 1%               | 11                         | 4                               | 41%                               |
| BANDESA AID       | 29           | Loans From Agricultural Development Bank | 154                 | 5%               | 116                        | 23                              | 20%                               |
| BANDESA AID       | 84           | (same as above)                          | 503                 | 15%              | 360                        | 25                              | 7%                                |
| Rural Housing     | 376          | OAS/Donations                            | 674                 | 21%              | 419                        | 103                             | 25%                               |
| SOL/AID           | 14           | SOL/AID                                  | 57                  | 2%               | 22                         | 22                              | 100%                              |
| SOL/BID           | 49           | SOL/BID                                  | 218                 | 7%               | 180                        | 32                              | 18%                               |
| Land Purchase     | 35           | Govt. Donation                           | 102                 | 3%               | 53                         | 12                              | 22%                               |
| SOL/CEE           | 89           | SOL/CEE                                  | 447                 | 14%              | 396                        | 42                              | 11%                               |
| Housing CRN/PACT  | 485          | OAS/PACT                                 | 597                 | 18%              | 428                        | 6                               | 1%                                |
| SOL/AID II        | 7            | SOL/AID                                  | 27                  | 1%               | 8                          | 8                               | 100%                              |
| Housing ONG       | 277          | Govt. & Priv. Donations                  | 360                 | 11%              | 321                        | -                               | 0%                                |
| Land Purchase AID | 2            | AID Mission                              | 62                  | 2%               | 62                         | -                               | 0%                                |
| <b>Totals</b>     | <b>1,452</b> |  | <b>Q3,217</b>       | <b>100%</b>      | <b>Q2,366</b>              | <b>Q277</b>                     | <b>12%</b>                        |

Per the first three columns, it is seen that SOL/AID funds accounted for only 3% of the existing portfolio; SOL/BID, 7% and SOL/CEE, 14% or a total of 21% from SOLIDARIOS funds. FUNDACEN's loan portfolio is thus not overly reliant on SOLIDARIOS supplied funds, and in general draws upon a rather diversified source of funding. Cross reference with Table 4 will show that almost all of the AID II loan disbursement and about one-third of SOL/CEE disbursement is held as a dollar denominated cash reserve, which it would appear, is stated in quetzales at Q2/US\$1.

The last three columns of Table 7 provide the breakdown of loans outstanding and loans in arrears by account. It is seen that 12% or Q277,000 of the loans outstanding are in arrears by more than one year. Of total loans outstanding, Q96,000 or 4% has been written off as uncollectable.

Though the arrears situation might at first glance seem quite high, it must be recalled that

- the economic level of beneficiary groups is uniformly precarious
- agricultural credit banks serving a slightly more affluent clientele have even higher default rates throughout the region
- a significant number of beneficiaries in certain areas of the Western Highlands fled their land and home during the disturbances of the early 1980s.

## 6. Assessment of Foundation Impact upon Beneficiaries

The objective of this phase of each NDF's evaluation is to make some inference as to the economic and social impact of the foundation's activities upon the beneficiaries. The approach used was

- a series of visits/interviews by the evaluator with beneficiaries their project sites. As may be appreciated, the judgments reached in this type of exercise can only be of an impressionistic nature. Nevertheless, contact with the beneficiaries' environment does provide a good qualitative feel for the nature of problems faced, and a measure of the effectiveness and relevance of the foundation activities.
- review of other evaluations; if available, particularly if there any quantitative indications of impact.

### 6.1. Field Visit Report

On Wednesday, November 20th, a visit was made to the regional office of Jutiapa in the eastern highland area of the country, 50 kms. from the Salvadorean border and to beneficiary groups near the border. The evaluator was accompanied by:

Anibal Menchu Gramajo - Director, Development Programs

Juan Jose Salvador Esquivel - Supervisor of Jutiapa Office

Jaime David Montoya - Technician, Jutiapa Office (Housing Program)

This region of the country, beginning immediately to the east of Guatemala city and extending to the borders with Salvador and Honduras is completely mestizo culturally and functions in the Spanish language.

The principal foundation activities in the areas visited are crop financing for corn, frijoles, sorghum and some vegetables (onion and tomato) and the housing construction program. Crops loans are made through organized groups, whose members work their land on an individual basis.

Due to the fact that fields are generally located quite distant from housing (up to 3/4 hours walk) and to harvesting activities currently taking place, personal contact with beneficiaries in the absence of prior arrangements was difficult to achieve. It is also to be noted that the campesinos visited in Guatemala are noticeably more guarded in their communications with strangers, than was the case in the other countries visited during the evaluation (Dominican Republic, Ecuador, Costa Rica).

Of a total of seven different groups visited in the Jutiapa Region, contact with even a single beneficiary was made with only four groups. The profiles are included in Annex 2, Field Visit Reports.

On Thursday, November 21, visits were made to the regional office in Quetzaltenango in the western highland area, some 210 km west of Guatemala city and to various campesino groups in the surrounding region. The evaluator was accompanied by Sr. Menchu and by Mateos Aparicio Pu Sim, a Quiche speaking technician assigned to the Quetzaltenango regional office.

The characteristics of the Foundations beneficiaries and the region are considerably different than those of the Jutiapa region. Beneficiaries are almost exclusively of the Quiche culture. Although virtually all speak some Spanish, the foundation has found that use of Quiche speaking technicians who are natives of the region is the only effective means of communicating with beneficiaries.

Though some housing program activity has taken place, activities for the most part consist of crops financing for corn and wheat. This latter crop is indicative of the cooler climate of the region, relative to the eastern highlands. Though the region is considerably

more humid than the east, only one crop per year can be planted due to the prevalence of cool temperatures and night frost during the months of December through February.

Beneficiaries typically cultivate corn for family consumption and wheat for commercial sale. In many cases, family income is supplemented through itinerant sales activity of household members. Typically, clothing is purchased in public markets and resold on a door to door basis in isolated areas throughout the country. In other beneficiary households, family members migrate seasonally to the Pacific coast of Guatemala to work in the coffee, sugar cane and cotton harvests.

Given the itinerant pattern, contact was even more difficult to make than with beneficiaries of the Jutiapa Office. The profiles of the groups with whom contact was made is also included in Annex 2. It should be noted that none of the beneficiaries of the western highland interviewed produced sufficient corn to sustain family consumption for the whole year.

#### 6.1.1. Evaluation of Field Visit

The policy of FUNDACEN is to finance only the purchase of technical inputs i.e. fertilizer, pesticides, fungicides, etc. Labor costs are not financed. All beneficiaries have long cultivated their current plots, so that it cannot be said that the Foundation's credit activities are expanding either the area of land cultivated or employment. The economic impact attributable to the crop financing would be increased yields due to the availability of technical inputs, particularly increased fertilizer usage.

Even approximate estimates of the impact of the Foundation activities were hard to come by. Members of the Flor de Maiz and San Jose Groups of the Jutiapa Region, indicated that yields on their plots of decidedly marginal soil conditions had increased from a range of 6-15 quintales/manzana<sup>1</sup> of maiz without fertilizer usage to a range of 40-50 quintales with Foundation financed fertilizer. Other groups indicated that they didn't know, maybe some change, etc.

A social impact of financing corn for the Western Highland farmers, all of whom have other sources of income, is that it enables them to feed themselves at production costs instead of at market price costs.

FUNDACEN's technicians in the crop financing program in collaboration with the groups, do rather complete cost of production and cash flow analysis for loan request preparation.

Credit is not approved unless the estimated return in terms of sales over costs is 20%. Since the credit is a relatively small fraction of total production cost, in most cases ample cash flow will exist to cover repayment in the event of unforeseen price fluctuations. Supplemented income from other activities is used for repayment by the subsistence corn cultivators.

None of the beneficiaries interviewed had ever received credit from banking sources, though some had from fertilizer suppliers.

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<sup>1</sup>One manzana = 0.7 hectare.

Some individual housing units which the Foundation had financed were inspected. The foundation has no illusions that this program can be completely economically self sufficient. In terms of sanitary conditions, (i.e. concrete floors), the housing is decidedly an improvement over nearby traditional dwellings.

## 6.2. Other evaluations

The only previous evaluation available was an "institutional diagnosis" by the SOLIDARIOS representative in Guatemala. The focus of the evaluation was institutional and financial, and there were no estimates of impact at the individual beneficiary level.

## 6.3. Conclusion

### 6.3.1 Quantitative

Regrettably, little quantitative in the way of impact of FUNDACEN's activities upon beneficiaries could be deduced as a result of the field visit. FUNDACEN's own estimate of the impact of the crop financing program for 1984, arrived at by aggregating the estimates of all loan applications are as follows:

|   |                              |
|---|------------------------------|
| Number of Loans                           | 125                          |
| Families Benefitted                       | 2,951                        |
| Foundacen Financing                       | Q 570,000                    |
| Total Sales Proceeds<br>of Financed Crops | Q 3,620,000                  |
| Total Production Cost*                    | <u>2,728,000</u>             |
| Net Income                                | Q 892,000 or Q300 per family |

\* Including monetary value assigned to beneficiaries' own labor.

The average cash flow per family would be greater than Q300 as the cost of production includes a monetary estimate of the value of the families' own labor. Generally cash costs (i.e., virtually all financed by FUNDACEN) would be about 20% of total estimated production cost.

By this criterion then, the average cash flow per family would be approximately Q1,000 for the average plot size financed of two hectares per family. Average beneficiary household size is 6 or 7 per family. For a cropping season with no misfortune, these estimates can be considered as fairly representative, as the foundation agronomic analysis is sufficiently detailed and realistic. What is lacking in the way of information to determine a true measure of with and without FUNDACEN impact is:

- What were the actual production and sales figures for a representative sample of financed farmers?
- What would these figures have been in the absence of FUNDACEN support?

A post facto evaluation which would develop the first set of figures for the 1985 crop season is planned for the first quarter of 1986. The second set of figures as become quite evident in the course of the interviews; would be difficult to directly estimate with any degree of confidence. Indirect measures could be estimated, however, via the measureable difference in technical inputs, principally fertilizer usage. There is no doubt that in the absence of FUNDACEN financial support, fertilizer consumption among beneficiaries is less; and, most probably, the incidence of incorrect application is greater. It is also beyond a doubt that FUNDACEN's activities increase the

amount of agricultural credit available to beneficiaries rather than substituting for other sources.

The minimum needs housing program is basically a social infrastructure support project for which benefits tend to be indirect, and more difficult to measure. A priori, though it would appear that the program would have a positive environmental health impact upon beneficiaries, and so translate into improved living conditions.

### 6.3.2 Qualitative

At the qualitative level, based upon field observations, it is certainly easy to appreciate the frustration expressed by the foundation president vis a vis FUNDACEN's inability to generate a true process of development, defined as a sustained increase in living standards, via the crop financing and minimum needs housing programs. It is clearly evident that while these programs are worthwhile, humane, and in large part economically useful, the economic potential of virtually all beneficiaries is severely constrained by the demographic pressure and the subsequent land/man agronomic relationship of much of the populated highland area of Guatemala. In spite of whatever support the foundation or others could realistically provide, virtually all of FUNDACEN's beneficiaries cultivating traditional crops are consigned to little better than a subsistence level of existence if agriculture would be the sole source of income. It is this compelling arithmetic, which no doubt leads many into other sources of income such as itinerant peddling or seasonal migration to work on the cash crop estates in the lowlands.

It is the recognition of this limited potential of traditional crop production which has motivated FUNDACEN and the USAID mission to

embark upon the more innovative, higher risk land purchase and cash crop development scheme.

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## 7. Institutional Relationships

### 7.1. With AID

The U.S. AID Mission in Guatemala is directly involved with FUNDACEN via its \$2 million grant line which has been established to finance the land purchase program. The program is administered by the Mission's Office of Rural Development. The Mission's assessment of FUNDACEN is that it is a very worthwhile and viable organization which is worthy of continued support by U.S. AID.

### 7.2. With the Interamerican Development Bank

The evaluator did not have the opportunity to make contact with the IDB Mission in Guatemala city. In accordance with the IDB's existing policy directives, there is no direct official contact between the Mission and FUNDACEN.

The only support which FUNDACEN has received from the IDB was the Quetzal denominated loan disbursed via SOLIDARIOS. In connection with this loan, the IDB recently carried out an evaluation of FUNDACEN, but a copy was unavailable for review.

### 7.3. With SOLIDARIOS

The ties between SOLIDARIOS and FUNDACEN are long and close. FUNDACEN was one of the original founding members of SOLIDARIOS, and SOLIDARIOS headquarters was, in fact, located in Guatemala from 1972 to 1976. The office of the SOLIDARIOS representative for Central America is located in FUNDACEN's headquarters, and Sr. Aycinena is the outgoing president of SOLIDARIOS having recently completed his two year term.

**ANNEX 1**

**FUNDACEN FINANCIAL STATEMENTS**

**Table 1. Balance Sheet  
31 Dec. 1983, 1984**

**Table 2. Income Statement  
1/1 - 10/31, 1985**

**Table 3. Balance Sheet  
31 October 1985**

**Table 4. Budget - 1985**

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**ANEX 1**

**TABLE 1**

**FUNDACION DEL CENTAVO**  
(Fundación Guatemalteca para el Desarrollo)

**ESTADO DE ACTIVOS Y PASIVOS**  
Al 31 de diciembre de 1984 y 1983  
(en quetzales)

|                                  | <u>ACTIVO</u>    |                  |
|----------------------------------|------------------|------------------|
|                                  | <u>1984</u>      | <u>1983</u>      |
| <b><u>Circulante</u></b>         |                  |                  |
| Efectivo en caja y bancos        | 1,775,355        | 1,334,807        |
| Préstamos                        | 1,123,428        | 751,629          |
| Deudores varios                  | 117,532          | 113,751          |
| Inventarios                      | 140,763          | 163,000          |
| Gastos anticipados               | 5,853            | 7,119            |
| Inversión en valores             | 25,800           | 300,000          |
|                                  | <u>3,188,731</u> | <u>3,170,306</u> |
| <b><u>Otros activos</u></b>      |                  |                  |
| Deudores varios a largo plazo    | 43,982           | 52,989           |
| Préstamos a largo plazo          | 644,084          | 534,500          |
| Terrenos en fincas rústicas      | 349,126          | 297,530          |
| Inversiones en bonos             | 4,000            | 5,500            |
| Construcciones en proceso        | 35,614           | 15,568           |
| Otros                            | 2,545            | 4,627            |
|                                  | <u>1,079,351</u> | <u>910,714</u>   |
| <b><u>Inmuebles y equipo</u></b> |                  |                  |
| Costo                            | 208,513          | 236,523          |
| Depreciación acumulada           | (86,497)         | (83,943)         |
|                                  | <u>122,016</u>   | <u>152,580</u>   |
|                                  | <u>4,390,098</u> | <u>4,233,600</u> |

Table 1  
(cont')

**FUNDACION DEL CENTAVO**  
(Fundación Guatemalteca para el Desarrollo)

**ESTADO DE ACTIVOS Y PASIVOS**  
Al 31 de diciembre de 1984 y 1983  
(en quetzales)

|  | <u>1984</u>      | <u>1983</u>      |
|--|------------------|------------------|
| <b><u>PASIVO</u></b>                                     |                  |                  |
| <b><u>Obligaciones a corto plazo</u></b>                 |                  |                  |
| Préstamos de entidades del exterior                      | 298,586          | 173,085          |
| Préstamos bancarios                                      | 13,332           | 13,332           |
| Documentos por pagar                                     | 8,000            | 3,000            |
| Anticipos sobre ventas de terrenos<br>en fincas rústicas | 159,748          | 129,489          |
| Cuentas varias por pagar                                 | <u>69,796</u>    | <u>47,045</u>    |
|  | <u>549,462</u>   | <u>365,951</u>   |
| <b><u>Obligaciones a largo plazo</u></b>                 |                  |                  |
| Documentos por pagar                                     | 8,000            | -                |
| Préstamos de entidades del exterior                      | 1,008,881        | 1,212,496        |
| Préstamos bancarios                                      | 653,338          | 666,670          |
| Fondo de desarrollo social                               | <u>112,220</u>   | <u>112,220</u>   |
|  | <u>1,782,439</u> | <u>1,991,386</u> |
| <b><u>Otros pasivos</u></b>                              |                  |                  |
| Ingresos por realizar                                    | 83,940           | 22,539           |
| Provisión para indemnizaciones                           | 62,614           | 56,671           |
| Provisión seguro de vida                                 | <u>55,205</u>    | <u>44,894</u>    |
|  | <u>201,759</u>   | <u>124,104</u>   |
| Suma pasivo  | <u>2,533,660</u> | <u>2,481,441</u> |
| <b><u>FONDO SOCIAL</u></b>                               |                  |                  |
| Fondo social al inicio del año                           | 1,752,159        | 1,716,665        |
| Excedente de ingresos sobre<br>gastos del período        | <u>104,279</u>   | <u>35,494</u>    |
|  | <u>1,856,438</u> | <u>1,752,159</u> |
|  | <u>4,390,098</u> | <u>4,233,600</u> |

## ANNEX 1

Table 2

Estados de Resultados al 31/10/85  
(Quetzales)

| <u>Descripcion</u>              | <u>Mensual</u> | <u>Acumulado</u> |
|---------------------------------|----------------|------------------|
| Medallas                        | 1,400          | 7,700            |
| Platos Commemorativ Porcelana   | 3,920          | 29,400           |
| Ventas                          | 5,320          | 37,100           |
| Locales                         | 6,250          | 273,333          |
| Ordinarias                      | 797            | 7,867            |
| Del Exterior                    | 200,000        | 433,565          |
| Donaciones                      | 207,047        | 714,767          |
| Intereses Sobre Prestamos       | 2,440          | 80,033           |
| Intereses Sobre Prestamos       | 2,440          | 80,033           |
| Prestacion Asistencia Tecnica   | 1,200          | 31,475           |
| Prestacion Asistencia Tecnica   | 1,200          | 31,475           |
| Intereses P/Dep. Cta. de Ahorro | 1,444          | 44,812           |
| Recuperaciones                  | 69             | 3,300            |
| Diversos                        | 10             | 3,269            |
| Ganancia Relaiiz en Ventas      | --             | 136              |
| Intereses P/Depos. A Plazo Fijo | 4,058          | 90,054           |
| Int. P/Inversiones Transitorias | 622            | 15,519           |
| Productos Porcela Fundacen      | 401            | 401              |
| Otros Ingresos                  | 6,606          | 157,494          |
| Ingresos                        | 222,615        | 1020,871         |
| Medallas                        | 813            | 4,347            |
| Platos de Porcelana             | 1,654          | 12,408           |
| Costo de Ventas                 | 2,467          | 16,755           |
| Costos                          | 2,467          | 16,755           |
| Ingresos Brutos                 | 220,147        | 1004,116         |
| Sueldos                         | 14,590         | 113,567          |
| Indemnizaciones                 | 1,215          | 9,444            |
| Aguinaldo                       |                | 279              |
| Servicios Profesionales         | 3,110          | 7,028            |
| Gtos D/Viaje Viaticos Exterior  |                | 9,013            |
| Gtos D/Viaje Viaticos Locales   | 2,400          | 21,889           |
| Alquileres D/Vehiculos y Otros  | 35             | 217              |
| Agua y Luz                      | 66             | 688              |
| Telefono                        |                | 1,478            |
| Atenciones y Representaciones   | 1,255          | 4,826            |
| Mantenimiento Equipo D/Oficina  | 21             | 674              |
| Mantenimiento de Vehiculos      | 1,858          | 10,679           |
| Combustible y Lubricantes       | 1,547          | 12,230           |
| Cargos Bancarios                |                | 25               |
| Intereses Sobre Prestamos       | 11,441         | 95,129           |
| Materiales y Utiles de Oficina  | 445            | 5,745            |
| Seguros                         | 765            | 3,506            |
| Correo y Cables                 | 17             | 166              |
| Cuotas y Contribuciones         | 14             | 4,703            |
| Promocion y Publicidad          | 55             | 2,314            |
| Impuestos Fiscales              | 274            | 2,732            |
| Impuestos Municipales           | 43             | 437              |
| Comisiones Sobre Ventas         |                | 306              |
| Adiestramiento de personal      |                | 3,207            |

Table 2  
(cont')

|                                 |     |         |         |
|---------------------------------|-----|---------|---------|
| Mantenimiento d/Instalac Fijas  |     | 85      | 308     |
| Gastos Generales de Los Proveo  |     | 7,862   | 93,076  |
| Vacaciones                      |     |         | 105     |
| Diversos                        |     | 59      | 1,866   |
| Alquiler de Edificios           |     | 50      | 410     |
| Reparacion de Viviendas         |     |         | 12      |
| Perdida en Baja de Activos      |     |         | 547     |
| Gastos Platos navidad Guate/84  |     | 136     | 2,132   |
| Int. S/Certificados de Garantia |     | 1,561   | 7,151   |
| Materiales Equipo I.B.M.        |     |         | 530     |
| Gastos de Movilizacion          |     | 38      | 100     |
| Gtos. Parcelas Fundacen         | 468 | 1,018   |         |
| Gastos                          |     | 50,898  | 428,855 |
| Gastos                          |     | 50,898  | 428,855 |
| Diferencia en Cambio            |     |         | 28,758  |
| Diferencia en Cambio            |     |         | 28,758  |
| Variaciones de Costos           |     |         | 40,267  |
| Variaciones de Costos           |     |         | 40,267  |
| Variaciones costos y otros      |     |         | 11,509  |
| Total                           |     | 169,249 | 563,752 |

Table 3

| CUENTA   | DESCRIPCION                    | ACUMULADO   |
|----------|--------------------------------|-------------|
| 01-01    | CAJA CHICA                     | 8,062.85    |
| 01-03    | EFFECTIVO EN BANCOS            | 76,415.83   |
| 01-04    | INVERSIONES TRANSITORIAS       | 784,062.85  |
| 01-05    | DOCUMENTOS POR COBRAR          | 3,000.00    |
| 01-06    | INT. DEVENGADOS NO PERCIBIDOS  | 78,414.37   |
| 01-20    | PRESTAMOS POR COBRAR           | 2279,931.10 |
| 01-20-01 | PRESTAMOS                      | 2375,845.77 |
| 01-20-02 | EXTINACION PTNOS COBRO DUDOSO  | 95,914.67   |
| 01-21    | CUENTAS POR COBRAR             | 52,304.90   |
| 01-23    | INVENTARIOS                    | 90,256.03   |
| 01-41    | TERRENOS                       | 1158,781.03 |
| 01-42    | EDIFICIOS                      | 96,000.00   |
| 01-42-01 | EDIFICIOS                      | 150,000.00  |
| 01-42-02 | DEPRECIACION ACUMULADA EDIFIC  | 54,000.00   |
| 01-43    | VEHICULOS                      | 118,172.49  |
| 01-43-01 | VEHICULOS                      | 139,142.85  |
| 01-43-02 | DEPRECIACION ACUMULADA VEHIC.  | 20,970.16   |
| 01-44    | MAQUINARIA                     | 884.25      |
| 01-44-01 | MAQUINARIA                     | 4,421.21    |
| 01-44-02 | DEPRECIACION ACUMULADA MAQ     | 3,536.95    |
| 01-45    | MOBILIARIO Y EQUIPO DE OFICINA | 16,268.09   |
| 01-45-01 | MOBILIARIO Y EQUIPO D. OFICINA | 24,258.49   |
| 01-45-02 | DEPREC ACUM MOBILIARIO Y EQU   | 7,990.40    |
| 01-46    | CONSTRUC. VIVIENDA EN PROCESO  | 13,430.16   |
| 01-47    | INVERSIONES A LARGO PLAZO      | 1523,600.00 |
| 01-50    | DEPOSITOS VARIOS               | 825.00      |
| 01-61    | GASTOS PAGADOS POR ANTICIPADO  | 5,064.71    |
| 01-62    | DIVERSOS                       | 3,603.42    |
| 01       | ACTIVO                         | 6308,896.80 |
| 02-20    | CUENTAS POR PAGAR              | 162,427.74  |
| 02-31    | RETENCIONES A EMPLEADOS        | 94.98       |
| 02-33    | OTRAS RETENCIONES              | 162.54      |
| 02-41    | ANTICIPO P/VENTA DE TIERRA     | 181,558.14  |
| 02-42    | PROVISION PARA INDENNIZACIONES | 69,748.92   |
| 02-43    | BENEFICIO BRUTO DIFERIDO       | 16,399.29   |
| 02-44    | INT DEVENGADOS POR REALIZAR    | 78,414.37   |
| 02-45    | DOCTOS P/PAGAR - LARGO PLAZO   | 379,250.00  |
|          |                                | 2830,145.14 |

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|       |                                |              |
|-------|--------------------------------|--------------|
| 02-51 | FONDO DE DESARROLLO SOCIAL     | 112,219.80-  |
| 02-53 | PROV. P/SEG. VIDA, PROG DE VIV | 56,443.92-   |
| 02    | PASIVO                         | 3987,716.84- |
| 03-01 | PATRIMONIO                     | 1857,427.97- |
|       | RESULTADOS DEL PERIODO         | 563,752.07-  |
| 03    | PATRIMONIO                     | 2421,180.04- |
|       | SUMA PASIVO + PATRIMONIO       | 6308,896.88- |
|       | TOTAL                          | .00          |

CIENTA S DE ORDEN Q.377.581.38

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PROYECTO DE PRESUPUESTO 1985INGRESOS

|                                   |                  |
|-----------------------------------|------------------|
| Intereses sobre préstamos         | Q. 73,000        |
| Intereses cuentas de ahorro       | 170,000          |
| Prestación asistencia técnica     | 20,000           |
| Venta medallas y platos (directo) | 40,000           |
| Donaciones para gastos            | 100,000          |
| Donaciones para inversión         | 1,100,000        |
| Otros ingresos                    | 15,000           |
|                                   | <u>1,518,000</u> |

EGRESOS

|                                       |                |
|---------------------------------------|----------------|
| Sueldos                               | 183,120        |
| IGSS e IRTRA                          | 18,860         |
| Aguinaldos                            | 15,260         |
| Servicios profesionales               | 10,000         |
| Viáticos al interior                  | 39,600         |
| Agua y luz                            | 1,500          |
| Teléfono                              | 2,000          |
| Atenciones y representaciones         | 4,000          |
| Mantenimiento de equipo de oficina    | 900            |
| Mantenimiento de vehículos            | 7,600          |
| Combustibles y lubricantes            | 17,560         |
| Materiales de oficina                 | 5,000          |
| Seguros                               | 3,870          |
| Correos y cables                      | 1,150          |
| Cuotas y contribuciones               | 4,780          |
| Publicidad                            | 3,500          |
| Impuestos fiscales                    | 2,170          |
| Impuestos municipales                 | 525            |
| Alquiler de edificios                 | 5,880          |
| Pasajes y viáticos al exterior        | 2,000          |
| Mantenimiento instalaciones fijas     | 600            |
| Gastos por venta de medallas y platos | 1,000          |
| Intereses sobre préstamos             | 83,800         |
| Diversos                              | 3,500          |
| SUB-TOTAL                             | <u>418,175</u> |

CARGOS EN LIBROS

|                 |                |
|-----------------|----------------|
| Indemnizaciones | 15,260         |
| Depreciaciones  | 30,000         |
| Cuentas dudosas | 40,000         |
| TOTAL GASTOS    | <u>503,435</u> |

INVERSION DE DONACIONES DEL AÑO

|  |                  |
|--|------------------|
| Compra de tierra                                 | 500,000          |
| Gastos legales, topográficos, estudios e impts.  | 40,000           |
| Financ. para producción y Asis.Téc. Prog. Tierra | 320,000          |
| Construcción de viviendas                        | 240,000          |
| TOTAL INVERSION                                  | <u>1,100,000</u> |

RESUMEN

|                                 |                  |
|---------------------------------|------------------|
| Ingresos totales                | 1,518,000        |
| Menos:                          |                  |
| Inversión de donaciones del año | <u>1,100,000</u> |
| SUB-TOTAL                       | 418,000          |
| Menos: Gastos en efectivo       | <u>418,175</u>   |
| SUB-TOTAL                       | (175)            |
| Menos: Cargos en libros         | <u>85,260</u>    |
| RESULTADO ESPERADO              | <u>(85,435)</u>  |

**ANNEX 2**

**FIELD VISIT REPORT:**

**Jutiapa Regional Office**

1. **Asociacion de Agricultores Flor de Maiz**
2. **Asociacion Agricola San Jose, Buena Vista**
3. **Comite Agricola Barrio El Turco**
4. **Grupo Agricola La Fe**

**Quetzaltenango Regional Office**

1. **Asociacion de Agricultores Flor de Maiz**
2. **Asociacion de Agricultores Espica de Tujo**
3. **Asociacion de Agricultores Union Chuanoj**

**Jutiapa Regional Office**

1. Name of Group: Asociacion de Agricultores Flor de Maiz.
2. Location: Canton San Jose, Buena Vista, Jutiapa
3. Number of Members: 21, 19 participating in loan
4. Years working with FUNDOCEN: new group
5. Extension of cultivated land included in financing

|                 | Estimated Yield<br>(qq/Mz) | Total Production<br>(qq) |
|-----------------|----------------------------|--------------------------|
| Maiz: 48 Mz     | 15                         | 720                      |
| Frijol: 23 Mz   | 15                         | 345                      |
| Maicillo: 47 Mz | 22                         | 1034                     |

6. Estimated Production Cost Q 22,270, Estimated Sales Q30,235; Net Q7,965

7. Purpose of Loan

|                     |        |                     |
|---------------------|--------|---------------------|
| Finance purchase of | 124 qq | 16-20-0 fertilizer  |
|                     | 84 qq  | Urea fertilizer     |
|                     | 1      | insecticide sprayer |

8. Loan Amount/Conditions: Q3,875 or Q204 per member; 9 months/ 1 payment/10% interest on balance

9. Field Observations:

- One member of group contacted: reported expected corn yield to be 60 qq/mg; which sounds doubtful: last year reported yield was 6qq/mz.
- Located 12 km from Jutiapa. Prefer to market maiz through intermediaries rather than sell to INDECA (government marketing concern) as latter has stricter quality demands.

Note: 1 manzana (Mz) = 0.7 hectares

1 quintal = 100 pounds

**Jutiapa Regional Office**

1. Name of Group: Asociacion Agricola, San Jose, Buena Vista
2. Location: Canton San Jose, Buena Vista, Jutiapa
3. Number of Members: 24 of whom 16 are participants in loan.
4. Years working with FUNDACEN: 1; previous credit in 1984 of Q 3491 has a balance of Q 147, due to withdrawal of one member.
5. Extension of land included in financing:

|                | Est. Yield<br>(qq/Mz) | Total Production<br>(qq) |
|----------------|-----------------------|--------------------------|
| Maiz 79 Mz     | 40                    | 3,160                    |
| Frijol 79 Mz   | 6                     | 474                      |
| Marcillo 79 Mz | 18                    | 1,422                    |

6. Estimated Income:

Sales: Q40,290      Costs 30,410      Net: 9880

7. Purpose of Loan:

To finance purchase of 178 qq 16-20-0 fertilizer  
112 qq urea fertilizer

8. Loan Amount/Conditions:

Q 5727 or Q220/member

9 months/3 payments/ 10% int. on balance

9. Field Observations:

- Contact with group president
  - Expected yield of 40-50 qq/Mz maiz: without fertilizer yield has been 10-15 qq/Mz.
  - Receive Q9/qq for sale to intermediaries at farm gate Q10.50 qq for Indeca, delivered to Indeca. Transport about 30 centavos/qq but prefer to deal on private market to avoid INDECA quality control standards.
  - Have had babosa and insect problems.
- Jutiapa Regional Office

**Jutiapa Regional Office**

1. Name of Group: Comite Agricola Barrio El Turco
2. Location: San Cristobal Frontera, Jutiapa
3. Number of Members: 10 of which 9 are participants in loan
4. Years working with FUNDACEN: New group
5. Extension of Land included in financing:

|                  | Est. yield<br>(qq/Mz) | Total Prod. (qq)<br>(qq) |
|------------------|-----------------------|--------------------------|
| Maiz: 18 1/4 mz  | 50                    | 913                      |
| Frijol: 6 4/5 mz | 16                    | 109                      |

6. Estimated Income:

Sales: Q 9810; costs 7340; Net Q2470

7. Purpose of Loan: Purchase fertilizer, pesticide and spray guns

8. Loan Amount/Conditions

Q2138 or Q237/member

9 months/one payment/10% on balance

9. Field Observations:

- contact only with one somewhat uncommunicative group member.
- says that he used to purchase fertilizer on better terms (3-5% interest) from private sector.
- not at all specific on crop projections. Deliberate vagueness could be due to fact that group is located right at Salvadorean border, and marketing is probably done in Salvador.
- Fundacion files indicate that group is not at all problematic in terms of repayment projections.

**Jutiapa Regional Office**

1. Name of Group: Grupo Agricola La Fe
2. Location: Guevara - Asociacion Mita, Juitapa
3. Number of Members: 29 of which all are participants in loan
4. Years working with FUNDACEN: new group
5. Extension of land included in financing:

|                  | Est. Yield<br>(qq/Mz) | Total Prod.<br>(qq) |
|------------------|-----------------------|---------------------|
| Maiz 39.5 Mz     | 18 qq                 | 711 qq              |
| Frijol 39.5 Mz   | 12 qq                 | 474 qq              |
| Tomatos 7.5 Mz   | 160 boxes             | 1200 boxes          |
| Onions 1.5 Mz    | 160,000 onions        | 249,000 onions      |
| Maicillo 39.5 Mz | 25 qq                 | 987 qq              |

6. Estimated Income:

Sales: Q 98,000    Costs: Q7,585    Net Q30,415

7. Purpose of Loan: Purchase of Fertilizer, pesticides and spray guns

8. Loan Amount/Conditions:

Q6,596 or Q227/member

9 months/one payment/10% int. on balance

9. Field Observations:

- Several members of group are also beneficiaries of housing plan.
- Contact with 4 members. Tomato and onion plots of two of them are 3-4 hour walk each way from residence.
- One member thought that his fertilizer had been adulterated or otherwisedaraged. Said he didn't see any difference in his crops before and after receiving credit.
- Group is situated along main highway which makes marketing of tomoatoes and onions extremely easy. Most of sales end up in Salvador and Honduras.
- Potable water is very scarce in the area.
- Due to recent machete/shooting incident among families of two members, FUNDACEN is of opinion that group is on verge of splitting into several smaller groups.

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**Quetzaltenango Regional Office**

1. Name of Group: Asociacion de Agricultores Flor del Maiz
2. Location: Pasaje Choestancia, Aldea Pitzal, Momostenango, Totonicapan
3. Number of Members: 16 participants in credit
4. Years working with FUNDACEN: new
5. Extension of land included in financing:

|                               | Est. Yield<br>(qq/Mz) | Production<br>(qq) |
|-------------------------------|-----------------------|--------------------|
| Maiz 21.4 Mz (intercropped)   | 48 qq                 | 400                |
| Frijol 21.7 Mz (intercropped) | 8 qq                  | 100                |

6. Estimated Income:

Sales: Q7200      Cash Costs Q1014      Cash Avail. Q5586  
(only 1/3 of produce is sold)

7. Purpose of Loan: Fertilizer and insecticide purchase.
8. Loan/Amount/Conditions: Q1872 or Q117/member; 11 months/one payment/  
10% on balance.
9. Field Observations:

- Contact made at group meeting with FUNDACEN technician, 7 members in attendance. Quiche/Spanish translation necessary.
- Members very willingly answer what they think evaluator and FUNDACEN want to hear. Vagueness apparent in all responses touching upon yields or anything else quantitative.
- All members present are either vendedores ambulantes or migrate to seasonal work on Pacific coast. Most who are vendedores ambulantes say they use own capital to finance purchase of merchandise.
- Group maiz production does not satisfy annual family coconsumption requirements. Shortfall is purchased at local markets.

Quetzaltenango Regional Office

1. Name of Group: Asociacion de Agricultores Espiga de Trigo
2. Location: Pasaje Chonimasac, San Antonio Pasojoc, Momostenango, Totonicapan
3. Number of Members: 18 participants
4. Years working with foundation: New
5. Extent of land included in financing:

|               | Est. Yield<br>(qq/Mz) | Production<br>(qq) |
|---------------|-----------------------|--------------------|
| Maiz: 12.7 Mz | 48 qq                 | 610                |
| Wheat 10 Mz   | 32 qq                 | 320                |

6. Estimated Income:

Note: Only wheat is sold; corn is for own consumption

7. Purpose of loan: Purchase fertilizer

8. Loan Amount/Conditions:

Q2735/or Q152/member  
10 months/one payment/10% on balance.

9. Field Observations:

- Contact with one group member who spends six months of year selling bedspreads
- Says that before receiving foundation credit, used approximately 1/2 of current fertilizer usage.
- No meaningful indication as to credit impact could be obtained from informant who was interviewed mostly in Quiche.

Quetzaltenango Regional Office

1. Name of Group: Asociacion de Agricultores Union Chuanoj
2. Location: Canton Chuanoj, Totonicapan
3. Number of Participants: 36
4. Years working with Foundation: 13 with never any repayment problems
5. Extent of land included in financing:

|                 | Est. Yield<br>(qq/Mz) | Production<br>(qq) |
|-----------------|-----------------------|--------------------|
| corn: 49 Mz     | 48 qq                 | 2350 qq            |
| wheat: 118.6 Mz | 32 qq                 | 3800 qq            |

6. Estimated Income:  
Sales: Q74,257    Cash Costs: 14,000    Net Cash flow: 60,257

7. Purpose of Loan: Purchase of Fertilizer and insecticide.

8. Loan amount/conditions

Q21,335 or Q593/participant

9. Field Observations:

- This is one of the oldest groups with which FUNDACEN has worked, and is the largest single loan in their portfolio.
- Contact was with son of group president who is employed in program of teaching Spanish to Quiche speaking children, a prerequisite to entrance into primary school
- No observations possible vis a vis impact of FUNDACEN credit

**APPENDIX 1**

**EVALUATION OF SOLIDARIOS AND SELECTED  
DEVELOPMENT FOUNDATIONS**

**STATEMENT OF WORK**

Section C

DESCRIPTION/SPECIFICATIONS/WORK STATEMENT

Title: Evaluation of SOLIDARIOS and Selected Foundations

I. Purpose:

The purpose of this evaluation is threefold:

A. To determine if the purpose of the AID grant to Solidarios has been met,

B. To ascertain what impact the grant has had at the NDF and grassroots levels, and

C. To make some judgment as to the viability of Solidarios to implement future AID projects. This judgment would include what, if any, technical assistance might be required to enhance SOLIDARIOS' viability.

II. Scope of Work:

A. The evaluation will be carried out by a the Contractor with the support of local professionals hired in each of the countries covered under the terms of reference set herein. The Contractor will be an evaluation specialist with particular expertise in micro/small business evaluation, and economic, financial, and institutional analysis.

B. The evaluation will focus on two levels:

1. The central, Solidarios level, and

2. The NDF and credit recipient level.

C. The evaluation will result in a report with documented findings, conclusions and recommendations. These will be related to the following issues and questions:

1. SOLIDARIOS Level: The achievement of the specific objectives of the AID Grant No. AID/LAC-G-1291, dated August 28, 1978. The Contractor will focus on:

a. The administrative and operational effectiveness of Solidarios in carrying out its program, including both its lending and technical assistance activities. How can the institution and its NDFs improve their administrative and financial operations?

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b. The present and expected financial position of SOLIDARIOS and its foundations, and the current and expected relationships between Solidarios and the NDFs throughout the region. How can these relationships be altered to improve mutual institutional, financial, and administrative capabilities?

c. Technical, political and economic conditions favorable to the operations of SOLIDARIOS programs and the achievement of stated goals. How can the institutions overcome the environmental constraints in which they operate? How can they strengthen their respective institutional and financial viabilities, and their impact on the ultimate recipients?

d. If appropriate, how can the donor agencies assist SOLIDARIOS improve its institutional capabilities?

2. NDF/Grassroots level: Achievements to date including data on projects and their economic and social impact on the ultimate recipients and SOLIDARIOS. The contractor will focus on:

a. How many NDFs have received loans from Solidarios? Who are they? How much is each loan? What were the loan terms? How much of AID's funding was used for administrative expenses?

b. How many sub-loans did each NDF make? Who were the recipients? How much was each sub-loan? When were the loans made and what were the terms? What were the interest rates? What are the payback/default rates? How much of the total funding came from the private sector sponsors of each NDF?

c. What were the purposes of the sub-loans? In how many of the sub-loans were these purposes achieved? Was employment expanded? Income increased? Agriculture production increased? Businesses expanded? Was there any specific impact on women? How many women borrowers? Was the performance of women borrowers different from the performance of men borrowers?

d. What criteria do the NDFs use for determining the eligibility of loan applicants? What types of loans were made - agriculture production, small business, construction projects, purchase of inputs such as seed or fertilizer, etc?

e. Where do the NDFs obtain capital? Where do they obtain human resources? Are their sources adequate? Is capital a constraint? Are the NDFs adequately staffed? Are the organizational structures and administrative mechanisms of the NDFs adequate?

f. What NDFs are technically and financially viable? What constraints do they face in their operations? How do they view their relationship with Solidarios? Are their opinions positive? Negative? How could it be improved?

g. Do the NDFs maintain communications with the AID Missions or with AID representatives in their countries? How do they view these relationships?

h. If relevant, how can the Solidarios and its NDFs improve the extent and depth of their impact on ultimate recipients? Is technical assistance needed to improve the NDFs' operations?

i. The informal sector, defined as market and street vendors, has traditionally had difficulty obtaining credit. Have the NDFs been successful in attracting this sector?

D. To examine and report on the above points, five tasks will be performed as follows:

1. System Overview: During this task the consultant will review information available at AID for the purpose of becoming as familiar as possible with the Solidarios project and the Solidarios modus operandi. The scope will be refined as needed and the consultant's approach to the evaluation consolidated. The results of this task will be reviewed by AID.

2. Preparation for Data Collection: The subject of this task is to plan the effort which will take place under task No. 3. On the basis of the information gathered in Task No. 1, the requirement of field data and information will be established. There will be enough material for assembling an accurate pre-sentation of the system as an instrument to carry out a specific institutional mandate with all related operational and financial statistics. The requirements will also be used for developing interview guides and the research schedule for task No. 3.

3. Visit to the Dominican Republic and Selected Countries: The purpose of this task is to review and examine all other available evidence of the approach followed by SOLIDARIOS and its foundations and the results of operations and administrative activities. The review will take place in Washington, D.C.; Santo Domingo, Dominican Republic; Panama City, Panama; Quito, Ecuador; Guayaquil, Ecuador; and Mexico City, Mexico. During this task the team will collect data and information and will interview selected employees, officers, and supporters and beneficiaries of the institutions under examination. The plan developed under Task No. 2 will be followed. However, it may be modified to adjust it to newly established needs that may be identified during the visits.

GUATEMALA...

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4. Data Analysis: The purpose of this task is to organize and review the data and information gathered in Task No.s 1 and 3, and to develop the structured basis to present current realities and to support recommendations for system adaptation to new demands. The determination of these new demands by the consultant will also facilitate the verification of SOLIDARIOS perceptions and plans for the new services and their relationship to available human and physical resources.

5. Final report: The report will be a source of information to assist in the formulation of the interested parties' plans for future involvement in pursuit of effective and efficient achievement of their institutional goals. To ensure that all needs of interested parties are satisfied, the report will be developed in English and Spanish in three stages.

- a. Production of first draft,
- b. Review of the draft with top management of selected foundations, SOLIDARIOS, and AID, and
- c. Preparation and distribution of final report.

**APPENDIX 2**

**PURPOSE OF AID GRANT TO SOLIDARIOS**

PROGRAM DESCRIPTION.A. Purpose of Grant

The purpose of this Grant is to improve the access of low income groups in Latin America, particularly in the rural areas, to access to capital resources from private, non-governmental development institutions.

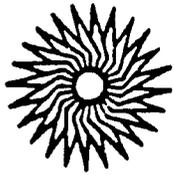
B. Specific Objectives

The specific objectives of this Grant are to increase the Grantee's institutional capacity to provide member foundations with a source of credit to support development programs carried out by member development foundations and to provide technical assistance for the development and implementation of projects for low income groups. These objectives may be achieved through a program comprised of three elements:

1. Creation of a permanent, financially viable, revolving credit fund administered by the Grantee, from which members can draw financial resources in order to implement development projects for the benefit of low income groups in their respective countries.
2. Establishment of a self-supporting training and technical assistance program for those member foundations who need to strengthen their planning, administrative, and technical capacities to develop and implement local projects.
3. Institution support to strengthen the Grantee's capability to analyze the financial, social, and economic feasibility of loan applications from member foundations.

C. Implementation

To achieve the above objectives the Grantee shall carry out the following activities with the funds provided by this Grant:



# SOLIDARIOS

Consejo de Fundaciones Americanas de Desarrollo

RAT DER AMERIKANISCHEN ENTWICKLUNGSTIFTUNGEN · CON-  
SEIL DE FONDATIONS AMERICAINES DE DEVELOPPEMENT · RAAD  
DER AMERIKAANSE ONTWIKKELINGSSTICHTINGEN · COUNCIL OF  
AMERICAN DEVELOPMENT FOUNDATIONS · CONSELHO DE FUNDA-  
ÇÕES AMERICANAS DE DESENVOLVIMENTO

March 19th, 1982

No. 82 - 306

Luis José Alvarez  
República Dominicana  
Presidente

Antonio Aycinena  
Guatemala  
Vice-Presidente

Arturo Espinosa  
México

William Edez  
Nicaragua

Héctor Sepitza  
Uruguay  
Vocales

Hugo Lora Comacho  
Colombia  
Asesor

Enrique A. Fernández P.  
Secretario General

**MEMBROS ACTIVOS**

Instituto de Desarrollo Socio-  
Económico Humano (Argentina)

Centro para el Desarrollo Social  
y Económico (Bolivia)

Fundación Nacional para el  
Desarrollo Social (Colombia)

Fundación Costarricense  
de Desarrollo

Fundación Ecuatoriana  
de Desarrollo (Guayaquil)

Fundación Ecuatoriana  
de Desarrollo (Quito)

Fundación del Centavo  
(Guatemala)

Fondation Nationale  
de Développement Humain

Fundación Hondureña  
de Desarrollo

Fundación Mexicana  
para el Desarrollo Rural

Fundación Nicaragüense  
de Desarrollo

Fundación Dominicana  
de Desarrollo

Trinidad & Tobago  
Development Foundation

Instituto de Promoción  
Económico Social del Uruguay

Mr. Michael Lofstrom  
Dept. of State - A.I.D.  
LAC/DR, Rm. 2252  
Washington, D.C. 20523  
United States of America

Dear Mike:

Enclosed please find "Evaluation Project Summary of SOLIDARIOS-AID Program", that shows the basic steps to be followed in the gathering of socio-economic information from a sample of final beneficiaries of the program. This information will serve as a basis for the preparation of the Annual Evaluation Report and with it we would comply with Clause D-4 Attachment I of Grant No. AID/LAC-G-1291 PIO/T No. 598-387-1-6587336 and the recommendations of the Evaluation Project Summary (PES)-Part I.

We would appreciate receiving your comments on this matter, and meanwhile we remain,

Yours truly,

Lic. Enrique A. Fernández P.  
Secretary General

c.c. John Clary, AID/DR

Enclosure

EAFP'met.

SOLIDARIOS, CONSEJO DE FUNDACIONES AMERICANAS DE DESARROLLO

PROYECTO DEL SISTEMA DE EVALUACION  
PROGRAMA SOLIDARIOS / AID

19 MARZO DE 1982

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# PROYECTO DEL SISTEMA DE EVALUACION PROGRAMA SOLIDARIOS-AID

## CAPITULO I.

### I. FUNDAMENTACION

1. La cláusula D.4 del Attachment I del Contrato Grant No. AID/LAC-G-1291 PIO/T No. 598-587-1-6587336, establece que SOLIDARIOS presentará anualmente a la Agencia Interamericana para el Desarrollo un Reporte de Evaluación en una forma y formato aceptable cuyos lineamientos exponemos en los capitulos subsiguientes. Este reporte de Evaluación Anual debe reflejar el impacto que ha producido sobre la situación socioeconómica de los beneficios finales su participación en los proyectos financiados con fondos del Programa.

Cabe señalar que para el cumplimiento de esta obligación se propone un sistema que tiene en cuenta las limitaciones que producen variables contextuales, como la heterogeneidad de las realidades sociales, económicas y culturales de los países involucrados en los programas y las diferencias en cuanto a antigüedad y/o desarrollo de las Fundaciones, aunque existe identidad de los objetivos y se está tendiendo a una homogeneidad en las metodologías.

En este sentido, este trabajo constituye un inicio de aplicación de lo elaborado y reflexionado en el PPE (Seminario de Programación, Planificación y Evaluación), actividad encargada por SOLIDARIOS para tal fin.

2 Se tiene en un principio cuatro tipos de Fundaciones, caracterizadas por el destino del uso de los fondos.

a. Los fondos constituyen garantía a aval y son utilizados por centrales de servicios

b. Los fondos son prestados a cooperativas legalmente constituidas. Estos pueden utilizarse para:

- Aumentar su cartera de crédito.
- Financiar actividades de comercialización, transporte, etc., de la misma cooperativa.
- Apoyar proyectos de sus asociados (nuevos cultivos, ampliación superficie cultivada, etc.)

c. Los fondos son prestados a grupos informales. (legalmente no organizados).

d. Los fondos son prestados a grupos formales. (legalmente constituídos)

## CAPITULO II

### I. BASE INICIAL DE LOS DATOS

En la definición de la base inicial de los datos que se utilizará para evaluar la situación inicial y la situación a través del tiempo de una muestra representativa de beneficiarios finales, SOLIDARIOS ha seleccionado un conjunto de indicadores económicos y sociales en base a los cuales obtendrá la información que refleje los cambios que se han producido en la situación de dichos beneficiarios como consecuencia directa de la ejecución del proyecto.

Tales indicadores se expresan a continuación:

#### Económicos

- Nivel de ingresos
- Total de activos
- Volúmen de producción
- Productividad
- Técnicas empleadas
- Empleos generados

#### Sociales

- Vivienda
- Servicios

Estos indicadores se utilizarán para conocer hasta que punto se han logrado resultados tales como:

- Mejoras en la calidad de vida de los beneficiarios y sus familias.
- Mayor demanda de servicios (agua, electricidad, etc.)
- Aumento de la producción o productividad.
- Diversificación de la producción.

- Mejoras en las técnicas de producción empleadas
- Creación de nuevos empleos.
- Incrementación en el nivel de ingresos.

Este conjunto de informaciones será captada a través de una encuesta realizada a una muestra representativa de beneficiarios finales que han recibido financiamiento del programa SOLIDARIOS-AID.

El instrumento a utilizar en la recopilación de la información es un formulario a aplicarse en dos etapas diferentes; la primera es al inicio del programa acompañada de un informe preliminar que se utilizará en la selección de la muestra y la segunda será efectuada al momento de realizar la evaluación final de la muestra de beneficiarios seleccionados.

Todo lo expresado en el párrafo anterior aparece en más detalle en los capítulos que tratamos a continuación.

## II. SISTEMA DE RECOPIACION

### 1. Instrumentos de Recopilación

En la recopilación de los datos se utilizarán básicamente tres (3) formularios:

- 1.1. Formulario Preliminar (formulario F-0): Su utilidad reside únicamente en servir de base para la selección de la muestra.
- 1.2. Formulario Inicial (Formulario F-I): A ser usado para obtener información que refleje la situación del productor antes de participar en el programa.
- 1.3. Formulario Final (Formulario F-2): Es el mismo inicial pero ajustado y será utilizado para captar información del productor después de haber participado en el programa.

Copia de cada uno de estos formularios se adjuntan como anexo #1.

## 2. Recolección de Datos

- 2.1. El formulario preliminar (F-0), será completado por cada FND al inicio del Programa al procesar la solicitud de crédito del grupo asociativo. En este formulario aparecerá un listado numerado de cada uno de los miembros del grupo. Copia de estos informes deberán ser remitidos a SOLIDARIOS conjuntamente con las justificaciones y solicitudes de desembolsos efectuados por cada FND.
- 2.2. El formulario (F-1), será completado por la FND al inicio del programa al procesar la solicitud de crédito del grupo asociativo, llenando uno por cada beneficiario final.
- 2.3. El formulario final (F-2) será completado por cada FND anualmente para recopilar la información que suministrará una muestra representativa de los beneficiarios finales que formaran parte de la muestra se explica con más detalle en el capítulo IV.
- 2.4. SOLIDARIOS requerirá los datos recabados a través de los formularios inicial y final, 90 días antes de la fecha en que debe presentar el informe al Banco (1° de Mayo de cada año), es decir, las FND tendrán como plazo hasta el 31 de Enero de cada año para entregar su informe.

## 3. Control en la Recopilación

- 3.1. SOLIDARIOS realizará la selección de la muestra con el propósito de:
  - Homogenizar las metodologías y procedimientos en la selección de la muestra a fin de evitar las distorsiones que puedan ocurrir como consecuencia de seguimientos diferentes o no correctos en la recopilación de los datos.
  - Aumentar el grado de representabilidad de la información suministrada por las FND al disminuir el riesgo de que sólo se envíen datos referentes a los beneficiarios que hayan experimentado los cambios positivos más favorables.
- 3.2. Por otro lado SOLIDARIOS, a fin de incrementar la confiabilidad de los datos seleccionará en tres países,

tres fundaciones para efectuar la recopilación de los datos en campo. En cuanto a las FND restantes, SOLIDARIOS requerirá un informe explicativo acerca de los métodos, procedimientos y pasos seguidos en la recopilación de la información.

### III. SISTEMA DE MUESTREO

#### 1. Universo

#### 2. Selección de la muestra.

La selección se efectuará mediante un muestreo estratificado proporcional, con las siguientes características:

##### 2.1. Los estratos son cinco clasificados por sectores.

- i. Agrícola
- ii. Pecuario
- iii. Artesanía y/o pequeña industria
- iv. Infraestructura
- v. Comercialización

2.2. La participación de cada estrato en la muestra será directamente proporcional al tamaño del estrato dentro del universo --- a fin de evitar la influencia que puedan ejercer los pesos relativos de cada estrato.

2.3. La selección de los elementos de la muestra se realizará aleatoriamente, pero no serán incluidos en la muestra más del 33% de beneficiarios finales pertenecientes a un mismo grupo.

2.4. El tamaño de la muestra será igual a un 10% de los beneficiarios finales para cada FND.

2.5. En base a las consideraciones expresadas en los párrafos anteriores SOLIDARIOS efectuará la selección de la muestra a través del formulario preliminar.

Oportunamente SOLIDARIOS remitirá a cada FND el listado de los beneficiarios que formarán parte de la muestra.

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#### IV. SISTEMA DE ORGANIZACION

##### 1. FND

Una vez aprobada la solicitud de crédito del grupo asociativo se inicia la recopilación y organización de los datos de la forma siguiente:

1.1. Recabará de cada uno de los beneficiarios finales (miembros del grupo) la información necesaria para cumplimentar con los formularios preliminar e inicial (formularios F-0 y F-1).

1.2. Completados los formularios, el preliminar deberá ser remitido conforme a lo indicado en el punto 2.1. del capítulo III.

El formulario inicial, conteniendo la información necesaria que servirá de base para efectuar la comparación al final del número y tipo de proyecto hasta el momento de ser utilizada.

1.3. Cada FND designará una persona que será la responsable ante SOLIDARIOS de la supervisión y control de la recopilación de los datos.

1.4. Luego que cada FND haya recabado toda la información necesaria, es decir, una vez completados los formularios inicial y final para la muestra de beneficiarios seleccionada, éstos serán remitidos a SOLIDARIOS para su tabulación, análisis y presentación al AID.

##### 2. SOLIDARIOS

2.1. Los formularios preliminares enviados por cada FND serán archivados, clasificados por fundación, tipo de proyecto y plazos.

2.2. A requerimiento de las FND, SOLIDARIOS remitirá una lista de los beneficiarios finales seleccionados que integran la muestra que será sujeta a evaluación final.

2.3. Recibidos los formularios de evaluación se llevará a cabo su procesamiento y síntesis, para su presentación al AID.

2.4. Los informes de evaluación presentados al AID resultarán de la interpretación y análisis de la información recopilada a través de las FNDs y estará compuesto por los siguientes capítulos:

1. Características de los beneficiarios directos.
2. Cumplimiento de metas.
3. Cambios en los beneficiarios directos.
4. Información sobre los proyectos financiados.
5. Limitaciones e inconvenientes.
6. Observaciones.
7. Conclusiones

2.5. Cabe señalar que SOLIDARIOS brindará todo el apoyo logístico necesario para el cumplimiento de estas acciones.

2.6. Se propone que copia de estos informes sean remitidos a las FND.

Marzo 19, 1982

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Fecha de inicio del proyecto \_\_\_\_\_  
Fecha de fin del proyecto \_\_\_\_\_  
Fecha en que recibió el préstamo \_\_\_\_\_  
Plazo del préstamo \_\_\_\_\_

Fecha \_\_\_\_\_

\_\_\_\_\_  
Nombre del funcionario de la Fundación  
que prepara este formulario

\_\_\_\_\_  
Cargo

\_\_\_\_\_  
Firma

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**PROGRAMA SOLIDARIOS - AID**  
**FORMULARIO EVALUACION BENEFICIARIO FINAL**

FORMULARIO INICIAL (F - 1)

N° \_\_\_\_\_

FND \_\_\_\_\_

Fecha \_\_\_\_\_

**1. DATOS GENERALES**

|                    |                  |
|--------------------|------------------|
| Nombre             | Edad             |
| Grupo o Asociación |                  |
| N° dependientes    | Tipo de Proyecto |
| Destino            |                  |

**2. PERFIL DEL BENEFICIARIO**

|                                   |                |
|-----------------------------------|----------------|
| Ingresos anuales estimados (US\$) | Activos (US\$) |
| Índice de precios actual          |                |

**3. COSTO TOTAL DEL PROYECTO (US\$)**

| Detalle           | Mano de obra | Tierra | Equipo | Materiales | Otros | T o t a l |
|-------------------|--------------|--------|--------|------------|-------|-----------|
| Monto del crédito |              |        |        |            |       |           |
| Aporte personal   |              |        |        |            |       |           |
| Otros aportes     |              |        |        |            |       |           |
|                   |              |        |        |            |       |           |
| <b>Total</b>      |              |        |        |            |       |           |

**4. PRODUCCION**

**4.1 Agrícola**

| Detalle | Superficie Cultivada Has. | Producción Estimada Kilos | Valor Estimado Producción US\$ | Fuente Financiamiento |
|---------|---------------------------|---------------------------|--------------------------------|-----------------------|
|         |                           |                           |                                |                       |
|         |                           |                           |                                |                       |
|         |                           |                           |                                |                       |
|         |                           |                           |                                |                       |
|         |                           |                           |                                |                       |

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#### 4.2 PRODUCCION PECUARIA

| Detalle | Cantidad | Producción | Valor de la Producción (US\$) | Fuente de Financiamiento |
|---------|----------|------------|-------------------------------|--------------------------|
|         |          |            |                               |                          |
|         |          |            |                               |                          |
|         |          |            |                               |                          |
|         |          |            |                               |                          |
|         |          |            |                               |                          |
|         |          |            |                               |                          |

#### 5. INSUMOS Y TECNICAS

##### 5.1 TECNICAS AGRICOLAS

| Detalle       | (x) |
|---------------|-----|
| Fertilizantes |     |
| Insecticidas  |     |
| Pesticidas    |     |
| Otros         |     |
|               |     |
|               |     |

##### 5.2 TECNICAS PECUARIAS

| Detalle                | (x) |
|------------------------|-----|
| Alimentos concentrados |     |
| Vacunas sus animales   |     |
| Cura sus animales      |     |
| Otros                  |     |
|                        |     |
|                        |     |

#### 6. ARTESANIA Y/O PEQUEÑA INDUSTRIA

##### 6.1 PRODUCCION ANUAL ESTIMADA

| Detalle | Producción estimada (Unidad) | Valor Estimado Producción (US\$) | Número Empleos | Jornadas Diarias |
|---------|------------------------------|----------------------------------|----------------|------------------|
|         |                              |                                  |                |                  |
|         |                              |                                  |                |                  |
|         |                              |                                  |                |                  |
|         |                              |                                  |                |                  |
|         |                              |                                  |                |                  |

#### 7. COMERCIALIZACION

7.1 Qué problemas en la comercialización desea resolver con la ejecución del proyecto?

| Detalle        | (x) |
|----------------|-----|
| Transporte     |     |
| Falta liquidez |     |

|                     |  |
|---------------------|--|
| Almacenamiento      |  |
| Otros (especifique) |  |
|                     |  |

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7.2

| Marcadea su produccion a través de : | % | Volúmen | Valor (US\$) |
|--------------------------------------|---|---------|--------------|
| Cooperativas                         |   |         |              |
| Intermediario (s)                    |   |         |              |
| Personalmente                        |   |         |              |
| Otros                                |   |         |              |
|                                      |   |         |              |
|                                      |   |         |              |

8. INFRAESTRUCTURA

8.1 Qué cambios positivos espera que se produzca con la ejecución del proyecto?

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9. VIVIENDA Y SERVICIOS

| Categorías | x | Paredes | x | Pisos    | x | Techo   | x | Mobiliario      | x | Servicios    |
|------------|---|---------|---|----------|---|---------|---|-----------------|---|--------------|
| Propia     |   | Madera  |   | Ladrillo |   | Zinc    |   | Muebles de sala |   | Electricidad |
| Arrendada  |   | Piedra  |   | Tierra   |   | Tejas   |   | Radio           |   | Agua         |
| Estatal    |   | Palma   |   | Cemento  |   | Palma   |   | Televisión      |   | Sanitario    |
| Cedida     |   | Adobe   |   | Madera   |   | Asbesto |   | Refrigerador    |   | Otros        |
| Otros      |   |         |   |          |   |         |   |                 |   |              |

10. OBSERVACIONES

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Nombre \_\_\_\_\_

Firma \_\_\_\_\_

Fecha \_\_\_\_\_

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**PROGRAMA SOLIDARIOS/AID**  
**FORMULARIO EVALUACION BENEFICIARIO FINAL**

FORMULARIO FINAL (F-2)

FNO \_\_\_\_\_

FECHA \_\_\_\_\_

1.

**1. DATOS GENERALES**

|                    |                  |
|--------------------|------------------|
| Nombre             | Tipo de Proyecto |
| Grupo o Asociación |                  |

**2. PERFIL DEL BENEFICIARIO**

|                               |                |
|-------------------------------|----------------|
| Ingreso anual estimado (US\$) | Activos (US\$) |
| Indice de precios actual      |                |

**3. PRODUCCION**

**3.1. AGRICOLA**

| Detalle | Superficie Cultivada Haq. | Producción Estimada Kg | Valor Estimado Producción (US\$) |
|---------|---------------------------|------------------------|----------------------------------|
|         |                           |                        |                                  |
|         |                           |                        |                                  |
|         |                           |                        |                                  |
|         |                           |                        |                                  |
|         |                           |                        |                                  |

**3.2. PTCUARIA**

| Detalle | Cantidad | Producción | Valor de la Producción US\$ |
|---------|----------|------------|-----------------------------|
|         |          |            |                             |
|         |          |            |                             |
|         |          |            |                             |
|         |          |            |                             |
|         |          |            |                             |

4 INSUMOS Y TÉCNICAS

4.1 AGRICOLAS

| Detalle       | x |
|---------------|---|
| Fertilizantes |   |
| Insecticidas  |   |
| Pesticidas    |   |
| Otros         |   |
|               |   |
|               |   |

4.2 PECUARIAS

| Detalle                | x |
|------------------------|---|
| Alimentos concentrados |   |
| Vacuna sus animales    |   |
| Cura sus animales      |   |
| Otros                  |   |
|                        |   |
|                        |   |

5. ARTESANIA Y/O PEQUEÑA INDUSTRIA

5.1 PRODUCCION ANUAL ESTIMADA

| Detalle | Producción Estimada (Unidad) | Valor Estimado Producción (US\$) | Número Empleos | Jornadas Diarias |
|---------|------------------------------|----------------------------------|----------------|------------------|
|         |                              |                                  |                |                  |
|         |                              |                                  |                |                  |
|         |                              |                                  |                |                  |
|         |                              |                                  |                |                  |
|         |                              |                                  |                |                  |

COMERCIALIZACION

6.1 ¿Qué problemas en la comercialización de su producción han quedado resueltos con la ejecución del proyecto?

| Detalle        | (x) | Otros (especifique) |
|----------------|-----|---------------------|
| Transporte     |     |                     |
| Falta liquidez |     |                     |
| Almacenamiento |     |                     |

6.2 Mercadea su producto a través de:

|                   | z | Volúmen | Valor (US\$) |
|-------------------|---|---------|--------------|
| Cooperativas      |   |         |              |
| Intermediario (s) |   |         |              |
| Personalmente     |   |         |              |
| Otros             |   |         |              |

7. ¿Qué otros aspectos esperados se han producido como resultado del proyecto?

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**8. VIVIENDA Y SERVICIOS**

| Categorías | x | Paredes | x | Pisos    | x | Techo  | x | Mobiliario   | x | Servicios    | x |
|------------|---|---------|---|----------|---|--------|---|--------------|---|--------------|---|
| Propia     |   | Madera  |   | Tierra   |   | Zinc   |   | Sala         |   | Electricidad |   |
| Arrendada  |   | Piedra  |   | Cemento  |   | Tejas  |   | Radio        |   | Agua         |   |
| Estatal    |   | Palma   |   | Madera   |   | Palma  |   | Televisión   |   | Sanitario    |   |
| Cedida     |   | Adobe   |   | Ladrillo |   | Abesto |   | Refrigerador |   | Otros        |   |
| Otros      |   |         |   |          |   |        |   |              |   |              |   |
|            |   |         |   |          |   |        |   |              |   |              |   |
|            |   |         |   |          |   |        |   |              |   |              |   |

**9. RESULTADOS DEL PROYECTO**

**9.1 EJECUCIÓN Y DESARROLLO**

|   | Sí | No |
|---|----|----|
| Recibió a tiempo el préstamo                  |    |    |
| Invertió todo el dinero en lo estipulado      |    |    |
| Aplió todas las técnicas recomendadas         |    |    |
| Consiguió todos los insumos necesarios        |    |    |
| Contó con la asistencia técnica a tiempo      |    |    |
| Se desarrolló en forma normal el proyecto     |    |    |
| Hubo problemas que disminuyeran la producción |    |    |

En caso de contestar negativamente alguna de las preguntas anteriores, explique cómo afectó al proyecto o a la producción.

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9.2 RESULTADOS ECONOMICOS

9.2.1 Cuál fue el beneficio neto obtenido. (US\$) \_\_\_\_\_

9.2.2 Mejoraron sus ingresos como consecuencia del proyecto?  Si  No  
En qué proporción \_\_\_\_\_?

9.2.3 Disminuyeron los costos de producción?  Si  No  
En qué proporción \_\_\_\_\_?

En caso de contestar negativamente alguna de las preguntas anteriores, explique cómo afectó al proyecto o a la producción.

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Nombre \_\_\_\_\_

Careo \_\_\_\_\_

Institución \_\_\_\_\_

Fecha \_\_\_\_\_