

PROJECT EVALUATION SUMMARY (PES) - PART I

Form No. 1-457

1. PROJECT TITLE Small Scale Enterprise Development (FUNADEH) Operational Program Grant		2. PROJECT NUMBER 522-ESF-0263	3. MISSION/AID/W OFFICE USAID/H PSP
4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. Beginning with No. 1 each FY)			
<input checked="" type="checkbox"/> REGULAR EVALUATION <input type="checkbox"/> SPECIAL EVALUATION			

5. KEY PROJECT IMPLEMENTATION DATES			6. ESTIMATED PROJECT FUNDING -	7. PERIOD COVERED BY EVALUATION
A. First Proc-As or Equipment FY 85	B. Final Obligation Expected FY 87	C. First Input Delivery FY 87	A. Total ESF L. 1,736,000 B. U.S. ESF L. 1,736,000	From (month/yr.) February 1985 To (month/yr.) September 1986

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues (note: Mission decisions which require AID/W or regional office action should specify type of document, e.g., program, EPAF, PIC, which will present detailed request)	B. NAME OF OFFICE RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
1. Modify loan application form to include: (a) a personal and a business financial statement; (b) one year sales cash flows; (c) the borrower's training needs and training plan to satisfy them; and (d) the gender of employees.	For all actions M. Membreño and E. Castellanos O/Private Sector Programs	June 30, 1987
2. Make loan impact on increased production and sales the first priority in the loan application review process, changing loan application forms accordingly.		June 30, 1987
3. Consider the use of incremental analysis in the financial analysis of loans, focusing on the cash flows resulting from loan.		Dec. 31, 1987
4. Using local bank resources, create seasonal lines of credit.		June 30, 1987
5. Develop action plan to design data based reports, improve data specifications, and evaluate computer hard- and software. In addition, create additional industrial categories for record-keeping to capture diversity in category "Others".		Sept. 30, 1987
6. Change bylaws in order to: (a) clearly state quorum requirements; (b) convert credit and membership committees chaired by a board member who reports back to the board; and (c) expand board to have an elected representative from loan recipients.		April 30, 1987

CONTINUED ON ATTACHED PAGE

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS			10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT	
<input type="checkbox"/> Project Paper	<input type="checkbox"/> Implementation Plan e.g., CPI Network	<input type="checkbox"/> Other (Specify)	A. <input checked="" type="checkbox"/> Continue Project Without Change	
<input type="checkbox"/> Financial Plan	<input type="checkbox"/> FIO/T		B. <input type="checkbox"/> Change Project Design and/or	
<input checked="" type="checkbox"/> Logical Framework	<input type="checkbox"/> FIO/C	<input type="checkbox"/> Other (Specify)	<input type="checkbox"/> Change Implementation Plan	
<input type="checkbox"/> Project Agreement	<input type="checkbox"/> FIO/P		C. <input type="checkbox"/> Discontinue Project	

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER BANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)		12. Mission/AID/W Office Director Approval	
James Heinzen, Consultant	Frank Valva, Regional Representative PADF	Signature: <i>John A. Sanbrailo</i>	
Roberto Membreño, Exec. Secretary FUNADEH	Margaret Membreño, USAID/H Office of Private Sector Projects	Print Name: John A. Sanbrailo	
Orlando Hernandez, USAID/H Office of Development Programs		Date: April 23, 1987	

Handwritten initials 'A' and a cross mark.

7. Standardize format for decision making and for committee reports, incorporating these reports to the board's official minutes. April 30, 1987
8. Include a treasurer's report as part of the board meeting April 30, 1987
9. Reinstate technical assistance program to beneficiaries using board members, Sept. 30, 1987
10. Consider allowing loan recipient representatives to advise in the development of the annual workplan and budgets. Sept. 30, 1987
11. Clarify the recruitment strategy and prepare for board approval the executive director's job description based on suggested parameters. April 30, 1987
12. Reduce membership goal from 475 to 250. April 30, 1987

## Mission's Reaction to Evaluation Report

### 1. Overall Comment

The contractor produced a high quality report following the scope of work. Generally speaking, the methodology utilized was appropriate, with correct decisions made as difficulties arose in the process of carrying out the evaluation. In addition, the contractor provided insightful remarks regarding implementation problems and means to enhance meeting project objectives.

Despite this appraisal, the Mission believes that it would have been desirable for the contractor to explain the meaning of the FUNADEH's Operating Deficit reported in page 9. Discussions with the grantee subsequent to the submission of the evaluation report to USAID/Honduras have made it clear that this figure refers to the projected accumulated expenditures not covered by interest income during the four year period used to calculate the point of equilibrium. This cash deficit, however, would diminish over time during this period as interest generated from FUNADEH loan portfolio increases. (A more detailed discussion on FUNADEH's self-sustainability may be found below as part of this comment.)

From a methodological point of view, the Mission believes that the evaluator should have verified responses regarding the financial information provided by the FUNADEH beneficiaries interviewed. Whenever possible, financial records should have been reviewed. This procedure would have reinforced the validity of the conclusions presented.

### 2. Specific Issues that Merit Highlighting

The discussion on interest rates merits highlighting in order to generate Mission discussion and analysis of the issue. The evaluation pointed out that some of the loans made are high risk loans as indicated by the small negative balances or extremely small positive balances obtained when projecting the loan recipients' cash flow during the loan repayment period (p. 48). It was also pointed out that, even though evidence is inconclusive, there are recipients who are paying loans through secondary sources, including other jobs, guarantors and the sale of assets (p. 18). Despite these facts, the contractor argued that equivalent or higher than conventional bank interest rates should be charged. There are two basic advantages in this suggested approach. First, for FUNADEH as an institution, it would generate additional revenues that could help pay for, and perhaps even improve, its current training and technical assistance services to loan recipients (p. 25). And second, from a more general developmental perspective, it would provide an adequate incentive for FUNADEH clients to graduate to conventional credit sources. That is, if FUNADEH charges 17% while conventional credit sources charge 19%, FUNADEH clients would never be motivated to graduate out of one system into the other as initially desired when the project was designed (p.24). FUNADEH's opinion is that the current two point difference between the rates charged by FUNADEH and commercial banks does not operate as a significant disincentive to graduating borrowers whereas a four or five point difference certainly would have an undesirable effect. If target group borrowers are slow to graduate it is most likely because they lack the collateral or guarantees required by commercial banks. This indicates that the issue to study is access, as well as cost of borrowing, as a constraint to small-scale enterprise development.

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An additional aspect that merits highlighting is that which deals with INFOP-provided training. The evaluator reports that 88% of the interviewed beneficiaries rated INFOP training as positive on a three-point scale, and 12% rated it neutral. In no case was training rated negative (p. 30). This information differs from that provided by larger industries with export potential. INFOP's training capacity may be more appropriate for industries at the lower end of the scale, and other mechanisms, CADERH and GEMAH, for example, could be more appropriate for industries at the other extreme. FUNADEH's practice of orienting INFOP instructors to the specific characteristics and needs of the target group prior to course offerings has paid off in surprisingly good ratings.

A third issue of importance is the question of project sustainability. FUNADEH's management believes that the training component will never be self-sufficient. As an institution, its goal is to become self-sufficient only with respect to its credit operations. The evaluation has estimated that to achieve that goal, FUNADEH would need to have a \$2.0 million credit portfolio. Two of the main assumptions behind that rationale are that a 17% interest rate would be charged, and that fixed operating expenses would remain at their current level. The evaluation has concluded that to reach the level of equilibrium in its credit operations, FUNADEH would require an input of \$600,000. Because the Mission questions the validity of fixed operating expenses remaining constant with substantial increases in the loan portfolio, additional funding that that suggested by the evaluation may be required. The evaluation suggests that the \$600,000, as the rest of the funding that FUNADEH has received to date, should be provided either as a grant or as a soft loan. This money would be partially utilized to cover for the accumulated operating deficit reported earlier. The source for this funding has not yet been identified. Any additional support that USAID/Honduras may provide to FUNADEH will be studied as part of the Small Business Sector Strategy currently under development.

### 3. Omitted Recommendations

At first glance, it will be apparent that the list of actions on the cover sheet is shorter than the list of recommendations in the executive summary. This is because related recommendations have been integrated, repetitive recommendations have been eliminated, and recommendations impossible to implement or not considered crucial for project success have not been accepted.

For example, using small group workshops with loan applicants to develop the production-sales strategy section of the application, as suggested by the evaluator, seems inappropriate for the Honduran context. Small entrepreneurs in Honduras would be reluctant to provide that type of information to potential competitors.

In another case, the evaluator suggests that a distinction be made between production expansion loans and short-term loans utilized to satisfy financing requirements caused by seasonal factors. The Mission does not consider this immediately crucial to project management and success though it can be studied in the future.

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Though the evaluation report is dated October 1986, it was not delivered to FUNADEH and USAID/Honduras until February 1987. FUNADEH's executive secretary has distributed the report to his Board of Directors for their reaction and comment before accepting or rejecting any of the findings and recommendations.

#### 4. Lessons Learned for Future Evaluations

The Small Business Sector Strategy design team took a close look at the FUNADEH model in order to extract elements which should be replicated in similar interventions in the future. To complement their findings, based on this evaluation, the following lessons learned are noteworthy.

- a. Although it was initially believed that FUNADEH would work mainly with groups of small businessmen, this institution has developed an outreach capacity to work with individual micro-entrepreneurs. As a result of this approach, FUNADEH has been able to lend money at a faster rate, surpass the number of direct beneficiaries that should have been reached at the time when the evaluation was conducted, and finance more labor intensive investments. Experience to date shows that the amount of funding to create a job was 10% of that originally anticipated. Future projects in support of small businesses should carefully analyze the efficiency of individual vs. group lending for job creation.
- b. Well-organized management information and computerized data base systems were essential to track clients' enterprise development, to monitor and measure impact, and to manage the loan portfolio and finances effectively. In planning technical assistance for similar programs, the importance of such systems and the need for personnel trained in the use of computers should not be neglected. The type of information generated through an adequate management information system may be of use in calculating the economic and financial rate of return of future similar interventions. These rates of return should be calculated when such interventions are evaluated.
- c. FUNADEH was not created by AID. Rather, it grew out of the commitment of a group of concerned business people. Leadership from the private sector should be a key factor in analyzing the feasibility of establishing programs similar to FUNADEH.
- d. The credit component of FUNADEH's program can become self-sufficient at a minimum portfolio level of \$2.0 million. However, FUNADEH does not believe the training component will ever be self-sufficient. In requiring similar organizations to develop strategies for self-sufficiency, the issue should be treated separately for credit and training components. However, it should be recognized that partial sustainability is all we may be able to expect.
- e. There appears to be a strong link between beneficiary training and close loan supervision by promoters, and the low loan delinquency rates. On the other hand, client coverage is limited when such intensive staff resources are required for individual clients. Future projects should analyze the trade-off in terms of coverage and delinquency rates before adopting the FUNADEH model in its entirety. \*

EXECUTIVE SUMMARY

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## EXECUTIVE SUMMARY

### A. OBJECTIVE OF THE EVALUATION

The objective of the evaluation is to evaluate the progress and potential of the National Development Foundation of Honduras (FUNADEH) to accomplish its main purpose of developing the small scale enterprise subsector, resulting in improved living standards among the entrepreneurial poor.

The evaluation is a mid-project review of the goals and objectives of the project as defined in OPG No. 522-0263. This grant was awarded to FUNADEH for the period beginning February 1, 1985 and ending February 28, 1988.

The scope of work and supporting documents that form the basis for this evaluation are in Appendix A.

### B. METHODOLOGY

The FUNADEH evaluation was carried out using a combination of personal interviews, survey of loan recipients, survey of loan recipient files, data reports from total population of loan files, review of background reports, and personal observation.

Support services were provided by FUNADEH for those activities of the evaluation carried out in country. The files of the foundation were opened to the evaluator and complete access was provided. The President and Executive Director of FUNADEH made their time available as needed to clarify information and discuss possible alternatives to problems.

#### 1. Personal Interviews

All professional staff were interviewed about their job: basic functions, duties and problems.

Board officers were interviewed (President, Vice President, Secretary, Treasury, and the Attorney). Board officer interviews covered program objectives, immediate and long term, overall direction, and problems.

The Director of INFOP was also interviewed to determine the status of the FUNADEH - INFOP working agreement, the general disposition of INFOP towards FUNADEH clients, and problems.

#### 2. Survey of Loan Recipients

Thirty-four loan recipients were selected at random and interviewed using a questionnaire. A copy of the questionnaire is in Appendix B.

An attempt was made to talk with recipients who had some length of experience with their loans, while not including the first group of loans that were made before the Extension Officer and Credit Committee had experience with the process. To accomplish this, the first ten loans were eliminated from the population. The next 85 loans were then selected as the population from which the sample was drawn. The sample was drawn from this group using random number tables.

The following table compares key characteristics of the sample with the total loan population:

	<u>Sample</u>	<u>Population</u>
Average size of loan	\$3,969	\$3,600
Average monthly sales	\$5,720	\$4,545
Average number of employees	3.2	3.0
Female recipients	28 percent	35 percent

Interviews were conducted by FUNADEH staff after an orientation session on interview techniques. Survey participants were divided among staff in a manner preventing an extension officer from interviewing one of his/her loan clients. The evaluator participated in 20 percent of the interviews as an observer.

In addition to the personal interviews, the loan files of the same sample were examined.

### 3. Data Reports

Reports on total population characteristics were used to draw conclusions wherever total population data existed.

### 4. Background Reports

Board minutes, current correspondence, annual work plans, background correspondence to the OPG, Board and Credit Committee policy documents were reviewed along with the core reference material cited in the terms of reference of this evaluation.

### 5. Personal Observation

A meeting was attended by both the Board of Directors and the Credit Committee

An early draft of the Major Findings and Recommendations sections of this report were shared with the Executive Director of FUNADEH, the FUNADEH Board of Directors, and representatives of AID and PADF.

The nine recommendations in the earlier document were expanded to provide more detail. The recommendation to lower the membership goal from 475 to 250 was included after discussing membership potential with the FUNADEH Board of Directors.

### C. MAJOR FINDINGS

1. FUNADEH is behind on local share cash contributions and membership. By the end of September, 1986, FUNADEH should have collected \$64,000 in local shares. Membership should stand at 200. Actual contributions are \$35,115, and there are 127 members.

FUNADEH has dealt with this issue by hiring a promotion specialist. One of the duties of this person is Board membership committee support. The Board has worked during the past several months to secure an official interpretation of the income tax deductions provisions of the tax law. FUNADEH reports that it has received specific recognition by the Ministerio de Hacienda, recognizing donations to FUNADEH as a deductible expense. Written confirmation of this action was received by FUNADEH on

Finally, the Board has developed a strategy to approach the business community. This activity is based primarily on the tax incentive of contributing to FUNADEH.

Board members have worked hard at acquiring the tax incentive for donors. They are confident that the plan will work and put them over their \$175,000 local share commitment.

2. The Board of Directors' members are firm in their commitment to development. There is a strong consensus about the developmental mission of the organization. The Board meets regularly on a monthly basis with quorums reported at every meeting.

The four meetings following the last general assembly were attended by 10, 11, 10 and 8, respectively. FUNADEH has a Board of 14 including 3 alternate members and an attorney.

The Board decision-making process as reflected in meeting minutes is not always clear. There is no set procedure for decision-making within the Board and little opportunity for individual Board members to dissent from a majority decision. Some Board procedures are not supported by the FUNADEH bylaws - such as for approving new members.

3. FUNADEH's data management system is conceptually sound as it relates to identifying developmental impacts to the loan recipient population. In addition it can easily be used to develop industrial performance indicators which are a key component of

business consulting. A third potential use with important business consulting benefits is the projection of annual sales cycles by industry. To date, FUNADEH has a large enough sample of recipients in the clothing and shoe manufacturing industries to begin developing this potential.

The data management system needs to be strengthened in the data specification and collection phases. Base sales/production data collected in the application process should cover a one year period to account for seasonality.

Sales/production data are critical because direct cost factors can be tied to sales as a ratio. As an example the cost of direct labor might be 20 percent of sales in a given industry and materials, 7 percent of sales. The promotor can use this information to look for irregularities in a given business by comparing individual performance to the norm.

4. The loan selection procedure performs well at identifying potential loan recipients of good character. The delinquency rate of 2.3 percent of the outstanding loan portfolio should result in losses well within the 7 percent projected in the OPG.

The selection procedure does not perform well as a tool for identifying loans that have potential for business growth and increased employment. Business growth and increased employment are tied to market potential. The market for the increased production resulting from the loan is not given enough consideration in the selection process.

5. The methods used to carry out the financial analysis of loan packages are subject to error and are sometimes too complicated. The analysis method used depends on a thorough understanding of the business, and each including cost and profit center.

Sole proprietorships where business assets and liabilities are mixed with personal assets and liabilities can be more complex than larger corporations. Some recipients are also found to have several small business interests, further complicating a comprehensive analysis.

Financial analysis methods that measure the incremental increases and decreases in cash flows resulting from the loan are needed. These methods would also reinforce the market focus cited in 4 above, since they deal with increases in production/sales rather than total production/sales.

Related to this matter is the observation that some loans are for short-term working capital to cover, as an example, Christmas

production. It is important to recognize the importance and nature of these loans when doing the financial analysis. The timing of payback is critical. The analysis required is almost exclusively that of documenting the validity of the increased sales projection that will repay the loan.

This type of financing (line of credit) may provide the first opportunity to move FUNADEH clients to more traditional financial institutions. FUNADEH might provide financing for expanded operations while acting as a guarantee on a line of short term credit for the same client at a local bank.

6. The training and technical assistance program of FUNADEH is well received by loan recipients and has resulted in specific changes in recipient business practices. FUNADEH provides training and technical assistance through two administrative units: field operations (promoters) and training. The promoters provide on-the-job training to recipients and the training unit arranges for a variety of training programs and workshops.

Of the survey sample, 62 percent participated in formal training in a total of 49 classes, workshops and seminars. Respondents were able to identify 35 (an average of one per respondent) specific practices that they were using in their businesses as a result of promoters' suggestions or training classes.

Sixty-three percent of new practices were related to accounting and control, 29 percent were market-related and the remaining 8 percent covered a variety of areas.

The percentage of respondents claiming to maintain accounting books rose from 17 percent at the time of loan application to 63 percent.

7. FUNADEH has been receiving technical assistance and training from PADF under a special \$132,000 provision of the AID grant to FUNADEH. Technical assistance has been provided in project design, systems, and employee training. FUNADEH Board members and staff have indicated that they are happy with the assistance to date. People from FUNADEH said they would recommend working with PADF to any group wishing to form a development organization similar to FUNADEH.

Some of the recommendations included in this report fall within the competence of PADF and their current work plan. Those recommendations accepted by the interested parties could be implemented with resources of the PADF grant provision.

D. DEVELOPMENTAL IMPACT

1. Employment

OPG Indicators: .5 jobs per loan.

Findings (Sample survey and loan files): 1.08 per loan.

- The 26 sample surveys with complete before-after employment data showed a net increase of 28 jobs.
- The sample registers an average of 4.6 jobs per business, vs. a pre-loan average of 3.5.
- 73 percent of the sample showed increases in employment while 27 percent showed no increases or decreases.
- 27 percent of the employees in the surveyed businesses were female and 73 percent were male.

2. Sales, Production, Income Increases

OPG Criteria: Average income increase of 10 percent per beneficiary (after three years).

Related Findings (survey and loan files):

55 percent of survey showed sales increases.

45 percent of survey showed sales decreases.

Average sales of the sample increased by 17 percent.

96 percent of the sample (all but one respondent), claimed the business was making more money as a result of the loan.

33 percent = A little more.

45 percent = A lot more.

12 percent = double.

3. Gender Considerations

OPG Criteria: 20 percent of direct loan beneficiaries are to be female.

Findings (Survey, loan files, registries)

Direct Loan Beneficiaries = 35 percent female, 65 percent male.

Indirect Loan Beneficiaries = 35 percent female, 65 percent male.

Average loan size - \$3,245 Female, \$3,429 Male  
\$16,250 other (Coop., Assoc.)

Loan Recipient Employees - 27 percent female, 73 percent male.

Board of Directors - 14 percent female (2), 86 percent male (12)

FUNADEH Membership - 9 percent female, 91 percent male.

FUNADEH Prof. Staff - 57 percent female (4), 43 percent male (3).

#### 4. Number and Size of Loans

OPG indicators (Pro-rated for period evaluated):

Number = 31 (193 1/ direct beneficiaries)  
Average Size = \$15,870 (\$2,549 per beneficiary)  
Total Loaned = \$492,000.

#### Findings (loan files)

Number of loans = 176 (258 2/ direct beneficiaries)  
Average Size = \$3,600 (\$2,455 per beneficiary)  
Total loaned = \$633,500

#### 5. Loan Delinquency

OPG Indicator: 7 percent of total amount loaned.

Findings (loan files, monthly delinquency reports - 9/30/85)

2.3 percent of loan payments are delinquent (delinquency defined as the percentage derived from dividing outstanding delinquent payments by the outstanding loan portfolio).

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1/ 22 percent or 31 loans should be completed. Therefore 22 percent of total direct beneficiaries (or 193) should be served.

2/ One cooperative was served adding 49 beneficiaries to the base figure. Three associations, which are smaller than cooperatives were served. These were included at 12 each or 33 additional beneficiaries to the base figure.

Total outstanding loan balances of delinquent accounts (defined as accounts with at least one payment past due: 30 days +) make up 15 percent of the total balance of outstanding loans (a worst case situation).

Outstanding loan balances of accounts more than 90 days delinquent make up 4.3 percent of the total balance of outstanding loans.

6. Private Sector Support

OPG (adjusted to September 30, 1986):

FUNADEH Membership: 200

Private Sector Funds: \$64,000

Findings (membership and financial records)

FUNADEH Membership: 127

Private Sector Funds: \$35,115.

E. CONCLUSIONS

FUNADEH sees as the most immediate benchmark of its credit-technical assistance program, financial sustainability. This point is defined as the level of capital accumulation that will support a loan portfolio that generates enough income to cover costs of operations. That is, the amount of cash generated less cash expended is equal to zero.

FUNADEH is approximately one third of the way to reaching this benchmark. Considering the quality of leadership and administration demonstrated by the program to date, few similar organizations are better positioned to move forward.

1. Employment and Income Generation

The employment and income generation goals of the project are being addressed. Survey results show that both employment and sales are up significantly. Survey data indicates that employment has increased by 1.08 jobs per loan and sales of the sample increased 17 percent. In the evaluation it was discovered that data components sometimes lack sufficient specificity, which could influence the exact employment and sales findings. However, all findings point to overall increases in sales and employment.

The survey quantitative findings were further confirmed by survey participants when they were asked if they were making more money now than they earned before the loan. All respondents answered in the affirmative with the exception of one.

## 2. Project Sustainability

To sustain its operations, FUNADEH will have to finance a loan portfolio totaling \$2 million. At that level cash inflows and outflows are neutral. This estimate includes the following assumptions: Promoters will be able to maintain a case load of 60 loans, minimum. Bad debts, as a percentage of total loans, do not exceed three percent. The interest charged is 17 percent. Training will continue to be financed by INFOP and other institutions. Current fixed operating expenses remain constant over a portfolio growth in numbers of loans from 175 to 535.

To reach the level of capital formation necessary to sustain operations it is necessary for FUNADEH to acquire an additional grant of \$600,000. This amount assumes that a \$500,000 application before IDB is granted. The figures below outline the uses and sources of funds to reach sustainability under the assumptions outlined:

### USES AND SOURCES OF FUNDS

<u>Use of Funds:</u>	Operating Deficit	421,000
	Portfolio	2,000,000
Total uses		<u>2,421,000</u>
<u>Sources of Funds</u>	PADF	33,000
	AID	1,000,000
	Inter Am. Foundation	116,000
	Members	175,000
	IDB (Pending)	500,000
	Unidentified	597,000
Total sources		<u>2,421,000</u>

The level of capital formation required for sustainability is influenced directly by the loan interest policy of FUNADEH and by costs of operation. If interest rates were raised by 2 percent, the amount of capital formation is projected to fall by \$500,000 resulting in a total need of \$1,500,000. If rates were lowered by 2 percent, capital formation requirements would rise by \$900,000 or a total of \$2,900,000. Assuming that interest rates remain as they are but fixed operating costs rise by 20 percent above projections, sustainability would require \$2,400,000 of capital formation.

The above calculations are discussed in more detail under the section titled Cost Effectiveness in the main report. The point of equilibrium does not include amortization requirements of borrowed money.

### 3. Administration

The administration of FUNADEH is strong. The staff members are qualified and trained. They demonstrate confidence in carrying out their work. Staff members work independently with little direct supervision. The positive loan recipient opinion of FUNADEH promoters found in the sample survey reinforces this perception.

On the sample survey recipients were asked about the assistance provided by promoters in the application process. They were asked to respond to the promoters' level of helpfulness, the degree to which the promoter explained the purpose of the various steps, and the extent to which the promoters kept their commitments to applicants with respect to meetings and visits.

Recipients were asked to evaluate their interaction with the promoter, responding to one of three criteria. One criterion was positive, one was neutral, and the third was negative. Eighty-four percent of the responses were positive, 11 percent were neutral, and 2 percent were negative.

In one of the strongest sources of administrative effectiveness in a credit program, delinquency rates, FUNADEH deserves high marks with a rate of 2.3 percent. In addition, loan files show that collection procedures are organized and systematically administered.

FUNADEH administration has done a good job of conveying its purpose to loan recipients, an indication that the organization is clear about its mission at all levels. A list of statements from survey participants regarding their opinion of FUNADEH's purpose is in Appendix C, page 87.

## F. LESSONS LEARNED

### 1. Leadership

The importance of private sector leadership in the organization and development of FUNADEH cannot be underestimated. Leadership should be one of the key factors in analyzing the feasibility of programs similar to FUNADEH's.

The use of an organization such as PAF that is specialized in development foundations, speeds up the implementation process considerably. A specialized institution has the critical mass of thought and skills that are required to introduce another project of a tested model. In addition, the use of development foundations in other countries as a training tool for the Board and staff is invaluable.

## 2. Administration

Early in the program design, a decision was made to hire extension officers with strong academic backgrounds and pay them competitively rather than employ extension personnel from the target group of small and micro business people. This strategy appears to have paid off. The extension officers have the technical background necessary to provide useful advice to loan recipients. They were evaluated highly by recipients, and their morale is high.

When the program had to choose between providing vehicles for extension officers or pay for the use of the officers personal car, FUNADEH went for the second option. This decision is now considered to be the correct one by those involved. Transportation costs are controlled more effectively by the individual extension officer and FUNADEH avoids the appearance of having a fleet of cars for the benefit of executives.

## 3. Program

The original data survey contemplated by the project may have had limitations that might be considered in the future. In hindsight, it appears that the people involved in FUNADEH had a fairly accurate perception of the small micro-business sector with respect to its general makeup and problems. Rather than invest resources in generating basic data, it may be more useful to first attempt to segment the sector using staff and perhaps a few representatives from the sector.

If during that process serious information gaps exist in segments that appear to provide good growth potential, resources could be spent to study these segments in depth.

## G. RECOMMENDATIONS

The 22 recommendations of the study are numbered according to the sequence that they occur in the body of the study. They are organized here according to their application within the structure of FUNADEH operations.

### Loan Application Process:

1. Change the loan application process positioning the evaluation of increased production and sales of this production as the first step in the process. Use this same procedure with the Credit Committee. Evaluate first the feasibility of increased production and sales (primary source of repayment). Only after the loan has been evaluated favorably in this step should secondary sources of repayment, such as personal guarantees, be considered.

2. Change the loan application forms using a question - answer format in the first section dealing with the strategy for increased production and sales.
5. Use small group workshops with loan applicants to develop the production-sales strategy section of the application.
18. Add a section to the loan application process to define training needs of the applicant along with a plan for acquiring training during the life of the loan.
19. Develop a minimal training package that would be used as a basis for discussing training needs with the loan applicant during the application process. Final training requirements would then be a modified version of this package and included as part of the application.
20. PADF and FUNADEH to develop an action plan for modifying the loan application process and corresponding forms and documents.

Financial analysis and financing:

6. Develop a strategy, using the resources of local banks, to provide seasonal lines of credit to FUNADEH clients.
16. Distinguish between loans having as their purpose the expansion of production and employment from loans that serve to meet short term financing requirements caused by seasonality factors such as Christmas.
17. Incorporate the use of incremental analysis in the loan financial analysis procedure - focusing on the specific cash flows resulting from the loan.

Data collection and use:

3. Sharpen data definitions throughout the application, use one year sales cash flows, include both a personal and a business financial statement, and document gender of employees as part of the application.
4. Create additional industry categories for the businesses that are classified as other.
21. PADF and FUNADEH to develop an action plan to design data based reports, improve data specifications, and evaluate computer hardware and software.

**Board of Director and Policy:**

7. Form an ad hoc committee from the Board of Directors to make bylaw change recommendations on or before the 1987 General Assembly: clearly state the quorum requirements; make the credit and membership committees standing committees and include their attributes; name member of the Board to chair standing committees; have Board committee chairperson or alternate report to the Board; and ratify membership of committee members who are not Board members.
8. Assign to the ad hoc committee the task of developing a standard format for decision-making which includes an exactly stated motion, including the name of the sponsor of the motion, and the vote. Standardize committee reporting formats (credit and membership) so that the written reports of these committees can become part of the official minutes of the Board once they are presented and approved.
9. Include a treasurer's report as a part of the Board meeting. This written report should include: beginning and ending bank statement balances for all funds and the fund movements within the accounts according to major categories.
10. Reinstate a program of technical assistance to loan recipients using Board members working under the guidance of the corresponding extension officer.
11. Refer to the ad hoc committee in number 7 above, modification of the bylaws to recognize the Board's procedure for approving new members; amend the bylaws to include a nominating committee for annual Board elections; modify the bylaws to put up for election, one third of the Board each year rather than one half and restrict Board membership to two consecutive terms (six years).
12. Develop a procedure whereby representatives of current and past loan recipients participate on an advisory basis in the development of the 1987 work plan and budget.
13. Refer to ad hoc committee in number 7 above the modification of the bylaws to include a provision whereby a loan recipient representative is made a voting member of the Board, elected by his peers - his/her membership paid by contributions made through business memberships with subsequent annual dues paid by him/herself.

14. The Executive Director to develop an executive director's job description, for Board approval, describing the position against the following parameters: Basic Function, Duties, and Relationships (community, Board, staff, clients, funding sources, technical assistance sources).
15. The membership committee of the Board to clarify its recruitment strategy with respect to the use of paid personnel, recognizing the inherent limitations of this practice.
22. Change the membership goal from 475 to 250.

SCOPE OF WORK  
MID-PROJECT EVALUATION OF THE  
NATIONAL DEVELOPMENT FOUNDATION OF HONDURAS  
(FUNADEH)

The Operational Program Grant (OPG) which was awarded to the National Development Foundation of Honduras (FUNADEH) for the period beginning February 1, 1985, requires a mid-term, external evaluation.

Project Purpose and Output Targets

The purpose of this mid-project review is to examine the goals and objectives of FUNADEH as defined in the OPG Project Purpose and Output Targets and ascertain the extent to which these have been achieved. It will analyze and clarify the desired role and functions of FUNADEH in light of its statutory mandate, projected credit needs among micro-enterprises in San Pedro Sula, potential future availability of resources, and projected service requirements in order to determine the feasibility and shape of subsequent assistance.

The project's accomplishments are to be measured and evaluated in terms of its main purpose of developing the small-scale enterprise subsector and its goal of contributing to improved living standards among the entrepreneurial poor. The success of this undertaking will be judged based on the following criteria.

1. Business Consultancy and Credit Program

The FUNADEH credit program will be reviewed in terms of the number of micro-entrepreneurs trained, counselled, and successfully launched through the provision of credit. In particular, the loan procedures and the manner in which a potential beneficiary proceeds from the initial contact to the FUNADEH's approval and monitoring of the loan will be examined. This includes an examination of the methodology used for analyzing the feasibility of potential loans and the criteria for disbursement.

In addition, the FUNADEH existing portfolio will be evaluated in terms of the type of businesses supported, size of loans, and the reimbursement schedules. The report will also analyze the extent to which current beneficiaries reflect the FUNADEH eligibility guidelines.

2. Impact of Beneficiaries

The evaluation will assess the extent to which the participating micro-enterprises show marked improvement, as indicated through such measures as increased income, enhanced status, improved credit rating, new job creation, and expanded production.

The evaluation will specifically address client impact using the following indicators:

- growth potential
- business viability
- business acumen
- increase in income (sales)
- stability of income flow

- increase in production
- employment generating potential
- improvement capability
- effect of technical assistance and training
- potential to graduate clients to traditional credit institutions
- delinquency rate

3. Program Administration

An evaluation will be conducted on the organizational infrastructure and the dynamics and allocation of responsibilities within the management structure. This includes the role of Board, management and staff and their responsibilities and tasks. Information will be developed delineating the tasks and resources required to support FUNADEH's continued and expanded operations.

Particular attention will be paid to the role of the Extension and Promotion Officer (EPO) and their responsibilities and tasks specifically addressing ability in:

- analysis and diagnosis
- institutional promotion
- problem identification
- financial and credit analysis
- business management and planning
- consultancy techniques
- communication/motivation skills.

4. Cost-effectiveness

The evaluation will analyze the manner in which FUNADER has managed and disbursed OPG funds as well as funds from other sources.

Particular reference will be made to:

- Specific costs associated with loan processing, including the salaries and expenses of EPOs, direct costs of processing and analyzing loans, and expenses of ensuring reimbursement;
- Specific costs associated with fundraising, including the costs of travel, public relations activities, and other direct costs associated with any benefits;
- Analysis of the disposition of interest and principal received from loans, and of projected rates at which loan funds will revolve; and
- The relationship of operating costs of administrative expenses to the direct costs of supporting loan activities.

5. Technical Assistance and Training

The evaluation will assess the extent to which the FUNADER program of Technical Assistance and Training has an effect on micro-entrepreneurs in terms of:

- effective management
- bookkeeping
- planning
- production
- marketing
- general business acumen.

6. PADF Technical Assistance and Training

The evaluation will study the effectiveness of technical assistance provided to date, in keeping with the objectives enumerated in the OPG. Specific attention will be paid to the training programs provided during the term of this OPG and the usefulness of seminars and workshops attended by staff and Board members of FUNADEH.

7. Membership and Resource Mobilization

Membership policy will be reviewed as well as actual membership breadth, depth and involvement. Also, the efficacy of the fund-raising programs instituted by the Foundation in terms of the level of local resource contributions by FUNADEH will be examined.

EVALUATION TIME FRAME

The evaluation time frame is set for October or November 1986.

The selected consultant is authorized up to 20 working days including 18 days in-country. Terms of reference and a budget for consultation will be detailed in a contract between PADF and the consultant.

In Honduras, the evaluation will draw on project background records and financial reports as appropriate supplied by FUNADEH. The evaluation will engage project participants in the evaluation process. These participants include but are not limited to FUNADEH staff and Board members, loan clients, AID, PADF, INFOP and others as deemed necessary by the consultant and FUNADEH.

EVALUATION REPORT

A draft evaluation report or a working document will be discussed with FUNADEH, PADF, and AID prior to departure from Honduras. The

evaluator will be responsible for submitting one copy of a draft report to PADF/W. The final report will be prepared and submitted by the evaluator to PADF/W for submission to USAID/Honduras, FUNADEH and others as appropriate.

CORE REFERENCE MATERIAL

- A. OPG No. 522 - ESF - 0263 - FUNADEH
- B. OPG No. 522 - 0263 - PADF T.A. + T.
- C. PADF/FUNADEH Agreement
- D. Year End Review/Analysis of FUNADEH/March 1986
- E. FUNADEH Memoria 1985.

A. PROJECT DESIGN SUMMARY -- LOGICAL FRAMEWORK  
FUNDAPLII

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS														
<p><u>A-1 GOAL:</u> <u>National Development Goal (GROWTH)</u> Increase present levels of employment, production and income.</p> <p><u>FUNADP II Institutional Goal</u> Promote economic and social development of communities and organized social groups of limited resources and/or low income individuals.</p> <p><u>B-1 Purpose</u> Project Purpose -- Increase profitability of selected SSE Subsector enterprises providing stable income flow sufficient to meet individual and dependent's needs; and, Stimulate growth of these enterprises to point where they generate new employment (job creation) Grant Purpose -- Establish in FUNADP II a program effectively utilizing loan credit coupled with rudimentary business guidance, advice and training for selected SSE enterprises; and, a revolving loan fund for those denied access to credit elsewhere but with potential viability.</p>	<p><u>A-2 MEASURES OF GOAL ACHIEVEMENT</u> Statistical proof -- in % or actual numbers of increases in employment, production and income. Statistical data derived from PROS and output indicators and up-dated baseline data which indicate real improvement in income, employment and production in client community (i.e. target group -- direct and indirect beneficiaries)</p> <p><u>B-2 Conditions indicating Purpose has been achieved -- IPUS</u></p> <table border="0"> <tr> <td>Income increase (beneficiaries)</td> <td>10%</td> </tr> <tr> <td>New jobs created</td> <td>186</td> </tr> <tr> <td>Fully trained/functioning Program Management Team</td> <td>2</td> </tr> <tr> <td>Operations Staff</td> <td>3</td> </tr> <tr> <td>Support Staff</td> <td>3</td> </tr> <tr> <td>Ongoing in-house training program</td> <td></td> </tr> <tr> <td>Total loan portfolio</td> <td>\$2,200,000</td> </tr> </table>	Income increase (beneficiaries)	10%	New jobs created	186	Fully trained/functioning Program Management Team	2	Operations Staff	3	Support Staff	3	Ongoing in-house training program		Total loan portfolio	\$2,200,000	<p><u>A-3</u> COM, IBRD, IMF, IDB, AID statistical data and annual summaries  FUNADP II Annual Report Computer up-dated baseline data</p> <p><u>B-3</u> FUNADP II financial, quarterly and annual reports. External Audits Computer up-dated baseline data Evaluation findings and reports PADP/FUNADP II joint, in-depth project reviews and field visits.</p>	<p><u>A-4 Assumptions for Goal Achievement</u> -Economic situation stabilized and economic recovery underway -COM policies continue to support private sector -AID and other donor agencies continue to provide support to the private sector</p> <p><u>B-4 Assumptions for Purpose Achievement</u> - AID and other sources provide funding for project. -Inputs are provided in timely and efficient manner. - SSE Subsector clients accept total assistance package and implement business improvement recommendations. - Project clients make sincere efforts to keep up-to-date on payments and loan rescheduling is kept to a minimum - Project clients utilize increased income not only for immediate personal and family needs but also for expansion of business, including new employment when feasible.</p>
Income increase (beneficiaries)	10%																
New jobs created	186																
Fully trained/functioning Program Management Team	2																
Operations Staff	3																
Support Staff	3																
Ongoing in-house training program																	
Total loan portfolio	\$2,200,000																

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NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<b>C-1 Project Outputs</b>	<b>C-2 Magnitude of Outputs</b>	<b>C-3</b>	<b>C-4 Assumptions for Achieving</b>
<u>Institutional</u>	YR I                  YR II                  YR III	FINAIFW financial, quarterly and annual reports	- FINAIFW, with technical assistance from PAFW is able to complete initial baseline data survey, analyze it and perform necessary organizational functions (including staff recruitment and training) -- i.e. first phase of project -- in 4 months or less.
FINAIFW Staff: (trained/in place)	(US\$ CUMULATIVE TOTALS)	External Audit Report	- FINAIFW Board, members and other Private Sector individuals and firms continue to provide strong support (contributions and volunteer time) to project.
-- Management Team	1,5                          2                          2	Evaluation Findings and Reports	- Key management and staff can be recruited
-- Operations Staff	1                                  2                                  3	PAFW/FINAIFW joint in-depth project reviews and field visits	- Need and demand in client community is at least as great as estimated.
-- Support (Secretarial/Clerical)	1                                  1                                  3	Computer up-dated baseline data	- Client community is responsive to project -- Advisory Committee gives positive support -- clients implement advice and suggestions and maintain steady repayment schedule.
Management, accounting, financial systems; loan policies and operational procedures--tested & in place	X                                  X                                  X		
Baseline Data: Initial collection up-dated	X                                  X                                  X		
Loan Portfolio (Cumulative)	\$150,000      \$650,000      \$2,200,000		
<u>Client Community--project beneficiaries</u>	(IND: ESTIMATED CUMULATIVE TOTALS)		
--Walk-ins (Initial contact)	72                                  128                                  2976		
--number of loans made	9    41    139		
--direct beneficiaries	24    110    372		
--indirect beneficiaries (dependent)	120    550    1860		
(factor of 5 per beneficiary)			
--Women, direct beneficiaries	5    22    74		
--clients graduated to established cred.	-    6    37		
--average income increase per beneficiary	-    58    108		
(%)			
--new employment generated by jobs	5    21    186		
--delinquency rate % of total loans	58    108    76		
<u>Private Sector Support</u>			
--Increase in FINAIFW membership	120    265    475		
--Member donations (Individual/corporate)	\$30,000.      \$85,000.      \$175,000.		

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NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS						
<p><u>1.1 Project Inputs</u></p> <p>ADB -- Operational Program Grant (OPG)                      PADP Contribution</p> <p>FUNDREN &amp; Private Sector Contributions</p> <p>Other financial resources</p> <p>Internal loans</p>	<p><u>D-2 Input Targets</u></p> <p>\$ 1,000,000 over 3-year period</p> <p>\$ 45,000.</p> <p>Cash -- \$175,000.                      (In-kind- Lps. _____)                      (ent. of volunteer time, donated space                      furniture, equipment)                      (Lps. _____)</p> <p>\$ 1,350,000</p> <p><u>Total inputs in \$</u></p> <p>\$ 2,817,100.</p> <p><u>Budget Summary</u></p> <table border="0"> <tr> <td>Operations</td> <td>\$ 447,000</td> </tr> <tr> <td>PADP TA/T</td> <td>\$ 120,000</td> </tr> <tr> <td>Revolving In Fund</td> <td>\$ 2,700,000</td> </tr> </table>	Operations	\$ 447,000	PADP TA/T	\$ 120,000	Revolving In Fund	\$ 2,700,000	<p><u>D-3</u></p> <p>OPG Agreement, External Audit</p> <p>FADP/FUNDREN Operational Support Agree-                      ment.</p> <p>Evaluation Findings and Reports</p> <p>Quarterly Reports</p> <p>Other Agreements/Contracts</p>	<p><u>D-4 Input Assumptions</u></p> <ul style="list-style-type: none"> <li>- AID accepts FUNDREN CPC proposal with minimal changes -- CPC Agreement is negotiated and signed with minimum loss of time.</li> <li>- FUNDREN can comply with conditions precedent (CPs) which AID may require</li> <li>- All participating organizations and individuals provide inputs in timely fashion.</li> <li>- PADP and FUNDREN negotiate and sign a mutually acceptable and supportive agreement with minimal loss of time.</li> <li>- Board Membership and Private Sector individuals and firms maintain level of interest and support and continue to donate cash and in-kind to FUNDREN</li> <li>- Other external sources of funding are successfully solicited.</li> </ul>
Operations	\$ 447,000								
PADP TA/T	\$ 120,000								
Revolving In Fund	\$ 2,700,000								
<p>Assistance/Training                      not covered by project funds and other                      (e.g. seminars)</p>	<p><u>TA/T from PADP</u></p> <ul style="list-style-type: none"> <li>-- Advice to Board &amp; Management</li> <li>-- Training of Staff (general)</li> <li>-- Training of FMs (general)</li> <li>-- Assistance in Reviews/Evaluations</li> <li>-- Assistance in Mini-Survey</li> <li>-- Regional Seminars</li> </ul>								

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EVALUATION COST DATA

USAID/Honduras or Bureau/Officer \_\_\_\_\_

Form completed by Margaret Membrano o/PSP March 23, 1987  
Typed Name Office Date

1. No. and Title of Project/Activity: 522-ESF-0263 Small Scale  
(or Title of Evaluation Report) Enterprise Development  
Mid-term Evaluation

2. Date of Evaluation Report: October 1986 (received Feb 1987)  
Date of PES (if different): March 23, 1987

3. Mission Staff Person Days involved in this Evaluation (estimated):  
- Professional Staff 5 Person Days  
- Support Staff 1/2 Person Days

4. AID/W Direct-Hire or IPA TDY support funded by Mission (or office) for this evaluation: None

<u>Name</u>	<u>Period of TDY (Person-Days)</u>	<u>Dollar Cost: (Travel, Per Diem, etc)</u>	<u>Source of Funds*</u>
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5. Contractor Support, if any, for this evaluation:\*\*

<u>Name of Contractor</u>	<u>Contract #</u>	<u>Dollar Amount of Contract</u>	<u>Source of Funds*</u>
James Heinzen	Contracted by PADP	\$1,200.00	OPG Budget

\*Indicate Project Budget, PD&S, Mission O.E. or Central/Regional Bureau funds

\*\*IQC, RSSA, PASA, PSC, Purchase Order, Institutional Contract, Cooperative Agreement, etc.

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MID-PROJECT EVALUATION OF THE  
NATIONAL DEVELOPMENT FOUNDATION OF HONDURAS  
(FUNADEH)

Grant: OPS No. 522-0263 - Agency for International Development

Prepared for

The Pan American Development Foundation  
The National Development Foundation of Honduras

Prepared by:

James D. Heinzen, Consultant

October 1986

CD/ve

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## EXECUTIVE SUMMARY

### Objective of the Evaluation

The objective of the evaluation is to evaluate the progress and potential of the National Development Foundation of Honduras (FUNADEH) to accomplish its main purpose of developing the small scale enterprise subsector, resulting in improved living standards among the entrepreneurial poor.

The evaluation is a mid-project review of the goals and objectives of the project as defined in OPG No. 522-0263. This grant was awarded to FUNADEH for the period beginning February 1, 1985.

The scope of work and supporting documents that form the basis for this evaluation are in Appendix A, page 77.

### Methodology Used

The FUNADEH evaluation was carried out using a combination of personal interviews, survey of loan recipients, survey of loan recipient files, data reports from total population of loan files, review of background reports, and personal observation.

Support services were provided by FUNADEH for those activities of the evaluation carried out in country. The files of the foundation were opened to the evaluator and complete access was provided. The President and Executive Director of FUNADEH made their time available as needed to clarify information and discuss possible alternatives to problems.

### Personal Interviews

All professional staff were interviewed about their job: basic functions, duties and problems.

Board officers were interviewed (President, Vice President, Secretary, Treasury, and the Attorney). Board officer interviews covered program objectives, immediate and long term, overall direction, and problems.

The Director of INFOP was also interviewed to determine the status of the FUNADEH - INFOP working agreement, the general disposition of INFOP towards FUNADEH clients, and problems.

### Survey of Loan Recipients

Thirty-four loan recipients were selected at random and interviewed using a questionnaire. A copy of the questionnaire is in Appendix B, page 83.

An attempt was made to talk with recipients who had some length of experience with their loans, while not including the first group of loans that were made before the Extension Officer and Credit Committee had experience with the process. To accomplish this, the first ten loans were eliminated from the population. The next 85 loans were then selected as the population from which the sample was drawn. The sample was drawn from this group using random number tables.

The following table compares key characteristics of the sample with the total loan population:

	<u>Sample</u>	<u>Population</u>
Average size of loan	\$3,969	\$3,600
Average monthly sales	\$5,720	\$4,545
Average number of employees	3.2	3.0
Female recipients	28 percent	35 percent

Interviews were conducted by FUNADEH staff after an orientation session on interview techniques. Survey participants were divided among staff in a manner preventing an extension officer from interviewing one of his/her loan clients. The evaluator participated in 20 percent of the interviews as an observer.

In addition to the personal interviews, the loan files of the same sample were examined.

#### Date Reports

Reports on total population characteristics were used to draw conclusions wherever total population data existed.

#### Background Reports

Board minutes, current correspondence, annual work plans, background correspondence to the OPG, Board and Credit Committee policy documents were reviewed along with the core reference material cited in the terms of reference of this evaluation.

#### Personal Observation

A meeting was attended by both the Board of Directors and the Credit Committee

An early draft of the Major Findings and Recommendations sections of this report were shared with the Executive Director of FUNADEH, the FUNADEH Board of Directors, and representatives of AID and PADF.

The nine recommendations in the earlier document were expanded to provide more detail. The recommendation to lower the membership goal from 475 to 250 was included after discussing membership potential with the FUNADEH Board of Directors.

### Major Findings

- I. FUNADEH is behind on local share cash contributions and membership. By the end of September, 1986, FUNADEH should have collected \$64,000 in local shares. Membership should stand at 200. Actual contributions are \$35,115, and there are 127 members.

FUNADEH has dealt with this issue by hiring a promotion specialist. One of the duties of this person is Board membership committee support. The Board has worked during the past several months to secure an official interpretation of the income tax deductions provisions of the tax law. FUNADEH reports that it has received specific recognition by the Ministerio de Hacienda, recognizing donations to FUNADEH as a deductible expense. Written confirmation of this action is expected by FUNADEH within the next couple of days.

Finally, the Board has developed a strategy to approach the business community. This activity is based primarily on the tax incentive of contributing to FUNADEH.

Board members have worked hard at acquiring the tax incentive for donors. They are confident that the plan will work and put them over their \$175,000 local share commitment.

- II. The Board of Directors' members are firm in their commitment to development. There is a strong consensus about the developmental mission of the organization. The Board meets regularly on a monthly basis with quorums reported at every meeting.

The four meetings following the last general assembly were attended by 10, 11, 10 and 8, respectively. FUNADEH has a Board of 14 including 3 alternate members and an attorney.

The Board decision-making process as reflected in meeting minutes is not always clear. There is no set procedure for decision-making within the Board and little opportunity for individual Board members to dissent from a majority decision. Some Board procedures are not supported by the FUNADEH bylaws - such as that for approving new members.

- III. FUNADEH's data management system is conceptually sound as it relates to identifying developmental impacts to the loan recipient population. In addition it can easily be used to develop industrial performance indicators which are a key component of

business consulting. A third potential use with important business consulting benefits is the projection of annual sales cycles by industry. To date, FUNADEH has a large enough sample of recipients in the clothing and shoe manufacturing industries to begin developing this potential.

The data management system needs to be strengthened in the data specification and collection phases. Base sales/production data collected in the application process should cover a one year period to account for seasonality.

Sales/production data are critical because direct cost factors can be tied to sales as a ratio. As an example the cost of direct labor might be 20 percent of sales in a given industry and materials, 7 percent of sales. The promotor can use this information to look for irregularities in a given business by comparing individual performance to the norm.

- IV. The loan selection procedure performs well at identifying potential loan recipients of good character. The delinquency rate of 2.3 percent of the outstanding loan portfolio should result in losses well within the 7 percent projected in the OPG.

The selection procedure does not perform well as a tool for identifying loans that have potential for business growth and increased employment. Business growth and increased employment are tied to market potential. The market for the increased production resulting from the loan is not given enough consideration in the selection process.

- V. The methods used to carry out the financial analysis of loan packages are subject to error and are sometimes too complicated. The analysis method used depends on a thorough understanding of the business, and each including cost and profit center.

Sole proprietorships where business assets and liabilities are mixed with personal assets and liabilities can be more complex than larger corporations. Some recipients are also found to have several small business interests, further complicating a comprehensive analysis.

Financial analysis methods that measure the incremental increases and decreases in cash flows resulting from the loan are needed. These methods would also reinforce the market focus cited in IV above, since they deal with increases in production/sales rather than total production/sales.

Related to this matter is the observation that some loans are for short-term working capital to cover, as an example, Christmas

production. It is important to recognize the importance and nature of these loans when doing the financial analysis. The timing of payback is critical. The analysis required is almost exclusively that of documenting the validity of the increased sales projection that will repay the loan.

This type of financing (line of credit) may provide the first opportunity to move FUNADEH clients to more traditional financial institutions. FUNADEH might provide financing for expanded operations while acting as a guarantee on a line of short term credit for the same client at a local bank.

- VI. The training and technical assistance program of FUNADEH is well received by loan recipients and has resulted in specific changes in recipient business practices. FUNADEH provides training and technical assistance through two administrative units: field operations (promoters) and training. The promoters provide on-the-job training to recipients and the training unit arranges for a variety of training programs and workshops.

Of the survey sample, 62 percent participated in formal training in a total of 49 classes, workshops and seminars. Respondents were able to identify .35 (an average of one per respondent) specific practices that they were using in their businesses as a result of promoters' suggestions or training classes.

Sixty-three percent of new practices were related to accounting and control, 29 percent were market-related and the remaining 8 percent covered a variety of areas.

The percentage of respondents claiming to maintain accounting books rose from 17 percent at the time of loan application to 63 percent.

- VII. FUNADEH has been receiving technical assistance and training from PADF under a special \$132,000 provision of the AID grant to FUNADEH. Technical assistance has been provided in project design, systems, and employee training. FUNADEH Board members and staff have indicated that they are happy with the assistance to date. People from FUNADEH said they would recommend working with PADF to any group wishing to form a development organization similar to FUNADEH.

Some of the recommendations included in this report fall within the competence of PADF and their current work plan. Those recommendations accepted by the interested parties could be implemented with resources of the PADF grant provision.

## Developmental Impacts

### Employment

OPG Indicator: .5 jobs per loan.

Findings (Sample survey and loan files): 1.08 per loan.

- The 26 sample surveys with complete before-after employment data showed a net increase of 28 jobs.
- The sample registers an average of 4.6 jobs per business, vs. a pre-loan average of 3.5.
- 73 percent of the sample showed increases in employment while 27 percent showed no increases or decreases.
- 27 percent of the employees in the surveyed businesses were female and 73 percent were male.

### Sales, Production, Income Increases

OPG Criteria: Average income increase of 10 percent per beneficiary (after three years).

Related Findings (survey and loan files):

55 percent of survey showed sales increases.

45 percent of survey showed sales decreases.

Average sales of the sample increased by 17 percent.

96 percent of the sample (all but one respondent), claimed the business was making more money as a result of the loan.

38 percent = A little more.

46 percent = A lot more.

12 percent = double.

### Gender Considerations

OPG Criteria: 20 percent of direct loan beneficiaries are to be female.

Findings (Survey, loan files, registries)

Direct Loan Beneficiaries = 35 percent female, 65 percent male.

Indirect Loan Beneficiaries = 35 percent female, 65 percent male.

Average loan size - \$3,245 Female, \$3,429 Male  
\$16,250 other (Coop., Assoc.)

Loan Recipient Employees - 27 percent female, 73 percent male.

Board of Directors - 14 percent female (2), 86 percent male  
(12)

FUNADEH Membership - 9 percent female, 91 percent male.

FUNADEH Prof. Staff - 57 percent female (4), 43 percent male  
(3).

### Number and Size of Loans

OPG indicators (adjusted to September 30, 1986 and amended to figures recommended by FUNADEH in their letter to Anthony Cauterucci, dated August 21, 1984):

Number = 31 (193 1/ direct beneficiaries)  
Average Size = \$15,870 (\$2,549 per beneficiary)  
Total Loaned = \$492,000.

### Findings (loan files)

Number of loans = 176 (258 2/ direct beneficiaries)  
Average Size = \$3,600 (\$2,455 per beneficiary)  
Total loaned = \$633,500

### Loan Delinquency

OPG Indicator: 7 percent of total amount loaned.

Findings (loan files, monthly delinquency reports - 9/30/86)

2.3 percent of loan payments are delinquent (delinquency defined as the percentage derived from dividing outstanding delinquent payments by the outstanding loan portfolio).

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1/ 22 percent or 31 loans should be completed. Therefore 22 percent of total direct beneficiaries (or 193) should be served.

2/ One cooperative was served adding 49 beneficiaries to the base figure. Three associations, which are smaller than cooperatives were served. These were included at 12 each or 33 additional beneficiaries to the base figure.

Total outstanding loan balances of delinquent accounts (defined as accounts with at least one payment past due: 30 days +) make up 15 percent of the total balance of outstanding loans (a worst case situation).

Outstanding loan balances of accounts more than 90 days delinquent make up 4.3 percent of the total balance of outstanding loans.

### Private Sector Support

OPG (adjusted to September 30, 1986):

FUNADEH Membership: 200

Private Sector Funds: \$64,000

Findings (membership and financial records)

FUNADEH Membership: 127

Private Sector Funds: \$35,115.

### Conclusions

FUNADEH sees as the most immediate benchmark of its credit-technical assistance program, financial sustainability. This point is defined as the level of capital accumulation that will support a loan portfolio that generates enough income to cover costs of operations. That is, the amount of cash generated less cash expended is equal to zero.

FUNADEH is approximately one third of the way to reaching this benchmark. Considering the quality of leadership and administration demonstrated by the program to date, few similar organizations are better positioned to move forward.

### Employment and Income Generation

The employment and income generation goals of the project are being addressed. Survey results show that both employment and sales are up significantly. Sample data indicates that employment has increased by 1.08 jobs per loan and sales of the sample increased 17 percent. In the evaluation it was discovered that data components sometimes lack sufficient specificity which could influence the exact employment and sales findings. However, all findings point to overall increases in sales and employment.

The survey quantitative findings were further confirmed by survey participants when they were asked if they were making more money now than they earned before the loan. All respondents answered in the affirmative with the exception of one.

Project Sustainability

To sustain its operations, FUNADEH will have to finance a loan portfolio totaling \$2 million. At that level cash inflows and outflows are neutral. This estimate includes the following assumptions: Promoters will be able to maintain a case load of 60 loans, minimum. Bad debts, as a percentage of total loans, do not exceed three percent. The interest charged is 17 percent. Training will continue to be financed by INFOP and other institutions. Current fixed operating expenses remain constant over a portfolio growth in numbers of loans from 175 to 535.

To reach the level of capital formation necessary to sustain operations it is necessary for FUNADEH to acquire an additional grant of \$600,000. This amount assumes that a \$500,000 application before IDB is granted. The figures below outline the uses and sources of funds to reach sustainability under the assumptions outlined:

USES AND SOURCES OF FUNDS

<u>Use of Funds:</u>	Operating Deficit	421,000
	Portfolio	2,000,000
		<u>2,421,000</u>
<u>Sources of Funds</u>	PADF	33,000
	AID	1,000,000
	Inter Am. Foundation	116,000
	Members	175,000
	IDB (Pending)	500,000
	Unidentified	597,000
		<u>2,421,000</u>
	Total uses	
	Total sources	

The level of capital formation required for sustainability is influenced directly by the loan interest policy of FUNADEH and by costs of operation. If interest rates were raised by 2 percent, the amount of capital formation is projected to fall by \$500,000 resulting in a total need of \$1,500,000. If rates were lowered by 2 percent, capital formation requirements would rise by \$900,000 or a total of \$2,900,000. Assuming that interest rates remain as they are but fixed operating costs rise by 20 percent above projections, sustainability would require \$2,400,000 of capital formation.

The above calculations are discussed in more detail under the section titled Cost Effectiveness. The point of equilibrium does not include amortization requirements of borrowed money.

### Administration

The administration of FUNADEH is strong. The staff members are qualified and trained. They demonstrate confidence in carrying out their work. Staff members work independently with little direct supervision. The positive loan recipient opinion of FUNADEH promoters found in the sample survey reinforces this perception.

On the sample survey recipients were asked about the assistance provided by promoters in the application process. They were asked to respond to the promoters' level of helpfulness, the degree to which the promoter explained the purpose of the various steps, and the extent to which the promoters kept their commitments to applicants with respect to meetings and visits.

Recipients were asked to evaluate their interaction with the promoter, responding to one of three criteria. One criterion was positive, one was neutral, and the third was negative. Eighty-four percent of the responses were positive, 11 percent were neutral, and 2 percent were negative.

In one of the strongest sources of administrative effectiveness in a credit program, delinquency rates, FUNADEH deserves high marks with a rate of 2.3 percent. In addition, loan files show that collection procedures are organized and systematically administered.

FUNADEH administration has done a good job of conveying its purpose to loan recipients, an indication that the organization is clear about its mission at all levels. A list of statements from survey participants regarding their opinion of FUNADEH's purpose is in Appendix C, page 87.

### Lessons Learned

#### Leadership

The importance of private sector leadership in the organization and development of FUNADEH cannot be underestimated. Leadership should be one of the key factors in analyzing the feasibility of programs similar to FUNADEH's.

The use of an organization such as PADF that is specialized in development foundations, speeds up the implementation process considerably. A specialized institution has the critical mass of thought and skills that are required to introduce another project of a tested model. In addition, the use of development foundations in other countries as a training tool for the Board and staff is invaluable.

### Administration

Early in the program design, a decision was made to hire extension officers with strong academic backgrounds and pay them competitively rather than employ extension personnel from the target group of small and micro business people. This strategy appears to have paid off. The extension officers have the technical background necessary to provide useful advice to loan recipients. They were evaluated highly by recipients, and their morale is high.

When the program had to choose between providing vehicles for extension officers or pay for the use of the officers personal car, FUNADEH went for the second option. This decision is now considered to be the correct one by those involved. Transportation costs are controlled more effectively by the individual extension officer and FUNADEH avoids the appearance of having a fleet of cars for the benefit of executives.

### Program

The original data survey contemplated by the project may have had limitations that might be considered in the future. In hindsight, it appears that the people involved in FUNADEH had a fairly accurate perception of the small micro-business sector with respect to its general makeup and problems. Rather than invest resources in generating basic data, it may be more useful to first attempt to segment the sector using staff and perhaps a few representatives from the sector.

If during that process serious information gaps exist in segments that appear to provide good growth potential, resources could be spent to study these segments in depth.

### Recommendations

The 22 recommendations of the study are numbered according to the sequence that they occur in the body of the study. They are organized here according to their application within the structure of FUNADEH operations.

#### A. Loan Application Process:

1. Change the loan application process positioning the evaluation of increased production and sales of this production as the first step in the process. Use this same procedure with the Credit Committee. Evaluate first the feasibility of increased production and sales (primary source of repayment). Only after the loan has been evaluated favorably in this step should secondary sources of repayment, such as personal guarantees, be considered.

2. Change the loan application forms using a question - answer format in the first section dealing with the strategy for increased production and sales.
5. Use small group workshops with loan applicants to develop the production-sales strategy section of the application.
18. Add a section to the loan application process to define training needs of the applicant along with a plan for acquiring training during the life of the loan.
19. Develop a minimal training package that would be used as a basis for discussing training needs with the loan applicant during the application process. Final training requirements would then be a modified version of this package and included as part of the application.
20. PADF and FUNADEH to develop an action plan for modifying the loan application process and corresponding forms and documents.

**B. Financial analysis and financing:**

6. Develop a strategy, using the resources of local banks, to provide seasonal lines of credit to FUNADEH clients.
16. Distinguish between loans having as their purpose the expansion of production and employment from loans that serve to meet short term financing requirements caused by seasonality factors such as Christmas.
17. Incorporate the use of incremental analysis in the loan financial analysis procedure - focusing on the specific cash flows resulting from the loan.

**C. Data collection and use:**

3. Sharpen data definitions throughout the application, use one year sales cash flows, include both a personal and a business financial statement, and document gender of employees as part of the application.
4. Create additional industry categories for the businesses that are classified as other.
21. PADF and FUNADEH to develop an action plan to design data based reports, improve data specifications, and evaluate computer hardware and software.

D. Board of Director and Policy:

7. Form an ad hoc committee from the Board of Directors to make bylaw change recommendations on or before the 1987 General Assembly: clearly state the quorum requirements; make the credit and membership committees standing committees and include their attributes; name member of the Board to chair standing committees; have Board committee chairperson or alternate report to the Board; and ratify membership of committee members who are not Board members.
8. Assign to the ad hoc committee the task of developing a standard format for decision-making which includes an exactly stated motion, including the name of the sponsor of the motion, and the vote. Standardize committee reporting formats (credit and membership) so that the written reports of these committees can become part of the official minutes of the Board once they are presented and approved.
9. Include a treasurer's report as a part of the Board meeting. This written report should include: beginning and ending bank statement balances for all funds and the fund movements within the accounts according to major categories.
10. Reinstate a program of technical assistance to loan recipients using Board members working under the guidance of the corresponding extension officer.
11. Refer to the ad hoc committee in number 7 above, modification of the bylaws to recognize the Board's procedure for approving new members; amend the bylaws to include a nominating committee for annual Board elections; modify the bylaws to put up for election, one third of the Board each year rather than one half and restrict Board membership to two consecutive terms (six years).
12. Develop a procedure whereby representatives of current and past loan recipients participate on an advisory basis in the development of the 1987 work plan and budget.
13. Refer to ad hoc committee in number 7 above the modification of the bylaws to include a provision whereby a loan recipient representative is made a voting member of the Board, elected by his peers - his/her membership paid by contributions made through business memberships with subsequent annual dues paid by him/herself.

14. The Executive Director to develop an executive director's job description, for Board approval, describing the position against the following parameters: Basic Function, Duties, and Relationships (community, Board, staff, clients, funding sources, technical assistance sources).
15. The membership committee of the Board to clarify its recruitment strategy with respect to the use of paid personnel, recognizing the inherent limitations of this practice.
22. Change the membership goal from 475 to 250.

### BUSINESS CONSULTANCY AND CREDIT PROGRAM

FUNADEH provided credit to 176 recipients by the end of September, 1986. The average loan was \$3,600. Loans ranged from three to 30 months in duration. The average was 18 months.

Thirty-five percent of the recipients were women. The size of loans to male and female recipients were approximately equal: \$3,429 and \$3,245 respectively. Four loans were made to cooperatives and associations. These loans averaged \$16,250.

#### The Application Process

The potential loan beneficiary begins the loan process by visiting FUNADEH's office on a walk-in basis. He/she will meet with one of the three Extension and Promotion Officers (EPO's). At this meeting the EPO will explain the program and help the applicant to fill out the first page of the application. A copy of this document is in Appendix D, page 90.

If at this point the applicant remains interested and the EPO feels the applicant is potentially eligible, a visit to the business is scheduled. At the same time, the applicant is given a sheet titled Requisitos del Préstamo. He/she is asked to put together the information requested in this list to be used during the scheduled visit. A copy of this list is in Appendix E, page 91.

During the remainder of the loan preparation process, the EPO typically makes several visits to the applicant's place of business to finish the loan application form, project cash flows, and do a break-even analysis. A copy of the remaining portion of the application form is in Appendix F, page 92.

Once the loan package is completed, it is presented to a Credit Committee. The Credit Committee can approve the loan as presented, condition the loan, or reject the loan. Guiding the Credit Committee is the Reglamento de Crédito de FUNADEH. A copy of this document is in Appendix G, page 102.

Loan approval is executed by a credit resolution signed by the Credit Committee members. Once the Credit Committee approves the loan, funds can be disbursed unless equipment or loan committee conditions require intermediate action. In this event the loan is disbursed once the conditions are met.

When funds are turned over to the loan recipient he is given a passbook with payment vouchers for one of three local banks. He makes his FUNADEH payments at the selected bank by depositing to a FUNADEH account.

FUNADEH has processed 500 loan applications through the initial visit, completing the first page of the application. A sizeable number of the 500 applications are currently in the various stages of the loan process. According to EPO officer estimates, 150 (30 percent) have or will drop out of the process before their request goes before the Credit Committee, another 100 (20 percent) will be screened out by the EPO officer, 40 (8 percent) will be turned down by the Credit Committee, and the remaining 210 (42 percent) have been or will be financed.

#### The Monitoring Process

Loan monitoring is carried out by the EPO officers. Normally the EPO officer assigned to interview walk-ins will remain with the loan

through all of its phases: application, technical assistance, and payment. The monitoring and technical assistance process is carried out through monthly visits to the client's business. When loan clients were asked about the desirability of monthly visits, 76 percent thought that one visit per month was frequent enough. The remaining respondents were divided equally between those who felt that monthly visits were too frequent and those who felt monthly visits were not frequent enough.

Where payment becomes a problem, the EPO officer is responsible for collecting. This process is supported at the same time by a series of collection letters. Letters are sent to both the borrower and cosigners of the loan. A set of the collection letters is in Appendix H, page 109.

#### Consultancy and Credit Program Findings

There are two very basic questions that should be answered in any business loan. First: What additional production will result from this loan? Second: Who will buy this additional production.

Once answered, all additional information collected in the application process should strengthen and test the answers to these key questions. These key questions are not addressed in the application process.

The purpose of the credit program is to increase loan beneficiary income and employment. This makes it doubly important to test the logic behind the increased production strategy of the client. If this does not occur FUNADEH may invest its loan funds in businesses demonstrating little real growth potential. Should low potential loans make up a significant part of FUNADEH's loan portfolio increased employment and income will not occur.

FUNADEH must show an awareness both of growth industries and growth ideas within an industry when they are talking with potential loan beneficiaries. This is not to say that loans should not go to traditional industries like shoemaking and carpentry. It does mean, however, that an effort is needed to make loans to those shoemakers and carpenters, who through a better idea or product, demonstrate growth potential.

It is possible for FUNADEH to become a successful lender while failing to accomplish its development mission. This would result in a situation where loans are paid but growth has not occurred.

For the project to be successful, loan repayment must come from the loan's primary source of repayment--the additional cash flows generated by the loan. From the sample survey, while the evidence is inconclusive, it appears that there are recipients who are repaying loans through secondary sources -- other jobs, guarantors, sale of assets.

In the sample survey, 45 percent of businesses showed a decline in sales, even though sales for the sample as a whole were up 17 percent. Employment in twenty seven percent of the businesses declined or remained steady while total employment improved significantly. There is little to be found in the loan applications that would lead one to select out the poor performers. The reason is simply that the basic idea, and the market are not sufficiently discussed in the application process.

Question six of the loan application is used to collect financial information comparing actual sales and costs with projected sales and

costs. This section relies too heavily on averages. Where there are large swings in sales resulting from seasonality, an average sales figure is not very useful for planning or analysis. One of the interviewed shoemakers described a good month as a month with sales of \$7,000 and a poor month having sales of \$1,500. That represents a sales swing of nearly 500 percent. Knowing that his average sales are \$3,500 is of little use.

The most important figure to understand current operations and project future operations resulting from a loan is the sales figure. Except for fixed costs, all other costs are anchored to this figure. Variable costs can be explained as a percentage of the sales figure. As an example, raw material costs as 20 percent of sales, or direct labor as 17 percent of sales.

The application process should treat sales in a three step process. First, sales should be described monthly for the previous 12 months. Second, the incremental increase in sales resulting from the loan should be projected for the next 12 months. Third, incremental sales should be added to previous years' sales to provide a one-year projected sales cash flow. In some cases it may be necessary to make further adjustments in this projection because of non-loan-related influences on the base cash flow.

The most difficult figure to acquire in this process is the previous 12 month sales figure. Assuming that sales records do not exist, the EPO has to rely on interview technique. As an example the interviewer might use the following series of questions:

1. How much did you sell last month?
2. Which month of the year is your best month?
3. How much did you sell last year in (best month)?
4. Which month of the year is your worst month?
5. How much did you sell last year in (worst month)?
6. Now, let's fill in the remaining nine months.

Throughout the interviewing process it is important to clarify what is meant by sales. In many of the loan recipient businesses, credit sales are common.

Some recipients consider a sale made when they turn the product over to the customer. Others consider the sale to occur at the time the customer pays. In documenting sales figures it is important to understand exactly what the loan applicant means.

A well grounded understanding of the sales figure is also important because the dynamic between credit sales and payment of those sales describes much of the working capital requirement of the business.

Number 7 on the application form is a balance sheet. It is not clear whether this balance sheet refers to the business or, in the case of a sole proprietorship, the individual. Part of the reason for confusion may be misunderstanding over the purpose of including a balance sheet.

The balance sheet might be used to demonstrate that the applicant has assets that could be used to partially guarantee the loan or to demonstrate that the individual falls within the eligibility criteria of the loan. Another use of the balance sheet is in business consulting,

where the ratio of assets to sales and assets to number of employees is a useful benchmark for describing the efficiency of any one industry compared to others, or the relative efficiency of one business within an industry.

Using the last application above, it might be demonstrated as an example that investments in clothing manufacturing result in one job per \$4,000 investment, while carpentry shops require \$6,000 of investment.

In the past, these kinds of comparisons would have been tedious at best but FUNADEH has a computer capable of managing the required data with ease. The important consideration is adequate data definition (i.e., assets) and accurate collection. A sample of this data comparing assets to sales or assets to employment results in such wide dispersion that it suggests that multiple definitions of assets are being applied.

The balance sheet is most useful as a tool to describe the asset base of the business in relation to production/sales. As such, it is important to separate business assets from personal assets. In the single proprietorship, where personal assets and liabilities are mixed with business assets and liabilities, the task can be formidable. The best approach is to begin with a personal financial statement (personal balance sheet). From this statement take out those assets and liabilities (splitting some if necessary) to develop a business balance sheet. Finally, adjust the personal financial statement for those amounts removed and add to the personal statement as an asset, the net worth of the business. Both of these statements should then be included in the application.

Question 9 of the application should be moved to the first part of the process. This section which deals with goals, problems, strategy and so forth, should be a part of the process which strengthens and defends the strategy for increasing and selling the production.

An effective method for carrying out the process for this section is based on a question-answer format. Using this procedure, the applicant would be asked to answer a series of questions in a logical sequential decision-making process resulting in a strategy for growth and employment. The following set of questions are an example of that process:

1. What additional production will result from this loan?
2. Who will buy this additional production?
3. What evidence do you have that those identified in your answer to number 2 will buy this production?
4. What kind of operational problems do you foresee in increasing your production to this new level?
5. What kind of administrative training do you need to strengthen your abilities to deal with the problems identified in number 4?
6. What kind of technical training do your production workers need to meet this increased production?
7. How will your labor force be changed to meet this new production in terms of increasing work load per existing worker, and adding additional workers?

8. . . .

Using this kind of question-answer formate in the loan application process puts more of a burden on the applicant to think through what he/she is trying to accomplish with loan funds. For the same reason it removes much of the effort the EPOs now make to walk the applicant through a decision making process the applicant had not previously thought through.

An additional advantage of using the question-answer format is its applicability to decision-making in a group setting. The initial part of the application can be done by working with applicants in groups. The dynamics created by groups of entrepreneurs exchanging ideas in their development of strategies for growth is stimulating to the applicants. In addition, this process is efficient because it eliminates much of the one-on-one interviewing which is currently the practice.

Interest rates were considered in the evaluation as an important factor of the program because the program has as one of its objectives, the graduation of loan recipients from FUNADEH to more conventional credit sources.

FUNADEH charges 17 percent interest. Conventional banks charge approximately 19 percent. Credit usuries (loan sharks) are reported to charge upward of 80 percent. Recipients from the sample survey were asked their opinion about what they pay FUNADEH compared to other sources.

All recipients agreed that FUNADEH charged less than loan sharks. Sixty-seven percent felt that FUNADEH charged less than half. When asked to compare FUNADEH with commercial banks, 48 percent felt that the banks

charged a little more, 26 percent felt a lot more, and the remaining 26 percent thought the banks charged less.

From the viewpoint of graduating clients from FUNADEH to conventional banks, the two percent spread between the FUNADEH rate and the bank rate acts as a disincentive to the borrower. A more logical policy for FUNADEH would be a rate of 21 percent. Then the borrower would have an incentive to improve his credit status so that he could benefit from the lower bank rate.

The most immediate opportunity for graduating FUNADEH clients to conventional credit sources is through short term lines of credit required by some businesses for seasonal production/sales fluctuations. FUNADEH might guarantee these lines of credit, with conventional banks, for its clients. To justify this approach however, FUNADEH would have to charge a fee to cover both its risk as guarantor and its administrative costs. While the concept is sound, the current interest rate structure does not allow for the necessary incentives.

Some members of the FUNADEH board and staff consider the current 17 percent interest rate as already too high. In the early stages of program planning, rates as low as 10 percent were considered as the "correct" amount of interest to charge to micro- and small businesses. This figure was gradually reworked until 17 percent was applied.

When deciding interest rates there is a need to consider the rate in the context of the overall purpose of the loan program to increase employment and loan beneficiary income. The amount of interest charged

within a fairly broad range of the current 17 percent will have little effect on employment or income. It will, however, affect other important elements of the program.

As already pointed out, the rate, if too low, will create disincentives for clients to graduate to conventional credit sources. A second more important problem with interest below market rates is its effect on technical assistance and training.

FUNADEH must consider its loan portfolio on the basis of how many of its loans are being paid back from cash generated from primary sources of repayment vs. secondary sources. To attain a high success rating in this comparison, FUNADEH invests in training and technical assistance. The spread of two percent (bank rate vs. FUNADEH rate) which FUNADEH has apparently chosen to forgo represents funds that could have been used in technical assistance and training.

From the borrower's viewpoint, cost of money (interest) is secondary to economic success. If FUNADEH is convinced that there is a strong relationship between the technical assistance and training they provide, and the loan recipients' success, FUNADEH should charge interest at current market rates.

#### Data Base

The OPG speaks of the need of developing survey data as a means of selecting target markets for FUNADEH services within the small micro-business sector. This information was also to be used to identify those industries within the sector that provide potential for increasing

employment and owner income. Service delivery was begun without benefit of the information this survey would have provided. With 176 loans processed FUNADEH has essentially test-marketed its services, thereby negating much of the original reason for the survey.

As time goes by the continued justification for a survey diminishes. To do the original survey now would not be cost effective. FUNADEH has taken an alternative route to data collection, which it intends to use to select target markets and identify industries demonstrating employment and income generation potential.

FUNADEH is creating a data base from its loan recipient population. While this results in a biased sample it does provide the opportunity to compare industries for growth potential and, in addition, allows for a detailed comparison within industries of factors that lead to growth and employment. Also FUNADEH has the opportunity to work with more exact data than would be available through a random survey.

The FUNADEH data base, when fully developed, will also result in a strong consultancy tool. Industries develop cost patterns which, when considered as a ratio to sales, are used to guide business investment and administration. As an example, if all the shoe manufactures in San Pedro Sula were compared, it would become apparent that raw material should cost a certain percentage of sales (within a narrow range). In the same way, comparing all the carpentry shops would result in a clear understanding of the amount of assets required to generate one job, or

the additional sales that can be expected by investing a given amount in additional fixed assets.

The EPO can use industrial ratio information to evaluate the loan recipients current operations and his/her loan proposal. Where serious deviations occur from the standard, a more in-depth analysis may be required. It should be noted that serious deviations from the norm tend to identify both problem businesses and innovative businesses. Ratios cannot be used as a decision tool in themselves.

The data that FUNADEH will need to develop industrial ratios will have to come through its loan recipients, since the level of detail would not be available from business in general. In the clothing industry, with 33 loans outstanding, FUNADEH probably has a large enough sample to make some preliminary estimates. In the shoe industry there are 17 loans, however, one of these loans is to a cooperative of shop owners. It is possible that FUNADEH could get access to member records of the cooperative, resulting in a large enough sample.

Using the data already available from FUNADEH's data base, comparisons of assets to sales and number of employees to sales were made in the clothing industry. The range of results was too broad to attribute the differences in the results to actual differences in business operations. It is felt that the differences are the result more of confusion over the definition of certain financial items and/or a lack of rigor in getting accurate figures, especially sales figures. The data available in the clothing industry, as an example, shows that a dollar invested in assets will generate anywhere from \$1.60 in sales to \$29.

Even after eliminating 25 percent each of the low and high examples, the remaining 50 percent have a range of \$4 of sales generated for every dollar in assets to \$16. In another comparison, one employee will generate between \$3,000 in sales and \$22,000.

FUNADEH classifies industries according to seven categories and "other". The "other" category is the second largest category indicating that additional classifications are needed.

#### Business Consultancy and Credit Program Recommendations

1. Change the loan application process positioning the evaluation of increased production and sales of this production as the first step in the process. Use this same procedure with the credit committee. Evaluate first the feasibility of increased production and sales (primary source of repayment). Only after the loan has been evaluated favorably in this step should secondary sources of repayment, such as personal guarantees, be considered.
2. Change the loan application forms using a question-answer format in the first section dealing with the strategy for increased production and sales.
3. Sharpen data definitions throughout the application, use one year sales cash flows, include both a personal and a business financial statement, and document sex of employees as part of the application.
4. Create additional industry categories from the businesses that are currently classified as "other".

5. Use small group workshops with loan applicants to develop the "production/sales strategy" part of the application.
6. Develop a strategy, using the resources of local banks, to provide seasonal lines of credit to FUNADEH clients.

#### IMPACT OF BENEFICIARIES

##### Sales, Production, Income Increases

OPG Criterion: Average income increase of 10 percent per beneficiary (after three years).

##### Related Findings (survey and loan files):

55 percent of survey showed sales increases.

45 percent of survey showed sales decreases.

Average sales of the sample increased by 17 percent.

96 percent of the sample (all but one respondent) claimed the business was making more money as a result of the loan.

38 percent = A little more.

46 percent = A lot more.

12 percent = double.

##### Employment

OPG Indicator: .5 jobs per loan.

Findings (Sample survey and loan files): 1.08 per loan.

- The 26 sample surveys with complete before-after employment data showed a net increase of 28 jobs.

- The sample registers an average of 4.6 jobs per business, vs. a pre loan average of 3.5.

- 73 percent of the sample showed increases in employment while 27 percent showed no increase, or showed decreases.
- 27 percent of the employees in the surveyed businesses were female and 73 percent were male.

### Technical Assistance and Training

Findings (survey): 61 percent attended at least one training class or workshop.

31 percent attended three or more classes or workshops.

71 percent reported that they kept accounting books currently, 29 percent reported that they kept accounting books prior to loan.

58 percent received INFOP training since beginning program participation. 13 percent received INFOP training before program participation.

88 percent rated INFOP training positive on a three-point range, 12 percent rated INFOP training neutral, 0 percent rated training negative.

### Loan Delinquency

OPG Indicator: 7 percent of total amount loaned.

Findings (loan files, monthly delinquency reports - 9/30/86)

2.3 percent of loan payments are delinquent (delinquency

defined as the percentage derived from dividing outstanding delinquent payments by the outstanding loan portfolio).

Total outstanding loan balances of delinquent accounts (defined as accounts with at least one payment past due: 30 days + make up 15 percent of the total balance of outstanding loans (a worst case situation).

Outstanding loan balances of accounts more than 90 days delinquent make up 4.3 percent of the total balance of outstanding loans.

Number and Size of Loans

OPG Indicators (adjusted to September 30, 1986):

Number = 31 (193 1/ direct beneficiaries)

Average Size = \$15,870 (\$2,549 per beneficiary)

Total Loaned = \$492,000.

Findings (loan files)

Number of loans = 176 (258 direct beneficiaries)

Average Size = \$3,600 (\$2,455 2/ per beneficiary)

Total Loaned = \$633,500.

- 1/ 22 percent of 31 loans should be completed. Therefore 22 percent of total direct beneficiaries (or 193) should be served.
- 2/ One cooperative was served adding 49 beneficiaries to the base figure. Three associations, which are smaller than cooperatives, were served. These were included at 12 each or 33 additional beneficiaries to the base figure.

Gender Considerations

OPG Criterion: 20 percent of direct loan beneficiaries are to be female.

Findings (Survey, loan files, registries).

Direct Loan Beneficiaries = 35 percent Female, 65 percent Male.

Indirect Loan Beneficiaries = 35 percent Female, 65 percent Male.

Average loan size = \$3,245 Female, 3,429 Male.

\$16,250 Other (Coop., Assoc.)

Loan Recipient Employees = 27 percent Female, 73 percent Male.

Board of Directors = 14 percent Female (2), 86 percent Male (12).

FUNADEH Membership = 9 percent Female, 91 percent male.

FUNADEH Prof. Staff = 57 percent Female (4), 43 percent Male (3).

Private Sector Support

OPG (adjusted to September 30, 1986):

FUNADEH Membership: 200

Private Sector Funds: \$64,000

Findings (membership and financial records)

FUNADEH Membership: 127

Private Sector Funds: \$35,115.

## PROGRAM ADMINISTRATION

### The Board of Directors and its Public Image

A recurring theme that is held in common by Board members is the importance of the Board to appear to the community as a group that is completely honest and forthright. This image of the Board is absolute in terms of raising money from the broader business community. With this in mind, the Board minutes were reviewed to see if every opportunity was used to project the desired image.

FUNADEH operates under a 14-member Board of Directors (Junta Directiva), half of which are elected every two years. The officials of the Board are the President, Vice President, Secretary, and Treasurer. There is also an appointed attorney. The Board meets monthly in ordinary session. Occasionally extraordinary sessions are held. These are usually called as a result of administrative deadlines such as budgets.

Board meetings have always been attended by at least six members. The four meetings following the 1986 General Assembly have had an attendance of 10, 11, 10, and 8 respectively.

Board Minutes give some insight into how the Board conducts its affairs. The FUNADEH Board minutes show that some formalization of the meetings has occurred over time. Initially the reading of previous meeting minutes was either not done or not reported. Beginning in October 1984, meeting minutes were approved on a regular basis. Sometime later the presence of a quorum was specifically stipulated in the minutes as a general practice.

Beyond naming those in attendance and specifying a quorum, the meetings appear fairly informal, with decision-making occurring almost exclusively by consensus. Rarely are motions made or specific votes taken. In listing Board attendance the Executive Director is named along with Board members, which will imply to some that he is a member and contributes to making the quorum.

The informality of the Board meetings as seen through the meeting minutes gives cause for some concern. Since actions are not specifically stated in the form of a motion, confusion can result. As an example, budget approval for the 1985 budget was delegated to a committee. Presumably the Board intended to delegate budget preparation for later Board consideration.

In another meeting the Executive Director made a motion, though he is not a Board member. In yet another example, two Board members made a motion to form a committee to interview candidates for the promoter position. It is not clear from the minutes whether the recommendation was accepted or rejected.

It is not universally agreed as to how many members constitute a quorum on the FUNADEH Board. The bylaws state that the Board must have a minimum of 10 members plus an attorney. A quorum is described as half plus one. Listed in FUNADEH documents under Board of Directors are 14 names including three alternates, a fiscal, the treasurer, and the secretary. Different views on the definition of a quorum have been expressed, some believe that all are included when considering the quorum; all but the alternates; all but the alternates and the fiscal; and all but the alternates, the fiscal, the treasurer and the secretary.

The minutes of Board meetings describe the creation of two committees: the Credit Committee, and the Membership Committee. Temporary committees have been appointed for developing the annual work plans and budget for the years 1985 and 1986.

Neither the Budget nor the Membership Committees have a chairman. The Membership Committee is made up of the Board itself and therefore operates more as a function than a separate sub-body of the Board.

In September of 1984, the Credit Committee was formed. Since that time three additional credit committees or sub-committees for credit were formed to deal with the increasing volume of loans. There appears to be a policy that one member of the credit committee or sub-committee of the Credit Committee be a member of the Board.

As new committees are formed, their formation is approved by the Board, but not their actual membership. It appears that no one has been named to chair the Credit Committee, nor does there seem to be a specific length of appointment. Report/s of the Credit Committee/s are presented at Board meetings by the Executive Director.

**CONCLUSION:**

Board organization and operations are too ambiguous and confusing. Where Board recommendations are not clearly stated and acted on decisively, the credibility of the Board can be brought into question. This issue is particularly important for FUNADEH because much of the Board's strategy is based on its reputation as an honest, disinterested development body.

## RECOMMENDATIONS

7. Form an ad hoc committee of the Board of Directors to make recommendations for changes in the bylaws on or before the 1987 general assembly: clearly state the quorum requirements; make the Credit and Membership Committees standing committees of the Board and include their attributes; name members of the Board to chair standing committees; have Board committee chairman or alternates report to the Board; and ratify membership of committee members who are not Board members.
8. Develop a Standard Meeting Format for decision-making which includes an exactly stated motion, including the name of the sponsor of the motion, and the vote. Standardize committee reporting formats (credit and membership) so that the written reports of these committees can become part of the official minutes of the Board once they are presented and approved.  
Credit committee reports should include, at a minimum, number and amount of loans granted, number of recipients delinquent and amount of delinquency involved, total number of loans made to date and total amount, and size of outstanding portfolio.  
Membership Committee reports should include number of active and number of affiliated members, number and names of new members, amount of membership funds collected for month and to date.
9. Include Treasurer's Report as a part of the Board Meeting. This written report should include: beginning and ending bank statement

balances for all funds and the fund movements within the accounts according to major categories.

Perpetuity of FUNADEH's Mission Under the  
Current Board Structure

A concern felt deeply by several Board members was the need to protect the organization from influences that might compromise the small business development mission of FUNADEH or the organization's integrity.

FUNADEH has to provide opportunities for decision-making among its members if it is to continue to grow. However, methods must be used that will allow for the healthy evolution of the organization, averting future disinterest at one extreme or confrontation at the other.

As the Board is currently structured according to the bylaws, the same members could be reelected in perpetuity, thereby closing the Board to new ideas and interests. At the other extreme, the bylaws allow for the possible total change of the Board every two years. Neither of these options is attractive.

As FUNADEH currently operates, membership is controlled by a process by which the Board approves all new members. The bylaws of FUNADEH do not provide for this procedure. From the minutes of the 1986 General Assembly it appeared that the Board left itself open to possible hostile action in the replacement of the seven members up for re-election.

In non-policy areas, FUNADEH has been innovative in involving members throughout the year. As a way to maintain interest among members, members are encouraged to participate in ceremonies giving loan

checks to recipients, ceremonies turning over equipment from FUNADEH/PADF program and other activities providing publicity and involvement to the member.

In the past, a program of using members to provide direct technical support to loan recipients was also considered briefly but was never made fully operational. Members have shared their shops and provided materials for loan recipient classes sponsored by FUNADEH.

FUNADEH hired a person to assist the Board with the membership and promote the FUNADEH program.

**CONCLUSION:**

As it relates to the need to involve members between General Assembly meetings, the FUNADEH Board has recognized the importance of this activity. Some activities have been very successful. These activities should continue and should be strengthened.

From the viewpoint of protecting FUNADEH from what might be considered hostile elements or elements not appreciating the mission of FUNADEH, the Board should formalize its membership approval procedure and strengthen its annual meeting election procedures.

**RECOMMENDATIONS:**

10. Reestablish a program of technical assistance to loan recipients using members working under the guidance of the corresponding promoter.
11. Modify the bylaws to recognize the Board's procedure for approving new members; amend the bylaws to include a nominating committee for annual Board elections, modify the bylaws to change one third

of the Board each year, rather than one half, and restrict Board membership to two consecutive terms (six years).

Recipient Participation in Program Policy Development

The OPS specifically states that an Advisory Board will be created from among loan recipients to help guide the program. This activity has not been carried out.

PADF has a concern that FUNADEH view itself as a private sector initiative including the small business community and not as a private sector initiative for the small business community. While there is a level of provider-recipient relationship built into a loan project where only small and micro-businesses are eligible for credit, other opportunities can be found for those in small and large businesses to work together on an equal footing.

One of the more successful project activities where the recipient has an opportunity to work with counterparts from large business on an equal basis has been the Dale Carnegie courses. In these courses the recipient benefits by learning to communicate and work with people outside of his normal peer group. He also learns to make business contacts with a group which is normally difficult for him/her to infiltrate.

**CONCLUSION:**

The Board has shown less innovation in bringing the small business person into the broader business community of San Pedro than it has in other program areas. Opportunities to involve recipients or potential recipients in policy development have not been fully exploited. The Planned Advisory Committee is an example of this.

From the viewpoint of controlling the integrity of FUNADEH's mission there is little justification for not providing for loan recipient participation on the Board itself and on committees. That participation would require proper regulation, as with the participation of any group.

RECOMMENDATION:

12. Develop a procedure whereby representatives of current and past loan recipients participate on an advisory basis in the development of the 1987 work plan and budget.
13. Amend the bylaws to include a provision whereby a loan recipient representative is made a voting member of the Board, elected by his peers - his/her membership paid by contributions made through business memberships with subsequent annual dues paid by him/herself.

The role of the Executive Director and the Board of Directors

The role of the Executive Director is defined in Chapter VI of FUNADEH's bylaws. The Executive is in charge of administration, he/she participates on the Board of Directors without vote, and assumes all other duties conferred on him/her by the Board of Directors. A copy of the bylaws is in Appendix I, page 114.

The relationship between the Executive Director and the Board, as described by the bylaws, is adhered to in the day-to-day operations of FUNADEH. There are, however, several current practices that may cause confusion, at least to an outside observer.

In the Board minutes, no distinction is made between the Executive Director's attendance and that of the Board members. This creates the appearance that the Executive Director is a Board member or that his attendance contributes to making a quorum. In at least one instance the Executive Director made a motion in the meeting.

Reports of the Credit Committee are commonly given by the Executive Director. Instead, these reports should be presented by the chairman of the Credit Committee.

In April of this year, FUNADEH hired an employee to be in charge of promotion. One of the primary duties of this person is to assist the Board in reaching its membership goal. The specific role of this individual with respect to recruitment, along with that of the Executive Director, is not clear. Some Board members appear to feel that hiring a staff person for recruitment relieves them of the responsibility of bringing in new members.

Recruitment since the 1986 General Assembly has suffered. This, in part, may be a result of unrealistic expectations of the effectiveness of using the Executive Director and other paid staff in the recruitment process.

Staff can play an effective supportive role in bringing in new members to FUNADEH by helping to develop promotional campaigns, writing

newsletters, arranging speaking engagements, scheduling meetings, and doing mailings. The strategy of using staff to make the actual membership transaction, however, is not promising.

It is important in membership drives that people be recruited by their peers or by someone they consider to be superior to their peer group. Personally conferring the prestige of membership is one of the strongest motivations that an organization can provide to potential members.

When staff is used to approach potential members they have a significant limitation. The members of the staff have a vested interest in the organization as paid personnel. Their motivation is automatically suspect. Since hiring a person in April, partially to assist the Board with membership, recruitment of new members has been lagging. FUNADEH is behind considerably in this important aspect of the program.

#### CONCLUSIONS:

The relationship between the Board of Directors and the Executive Director of FUNADEH is characterized by teamwork. The Board does not typically interfere in administrative matters, nor does the Executive Director make policy decisions.

The independent but interdependent roles of the Board and the Executive Director could be strengthened by taking steps to formalize the relationship to a greater extent. This can be done by making a distinction in Board minutes between Board members and staff, having

committee chairpersons report to the Board, and further defining in writing the functions and duties of the Executive Director.

The role of staff to the Membership Committee and Board as a whole needs to be further explored by the Board and the Executive Director so that an effective membership drive can continue.

**RECOMMENDATIONS:**

14. The Executive Director to develop an Executive Director's job description, for Board approval, describing the position against the following parameters: Basic Functions, Duties, and Relationships (community, board, staff, clients, funding sources, technical assistance organizations).
15. Membership Committee of the Board to clarify its recruitment strategy with respect to the use of paid personnel recognizing the inherent limitations of using staff.

FUNADEH Administration

FUNADEH's administration operates under an Executive Director who is hired by the Board of Directors. There are three operating departments: Extension, Promotion, and Training. In addition, Central Administration provides support to the operating departments and the Board of Directors.

The Extension Department is responsible for receiving loan applicants, assisting them with the application process, advising loan recipients in sound business practices, and in the event of delinquency - collection of the loan payment.

A job description for the Extension and Promotion Officer (EPO) is in Appendix J, page 120.

In 1986, the Extension Department is budgeted at \$53,000. There are three EPO's. Ninety percent of the department's costs are variable costs tied to the number of loans in the loan portfolio. Each EPO is expected to maintain a personal portfolio of 60 loans.

FUNADEH expects to reach self-sufficiency when its total capital has reached \$2,000,000 and when its loan portfolio has reached \$1,875,000 or 535 loans. This level of operation will require nine EPO's at a cost of \$149,000 (\$144,000 variable costs and \$5,000 fixed costs). The Executive Director feels that fixed costs can be held at current levels through the portfolio expansion to 535 loans.

A detailed discussion of the Extension and Promotion Officer is addressed on separately on page 47.

The Training Department negotiates for training, organizes classes and workshops, and recruits participants from among loan recipients and applicants. This Department is operating in 1986 in large part under a grant from ANDI-PYME. Funds under the grant cover the cost of a Coordinator. The second staff person of this two-person department was provided by the Peace Corps.

Training services are provided by INFOP at no cost to FUNADEH. These services are expected to be available on a no-cost basis for the foreseeable future. FUNADEH provides support services to the training department from operating funds at a cost of approximately \$615 month. FUNADEH will continue to use INFOP courses aggressively while seeking

outside sources to complement this resource. The Executive Director feels that training costs will remain constant over the portfolio growth to 535 loans.

Total annual cost of the training department is \$42,360. The ANDI-PYME contract covers the salary of the coordinator, pamphlets and office supplies, and courses other than INFOP courses. This level of effort costs approximately \$2,915 month.

The Promotion Department was created to carry out two basic functions. The first is to promote FUNADEH within the broader community making up the program's service area. This function carried out under the direction of the Membership Committee of the Board and is focused on increasing membership.

The second function of the promotion department is fundraising through institutional donors. In addition to the AID grant, FUNADEH received a grant from the Inter-American Foundation. A loan application is currently pending with the IDB.

The promotion department has a 1986 budget of \$34,000. The Executive Director does not foresee increases in this budget over a portfolio expansion to 535 loans.

Central Administration of FUNADEH provides support to the operating departments and the Board of Directors, and executive direction to the institution. FUNADEH's administration includes the costs of the office of the Executive Director, secretarial support and accounting support,

and the costs of the FUNADEH annual meeting. Total budget for 1986 is \$72,460 or 39 \* percent of total operations.

The Executive Director does not expect increases in the administrative budget over the portfolio growth to 535 loans. At 535 loans, administrative costs are estimated to be 28 \* percent of operating costs, not including allowances for bad debts.

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\* Includes ANDI-PYME grant. Does not include bad debt allowances.

### THE EXTENSION AND PROMOTION OFFICER (EPO)

The Extension and Promotion Officer (EPO) is the person responsible for assisting the loan applicant in filling out the loan request papers and later providing assistance through regular contact. If the loan recipient falls behind in payments, the EPO is the person responsible for collection. In an effort to acquire insight into the manner in which the EPO carries out this process, a cursory review of the loan files of the survey sample was carried out.

The sample of 32 showed that 11 recipients (30 percent) had missed payments. Of those missing payments nine had missed two or more consecutive payments. The EPO's made an average of 4.5 visits to loan recipients in general and 5.2 visits to those recipients demonstrating payment problems. While there was a higher incidence of visits to the problem recipients, only six visits were specifically identified as collection-related. The majority of visits appeared to involve the loan preparation process and delivering information. This final activity has subsequently been taken over by a newly hired FUNADEH messenger.

The EPO's are thorough in filling out the forms making up the application process, as well as following up on personal references, past employers, suppliers, customers and others making up the application requirements. Their work in this area probably results in a high degree of certainty about the borrower's character, which is a cornerstone to any credit decision.

In the areas of Problem Identification, Financial and Credit Analysis, Business Management and Planning, and Consultancy Techniques, some changes may significantly strengthen the program. Some of these revisions require changing the forms of the procedure and are discussed under section titled The Application Process.

#### Financial and Credit Analysis

Financial analysis appears to be based primarily on cash flow projections, break-even analysis and balance sheets. Cash flows will demonstrate loan repayment based on a series of cash income and outgo assumptions.

In some projections in the sample, the cash flows have small negative balances or extremely small positive balances during the repayment period, demonstrating a high risk. Considering that 33 percent of the recipients of the sample had no accounting records at the time they made their projections, it would be appropriate to include a healthy (10-20 percent) contingency amount as a cash outflow when making these projections.

In several sample cash flows, existing accounts receivables were not included. It is not clear whether they were excluded because the accounts show a steady balance from month-to-month, or because of an oversight. Generally, cash flow statements appear to ignore seasonality of sales. Where sales fluctuate significantly throughout the year, ignoring this phenomenon in the cash flow will negate its usefulness.

The second financial document found in every sample recipient's file is a break-even analysis. Generally, each analysis appeared to be

supported by a thorough analysis of fixed and variable costs. The individual analyses were not reviewed in detail, however. It should be noted here also that, lacking accounting records, many of these figures are drawn from memory.

While a break even analysis is a useful tool for defining where a business is and where it needs to be to survive, its usefulness in lending situations is not equal in all situations. As an example, a number of loan recipients have been in what appear to be stable businesses, in existence for over three years, and having no debt. The recipient is borrowing primarily to buy a new machine to increase production. In this kind of situation, the analysis that is necessary is an incremental analysis. That is to say, the business now is obviously operating above break-even. The question therefore is not whether the business is viable but whether the planned purchase of the new machine is justified based exclusively on its own merits. Using incremental analysis the evaluator looks at the incremental cash inflows and outflows resulting from the purchase rather than looking at the business in its entirety.

Another reason to analyze the incremental cash flow effects of the loan is to simplify the analysis. To do a valid break-even analysis of a business it is necessary to fully understand the role of all profit and cost centers. As businesses become more complex this becomes more difficult. By focusing on the incremental effects of the proposed loan all analysis efforts can be focused on answering the question: Will the net cash flows generated from this loan be sufficient to pay the loan?

The final financial document common to the sample loan packages is the balance sheet. It is not clear what role the balance sheet is playing in the loan-decision process. There are no criteria, for example, with respect to required debt-to-net worth or debt-to-asset ratios. It was not clear after reviewing a number of balance sheets whether the statement referred only to the business or to the proprietor including the business.

FUNADEH has made a point in its financial analysis process to separate out an amount the proprietor is to consider as his salary, so that the business can be analyzed as a separate entity. When it comes to the balance sheet however, it was not clear whether one is looking at the business balance sheet or a combined balance sheet. If the intent is to provide a segregated business balance sheet, a personal financial statement (personal balance sheet) should accompany the business balance sheet so that it is clear that the car, the house, the freezer, or the empty lot are considered business or personal property. The net worth of the business should be included as an asset on the personal financial statement of the proprietor.

Some balance sheets were confusing, and several included descriptions of assets that were not valuated and therefore not included in the total.

#### Business Management and Planning

The EPO's as they currently operate do not carry out a convincing planning function with the loan recipient. Planning by definition is

forward-looking. And, business management is the process of manipulating resources to achieve what was planned. Once the loan is made in FUNADEH, the one forward-looking document (cash flow statement) is disregarded and not used or shared with the client. A new visit form has been introduced recently (Hoja de Visita) which compares some monthly projections with actual results. A copy of this form is in Appendix K, page 123.

This is an improvement, but it still does not give the future horizon that would be provided by projections covering the next several months. Also, if the seasonality of sales is not recognized in the projections, confusing signals result. As an example, if sales in March are typically double those of August the recipient will be unjustifiably elated when he sees that his March sales are 50 percent above his projections and he will be equally depressed when he sees his August sales are half of the projection.

To carry out meaningful business planning and management activities with loan recipients you have to start with the right questions. The two most important questions that need to be asked in the loan process are not included on any of the forms. These questions are:

1. What additional production will result from this loan?
2. Who will buy this additional production?

The third question that might be asked: How will you spend the loan funds to accomplish this? The loan forms as they are now contain a lot of valuable information but they don't lead one through a logical decision-making process. To demonstrate this point, several file folders were pulled from the sample files because of obvious inconsistencies in

their presentation. That is to say, rather than being representative of the sample, they are among the worst the sample had to offer.

Loan 0037 was made for \$2,500 for working capital to purchase raw material. The balance sheet of this recipient shows an accounts receivable asset of \$7,725. This amount represents 63 percent of the firm's total assets. At first blush, one is forced to conclude that the recipient isn't financing raw material at all, but rather his accounts receivable is - he can be expected back in a year or two looking for more working capital. His accounts receivable at that time will be \$10,225 (2,500 + 7,725). In fact, the records show that ten months after the loan was granted, his accounts receivable stand at \$20,000, an increase of 800 percent.

One of the questions asked in the loan application form is: What are the principal problems of your business? This recipient answered: A lack of working capital. Another question asks if the business has short-and long-term objectives. The recipient answered: To sell in other markets (Progreso and Lima, etc.) and to produce other wood products.

These two questions are the only opportunities provided by the form to address the accounts receivable issue. The cash flow analysis of the loan does not show any recuperation of accounts receivable. While the balance sheet form provides for valuation of the individual items making up the balance sheet, there is no evidence that the accounts receivable were physically reviewed or analyzed with respect to age and collectability.

This loan was recommended to the credit committee. Only in the committee's review was the accounts receivable issue identified. The committee approved the loan subject to the recipient analyzing his accounts receivable and recommending the installation of a simple accounting system. There is no documentation in the record that either of these was carried out.

Since making this loan the EPO made four visits to the loan recipient. None of the visits was related to working on the accounts receivable issue. This recipient has attended no FUNADEH-sponsored training. However, he did agree to have his shop evaluated by George Beal of the I.E.S.C.

It should be noted that this recipient's loan is paid to date and his record shows no late payments.

Loan 0099 for \$1,250 was a 16-month working capital loan made approximately six months ago. The stated purpose of the loan was to buy raw materials. The principal problem stated by the recipient was a lack of working capital. The business objective was to sell outside of San Pedro Sula.

A thorough background check of personal and credit references was made along with a reference check of stores selling the recipient's product. This person comes across as an individual of fine character and having one year of experience in the business.

When this loan is viewed from a business standpoint the situation offers a different perspective. The loan of \$1,250 represents more than two times pre-loan total assets. Loan payback requires the tripling of

sales within 30 days of receiving the loan. This will require the hiring of two production workers (currently the owner is the sole production person). It is not clear whether the recipient has supervisory skills or if she is in contact with qualified workers for hire.

While past buyers of the product indicate that they were satisfied with the product there was no indication that they were interested in buying more. The recipient's market strategy is only defined to the extent that new sales would occur somewhere outside of San Pedro Sula.

This business is closer to a start-up than an expansion of current operations. Success or failure of the enterprise is linked tightly to the existence of a market. The analysis of this loan totally ignores the importance of a market for the product resulting from this loan. The recipient of this loan was not visited since the loan was made. The recipient has not participated in any FUNADEH-sponsored training.

When the recipient was interviewed she reported that average sales for the previous three months were up 75 percent from the sales shown in her application. Her sales for the month preceeding the interview were double.

This loan after six months is paid to date and the file shows no late payments.

Loan 0075 was a 24-month loan for \$7,500. The loan was made approximately seven months ago. The stated purpose of this working capital loan was to buy raw material. By coincidence the amount of working capital required is exactly equal to the accounts receivable outstanding. This amount represents 33 percent of total pre-loan assets

and 65 percent of current assets. The recipient says that his principal problem is a lack of working capital for raw material and inventory.

In answer to the question about objectives, he is looking for a way to maintain finished goods inventory and extend credit for a maximum of 12 months. This recipient produces furniture. His file includes a list of 91 clients who made purchases ranging from \$22 to \$1,375. Average sale was \$313.

As a result of this loan, the recipient expects to double sales. There is no strategy indicated for doubling sales. Projections are made for increased personnel, but only in production. No provisions are made in the cash flow for accounts receivable.

Since credit appears to be an intricate part of the recipient's business strategy, it would seem logical that accounts receivable would double along with sales. If this is the case, the cash flow does not reflect how increased credit sales will be financed. In one document attached to the application the recipient refers to using some of the money to expand credit sales, however, reference to the use of loan funds to finance credit sales is not made in the loan application form.

An exhaustive study of production costs is included in the financial analysis of furniture production. However, no analysis is made of the credit operation. There is no income identified from interest, nor is it clear if interest is charged. Costs of credit, such as the cost of borrowed money, collection fees, and bad debts are also not analyzed.

In the question from the application form referring to objectives, the recipient states that he would like to hold credit for a maximum of 12

months. This might be interpreted to mean that a good portion of his credit accounts are for more than 12 months, are delinquent, or are uncollectable. No valuation of the accounts receivables shown on the balance sheet is evident from the loan file.

The Loan Committee approved this loan subject to the attachment of a vehicle valued on the balance sheet at \$7,434. The recipient has attended a short training course in Administration given by the Partners of the Americas, as well as the following INFOP short courses: General Administration, Commercialization, Basic Marketing, Costs and Small Industry.

From information acquired in the personal interview with this recipient, sales are above projections. His payment problems may be the result of borrowing too little, or his accounts receivables may be out of control.

EPO personnel visited this recipient six times. Four visits involved help in preparing the loan application and one visit was for loan collection. This individual has been behind on loan payments on two occasions.

#### Consultancy Techniques

Whether the EPO's provide true business consultancy or not could be debated. The lack of business planning would lead one to believe that consultancy is minimal. On the other hand, the EPO staff does advise the loan recipients during their visits on a number of topics. Much of this advice is probably not documented. From the answers given by survey

participants to the question regarding the purpose of extension visits, it appears that they see the visits as consulting visits.

The EPO's are in daily contact with a large number of business people. Additionally, business people tend to be more open with them about problems and opportunities than they are with other business people they may see as business or personal rivals. One seemingly insignificant market lead that an EPO passes to a client can assure the future success of a business.

The EPO also provides many consultant services through the loan application process. As a result of this process, for example, many applicants learn for the first time the worth of their business, and the reputation they have among their creditors and customers. EPOs have assisted 500 potential loan recipients with the application process since the inception of the program.

While loan recipients and potential recipients undoubtedly receive valuable advice from the EPOs, a major opportunity is being lost. Business consultancy should be directed to the achievement of specific client objectives. These objectives should be an integral part of the loan application process.

When the loan recipient borrows money from FUNADEH, he is agreeing to pay interest and a certain quota each month. In practice, the Credit Committee has also conditioned loans on occasion with record-keeping requirements, and management reviews by FUNADEH's Executive Director. The practice of conditioning loans should be used more aggressively.

In the loan process, as perceived here, the loan recipient describes what additional production will result from the loan, followed by the identification of the buyers of this production. Once this is determined, the recipient requires a strategy to reach the stated production and marketing goals with the minimal investment and lowest possible risk.

The development of this strategy will result in such objectives as the following:

- \* Cut accounts receivables by 50 percent by turning over all accounts more than 120 past due to an attorney and enforce an interest policy on slow payers.
- \* Contact three new sales outlets per week until sales have increased by 20 percent.
- \* Take a short course in accounting and begin using books by November 1.
- \* Talk with three new potential suppliers to compare raw material prices and terms with what I am paying now.
- \* Investigate in Tegucigalpa the possibility of buying a used band saw rather than continue buying this service from another shop.
- \* Send one of my workers to attend the short course in (name of course) every time it is offered by INFOP until they have all received this training.
- \* Develop two new products during the next six months and see if there is any interest in them.

Normally only one to three actions should be included as part of the loan conditions. They should address the question: What actions can I take during the next year that will most benefit my business? The EPO and the loan recipient should agree on what the recipient decides. A major part of the EPO consultancy with the recipient should then center on helping him/her accomplish the strategy decided upon. In particular, the EPO should use this plan as the basis for visits.

It is hard to imagine a situation where training should not be one of the loan conditions described above. Defining the required training as part of the loan condition also gives direction to the training department and creates the link between the EPO and training staffs.

As described to this point, the consultancy technique used by the EPO staff should be organized around objectives that are placed in the loan as conditions. This is one element of the technique. In addition, the technique should incorporate the monitoring of a small number of performance indicators against projections.

These indicators (three to five) should be mutually agreed upon by the EPO and the loan recipient. They should be the most important, easy-to-collect evidence of business performance and may vary from one business to another. One of the indicators, however, should always be sales. Other indicators might be tied to sales. As an example, it may be important to follow the ratio of direct labor costs to sales in a given type of business, or raw materials costs.

#### RECOMMENDATIONS:

16. Distinguish between loans having as their purpose the expansion of production and employment from loans that serve to meet short-term

financing requirements caused by seasonality factors such as Christmas.

17. Incorporate the use of incremental analysis in the loan financial analysis procedure - focusing on the specific cash flows resulting from the loan.

COST EFFECTIVENESS

The FUNADEH budget is a line item budget except for the Promotion Department, which is budgeted separately. In order to get a cost picture of FUNADEH the budget was restructured, with the help of the Executive Director, according to the operational units of: Extension, Training, and Promotion, plus Administration.

FUNADEH 1986 BUDGET

	Personnel	Space and Related	Operations	Total
Extension	34,000	2,985	16,125	\$53,110
Training	6,750 <u>1/</u>	1,990	5,375	
			13,650 <u>1/</u>	27,765
Promotion	22,000	995	11,000	33,995
Admin.	49,000	3,980	10,750	
			9,000 <u>2/</u>	<u>72,730</u>
				187,600
Allowance for bad debts				17,100
			TOTAL	<u>204,700</u>

1/ ANDI-PYME Budget for 1986.

2/ Board expense and annual meeting.

Costs of Loan Processing are represented by the Extension Department Budget totalling \$53,110. Ninety percent of these costs is considered a variable expense which is made up of salary and fringe plus car expenses. It is estimated that each EPO can handle a case load of 60 loans at a cost of \$266 per loan. Currently, the three EPOs are carrying a combined case load of 176 loans. In addition to active loans each EPO is working on approximately 30 applications that are in various stages of completion.

Costs of Training are represented by the Training Department budget of \$27,765. The sample survey shows that the average loan recipient received 1.4 formal training activities (class, workshop, or seminar). The training program is fairly new so it is difficult to estimate the average number of activities per recipient over the long term. If the figure of 1.4 is used as a reliable estimate, the cost per training activity is \$113. Approximately \$82 of this amount is paid for under the ANDI-PYME grant. The balance is paid for from operating funds. The value of training provided by INFOP is not included in these figures.

Costs of Fund Raising are represented in the Promotion Department budget totalling \$33,995. This department not only supports the Board's membership/fundraising activities but is also responsible for institutional fundraising. If 50 percent of the effort of this department is membership/fundraising, the cost is \$17,000.

In the administration budget there is a \$9,000 item which covers the cost of the annual assembly and other Board sponsored activities. If these activities are considered fundraising activities the total is

\$26,000 (17,000 + 9,000). If the cost of institutional fundraising is added to membership/fundraising the total cost is \$43,000 (17,000 + 26,000).

Costs of Administration are represented in the administrative budget of \$72,730. These costs include support to the Board, including the cost of the annual assembly and support to the operating departments. Accounting and secretarial support are paid from this budget, as well as the costs of the office of the Executive Director.

Administrative costs are 39 percent of total operating expenses excluding allowances for bad debts. Administrative costs as a percentage will decrease as the loan portfolio increases. With a portfolio of \$1,872,500, the point where cash flows are projected to balance, administrative costs are estimated at 28 percent of total operating costs.

Revolving Equilibrium of loan funds will occur with a portfolio of approximately \$1,872,500 and a reserve cash flow of \$127,500. This requires capitalization of the fund at \$2,000,000.

The calculation of the point of equilibrium, when total cash inflows and cash outflows are neutral, is based on the following assumptions:

1. Extension Officers will be able to maintain a case load of 60 active loans.
2. Bad debts as a percentage of total loans do not exceed three percent.
3. Interest rate is maintained at 17 percent.
4. A major portion of the training budget will continue to come from other institutions and INFOP services will continue.

5. Current fixed operating expenses remain constant over the range of a portfolio growth from the current level of 175 loans to the point of equilibrium of 535 loans.

The following calculations demonstrate the point of equilibrium:

Average loan portfolio	\$1,872,500
Income from interest	318,325 (17 percent)
Variable costs	198,485 *
Cash flow after variable costs	119,840
Fixed Costs	120,000
Cash flow after total costs	0

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\* 7.6 percent of average portfolio = extension officers, 3.0 percent = bad debts.

It is useful to examine changes in the assumptions above and the impact of these changes on the size of funds necessary to reach cash flow equilibrium. A seven percent reserve cash flow is added to the average portfolio to arrive at the total capital requirement of the program.

The following modifications are made to the earlier assumptions:

- A. Interest rate is raised from 17 percent to 19 percent.
- B. Interest rate is lowered from 17 percent to 15 percent.
- C. Fixed costs are 20 percent above projections.

(000)	Base	Modification		
	Projection	A	B	C
Total Capital	2,000	1,500	2,940	2,400
Ave. Portfolio	1,873	1,400	2,750	2,250
Interest Income	<u>318</u>	<u>266</u>	<u>413</u>	<u>383</u>
Variable Costs	198	148	292	238
Fixed Costs	<u>120</u>	<u>120</u>	<u>120</u>	<u>144</u>
Net Cash Flow	0	0	0	0

## TECHNICAL ASSISTANCE AND TRAINING

FUNADEH technical assistance and training is provided through two administrative units: Extension Department and Training Department. The Extension Department works with the recipient on a one-to-one basis while the Training Department operates through training courses, seminars, and workshops.

To get a sense of the effectiveness of training and technical assistance, recipients were asked several questions in the sample survey and a random listing of EOP visits was drawn from loan files.

As one indicator of impact, loan recipients were asked in the sample survey if they kept accounting records. In their initial application, 17 percent said that they did. In the survey 65 percent said that they now keep accounting records.

In another indicator of impact, recipients were asked to name specific practices they were applying in their business as a result of technical assistance and training. They were able to identify 35, approximately one per business. The majority of new practices related to accounting and control - approximately 63 percent. Another 29 percent were marketing related and remaining 8 percent covered a variety of areas.

When comparing the source of new ideas between those originating with the extension worker and those resulting from training, it appears that the extension worker is more involved in matters of accounting and control. Practices originating from training classes appear to cover a

broader spectrum including marketing practices and supervisory techniques. Appendix L, page 124, has a list of recipient responses to training classes and extension visits.

Recipients were also asked to respond to their perception of the purpose of extension visits. The majority of responses suggested that the visits were to provide ideas on improving the business and to generally find out how the business was doing. Of the balance, about half were to inform people about training and the other half to check on compliance with loan provisions or payment. A random review of the visit control sheets maintained in the loan files by the EOPs shows that about 60 percent of the visits are related to the preparation of the loan application. The remaining visits are divided almost evenly between invitations to training sessions and visits for general observation and advising.

One explanation for what appears to be a difference in perception in the EOP visits is that the recipient receives valuable consultation in the process of putting together his loan application. This perception by the loan recipient should be encouraged. The process of putting together a balance sheet and developing a cash flow may be the first time that many loan recipients took the time to examine their business in depth.

Of the sample survey, 62 percent participated in 49 classes and workshops. The following list of instruction itemizes the topic source of instruction, and attendance of the 34 loan recipients making up the sample survey:

Costs and Small Industry	INFOP	4
Commercialization	INFOP	5

Basic Marketing	INFOP	8
Sales	Dale Carnegie	2
Supervision	INFOP	1
Work Methods	INFOP	1
General Administration	INFOP	7
Human Relations	Dale Carnegie	4
Shoemaking Seminar	I.E.S.C.	7
Basic Accounting	INFOP	2
Administration	Part. of the Am.s	2
Learning by Action	INFOP	3
Carpentry Evaluation	I.E.S.C.	2
Carpentry Seminar	I.E.S.C.	1

Survey participants were asked to evaluate the training of INFOP according to a scale offering a positive response, a neutral response, and a negative response. When asked to evaluate the classes in general, 89 percent were positive and the remainder neutral. When asked to evaluate whether the instructors were interested in the needs of small business people, 95 percent responded in the positive.

Participants were also asked about the training schedule. Seventy-eight percent felt the schedule was convenient, and the remainder inconvenient. The same percentage felt that the materials were presented in a way that made them easy to adapt to their business.

CONCLUSION:

Both the extension worker visits and training classes are rated highly by loan recipients. Both have also produced evidence that new practices are being adopted in the business.

It appears that some kinds of technology or business know-how can be best transferred to the loan recipients with the one-on-one technique of the extension officer while other material can be transferred more effectively through a group or class setting. Extension officer visits are more expensive. They deal with individuals rather than groups. Much of the group training can be provided by INFOP at no cost. Bearing these factors in mind, technical assistance and training should be provided through the training unit whenever possible.

While the technical assistance and training function has shown good results, it is not sufficiently focused or coordinated. Training needs are not documented as part of the loan preparation process, therefore training personnel either do a separate individual needs assessment or training is attended, purely at the initiative of the loan recipient. Training therefore is voluntary.

By not being more directive in its approach to training, FUNADEH is missing important development opportunities. Considering again the goals of FUNADEH to increase employment and recipient income, it is critical to the success of the program that loan monies be invested in businesses or business people that demonstrate growth potential. The business owner's personal level of preparation is a major factor in evaluating potential. Training should therefore be an integral part of the loan application process.

When investments are evaluated, one of the key factors that is often considered is the management team. The importance of the owner as manager is equally important in the FUNADEH program. As part of the application process, the owner's management and administrative skills should be compared against some pre-determined criteria. Where gaps are apparent, specific training should be made part of the loan as a condition of the loan. This training should not normally be a pre-condition to the loan but a training plan to be carried out during the life of the loan. Technical training needs of personnel in the business should be treated in a similar manner.

When a training plan exists as part of the loan application process, people in the training department have the direction they need to organize classes and recruit participants. The EOP officer, having developed the plan, is able to reinforce the training during his/her visits.

RECOMMENDATIONS:

18. Add a section to the loan application process to define training needs along with a plan for acquiring training during the life of the loan.
19. Develop a minimal training package that could be used as a basis for discussing needs with the recipient. Final training requirements would then be a modification of this package.

PADF TECHNICAL ASSISTANCE AND TRAINING

FUNADEH has been receiving technical assistance and training from PADF under a special \$132,000 provision of the AID grant to FUNADEH. These funds complement an earlier grant of \$33,000 provided FUNADEH by PADF for organizational purposes.

The agreement between FUNADEH and PADF allows for assistance under three broad categories: Technical Assistance, Training, Data Collection, and Commodity Procurement.

It is generally agreed that the technical assistance and training provided by PADF was instrumental in getting FUNADEH organized and operating. PADF technical assistance and training is evident in all key areas of the project: project design, policy development, administrative systems, and Board and staff training.

FUNADEH today is a viable organization providing valuable services to small and micro-businesses in the San Pedro area. The fact that these services are provided on a timely bases in a business-like manner, following defined procedures, and delivered by qualified personnel is attributable to a great extent to the assistance provided by PADF. Staff and Board members said they would recommend without hesitation the use of PADF in organizing a development foundation.

Two of the weakest links that are found in FUNADEH operations are the lack of a market focus in the loan application process and the lack of recipient training as a component of the same process. As a result, some of the recommendations in this report affect procedures that PADF

designed or helped to design. This is particularly the case in the loan application process and application forms. Recommendations for bylaw changes may also modify somewhat original PADF-recommended bylaw formats. During the coming year, PADF would be helpful in implementing the recommended changes.

The third area of assistance, data collection, has been considered since the project's inception. The original implementation strategy included a base line data survey that would determine the demand of services by specific market segments of the small micro-business sector. A second purpose was the identification of market segments that have growth potential.

The need for this survey was not fully internalized by FUNADEH, resulting in program start-up without the benefit of the survey. At this time, FUNADEH with a portfolio of 175 loans, feels that they have sufficient experience in the small micro-business sector to eliminate the survey. This observation by FUNADEH has merit.

FUNADEH's data collection efforts have been focused on their loan recipients as a basis for making demand/market segment decisions and identifying market segments offering growth potential. This approach is legitimate; however, technical assistance is required. Data specifications need to be tightened to assure accurate data. Data-based reports need to be designed that will flag those industries and recipients demonstrating growth. A final data collection related need is the development of data-based reports that will establish industrial financial ratios that are useful in consulting with loan recipients.

The use of data is discussed in more detail under program administration. While beyond the scope of this evaluation, there appears to be deficiencies in the computer hardware configuration used for the data system. And, the data base software program should be evaluated against other available data base programs.

CONCLUSION:

PADF has played a critical role in FUNADEH's success. Special efforts by PADF should now be made in reviewing and modifying the loan application process and strengthening FUNADEH's data collection system, which is based primarily on loan recipient data.

RECOMMENDATIONS:

20. PADF and FUNADEH to develop an action plan for modifying the loan application process and corresponding documents.
21. PADF and FUNADEH to develop an action plan to design data based reports, improve data specifications, and evaluate computer hardware and software.

MEMBERSHIP AND RESOURCE MOBILIZATION

The FUNADEH Board of Directors has set a goal of acquiring a membership of 475 and raising \$175,000.

The Board to date has recruited 135 members, each of which has paid a fee of \$250. The \$250 is an initial membership fee and includes the first year's membership dues. Membership dues for each year thereafter is \$75. To date the Board has collected \$35,115. According to OPG projections, there should be 200 members and \$64,000 collected by December 30, 1986.

The Board has two classes of membership: active and affiliated. All members are active their first year of membership as a result of paying the \$250 fee. Those members failing to pay their annual quota are classified as affiliated members. Approximately 100 members were active members during the first year. Of this group approximately 50 have paid their second year quota, thereby retaining their active status.

Two factors that may influence whether the membership and contribution goals are reached were not explored in the OPG. The first is the income tax deduction incentive. Contributions to FUNADEH, a non-profit entity, are theoretically subject to deduction. However, at least one member was denied the deduction. Secondly, FUNADEH feels that a major source of untapped funding lies in the potential contributions of larger businesses.

Contributions by businesses are thought to be even more contingent on tax incentives than individual contributions. To some extent,

individual memberships may be slow because of the current ambiguity of the tax situation. In the case of business donations, FUNADEH does not intend to approach businesses until a tax deduction provision is guaranteed.

FUNADEH has requested an official interpretation of the charitable contributions and deductions provisions of the income tax law, recognizing contributions to FUNADEH as deductible. FUNADEH has reported, at this writing, that a favorable interpretation has been made and approved by the Ministerio de Hacienda, and that the written documentation of this action is expected momentarily.

There are reportedly 500 businesses that are members of the Chamber of Commerce. It was explained that a contribution averaging \$1,500 by 20 percent or 100 of the larger members would result in a total contribution of \$150,000.

FUNADEH appears more confident of raising the additional required funds through business contributions than by the recruitment of 475 members. The figure heard often about individual recruitment possibilities is 250. The idea that it may not be possible to acquire 475 members is not universally held, however.

The Board originally recruited from a list of 700 business and professional people in the San Pedro area. If this number is taken as a valid estimate of potential members, 68 percent would have to join FUNADEH.

#### CONCLUSIONS:

The Board of Directors has taken seriously their commitment to raise \$175,000. Considerable effort has been put into personal recruitment of

individual members, and the tax deduction interpretation. Additionally, FUNADEH hired a staff person in March to assist with membership. Her duties are divided between assisting the Board to promote FUNADEH and recruit members, and looking for funds through institutional donors.

FUNADEH's strategy of business donations is well thought out and supported by the members. Reaching the \$175,000 local share goal by the December 31, 1987 target is plausible.

FUNADEH's strategy of reaching a membership of 475 members by December 31, 1987 is less convincing. A more realistic goal would be 250. The difference in these two levels of membership would have little effect on demonstrating business support for the mission of FUNADEH or on program operations.

**RECOMMENDATION:**

22. Change the three year membership goal from 475 to 250.

APPENDIX A

SCOPE OF WORK  
MID-PROJECT EVALUATION OF THE  
NATIONAL DEVELOPMENT FOUNDATION OF HONDURAS  
(FUNADEH)

The Operational Program Grant (OPG) which was awarded to the National Development Foundation of Honduras (FUNADEH) for the period beginning February 1, 1985, requires a mid-term, external evaluation.

Project Purpose and Output Targets

The purpose of this mid-project review is to examine the goals and objectives of FUNADEH as defined in the OPG Project Purpose and Output Targets and ascertain the extent to which these have been achieved. It will analyze and clarify the desired role and functions of FUNADEH in light of its statutory mandate, projected credit needs among micro-enterprises in San Pedro Sula, potential future availability of resources, and projected service requirements in order to determine the feasibility and shape of subsequent assistance.

The project's accomplishments are to be measured and evaluated in terms of its main purpose of developing the small-scale enterprise subsector and its goal of contributing to improved living standards among the entrepreneurial poor. The success of this undertaking will be judged based on the following criteria.

1. Business Consultancy and Credit Program

The FUNADEH credit program will be reviewed in terms of the number of micro-entrepreneurs trained, counselled, and successfully launched through the provision of credit. In particular, the loan procedures and the manner in which a potential beneficiary proceeds from the initial contact to the FUNADEH's approval and monitoring of the loan will be examined. This includes an examination of the methodology used for analyzing the feasibility of potential loans and the criteria for disbursement.

In addition, the FUNADEH existing portfolio will be evaluated in terms of the type of businesses supported, size of loans, and the reimbursement schedules. The report will also analyze the extent to which current beneficiaries reflect the FUNADEH eligibility guidelines.

2. Impact of Beneficiaries

The evaluation will assess the extent to which the participating micro-enterprises show marked improvement, as indicated through such measures as increased income, enhanced status, improved credit rating, new job creation, and expanded production.

The evaluation will specifically address client impact using the following indicators:

- growth potential
- business viability
- business acumen
- increase in income (sales)
- stability of income flow

- increase in production
- employment generating potential
- improvement capability
- effect of technical assistance and training.
- potential to graduate clients to traditional credit institutions
- delinquency rate

3. Program Administration

An evaluation will be conducted on the organizational infrastructure and the dynamics and allocation of responsibilities within the management structure. This includes the role of Board, management and staff and their responsibilities and tasks. Information will be developed delineating the tasks and resources required to support FUNADEH's continued and expanded operations.

Particular attention will be paid to the role of the Extension and Promotion Officer (EPO) and their responsibilities and tasks specifically addressing ability in:

- analysis and diagnosis
- institutional promotion
- problem identification
- financial and credit analysis
- business management and planning
- consultancy techniques
- communication/motivation skills.

4. Cost-effectiveness

The evaluation will analyze the manner in which FUNADEH has managed and disbursed OPG funds as well as funds from other sources.

Particular reference will be made to:

- Specific costs associated with loan processing, including the salaries and expenses of EPOs, direct costs of processing and analyzing loans, and expenses of ensuring reimbursement;
- Specific costs associated with fundraising, including the costs of travel, public relations activities, and other direct costs associated with any benefits;
- Analysis of the disposition of interest and principal received from loans, and of projected rates at which loan funds will revolve; and
- The relationship of operating costs of administrative expenses to the direct costs of supporting loan activities.

5. Technical Assistance and Training

The evaluation will assess the extent to which the FUNADEH program of Technical Assistance and Training has an effect on micro-entrepreneurs in terms of:

- effective management
- bookkeeping
- planning
- production
- marketing
- general business acumen.

6. PADF Technical Assistance and Training

The evaluation will study the effectiveness of technical assistance provided to date, in keeping with the objectives enumerated in the OPG. Specific attention will be paid to the training programs provided during the term of this OPG and the usefulness of seminars and workshops attended by staff and Board members of FUNADEH.

7. Membership and Resource Mobilization

Membership policy will be reviewed as well as actual membership breadth, depth and involvement. Also, the efficacy of the fund-raising programs instituted by the Foundation in terms of the level of local resource contributions by FUNADEH will be examined.

EVALUATION TIME FRAME

The evaluation time frame is set for October or November 1986.

The selected consultant is authorized up to 20 working days including 18 days in-country. Terms of reference and a budget for consultation will be detailed in a contract between PADF and the consultant.

In Honduras, the evaluation will draw on project background records and financial reports as appropriate supplied by FUNADEH. The evaluation will engage project participants in the evaluation process. These participants include but are not limited to FUNADEH staff and Board members, loan clients, AID, PADF, INFOP and others as deemed necessary by the consultant and FUNADEH.

EVALUATION REPORT

A draft evaluation report or a working document will be discussed with FUNADEH, PADF, and AID prior to departure from Honduras. The

evaluator will be responsible for submitting one copy of a draft report to PADF/W. The final report will be prepared and submitted by the evaluator to PADF/W for submission to USAID/Honduras, FUNADEH and others as appropriate.

CORE REFERENCE MATERIAL

- A. OPG No. 522 - ESF - 0263 - FUNADEH
- B. OPG No. 522 - 0263 - PADF T.A. + T.
- C. PADF/FUNADEH Agreement
- D. Year End Review/Analysis of FUNADEH/March 1986
- E. FUNADEH Memoria 1985.

CUESTIONARIO DE CLIENTES  
Octubre, 1986

1. Nombre del entrevistado? \_\_\_\_\_

Explicar al cliente que el/ella fue escogido en manera alazar de todos los clientes de FUNADE para ser entrevistado. El proposito de la entrevista este para aprovechar la experiencia de los clientes hacia los futuros planes de FUNADEH.

2. Como se entero de los servicios de credito de FUNADE?

De otra persona\_\_\_\_\_ (amigo, familiar, trabajador, etc.)

Referido por otra institución\_\_\_\_\_ Cual institución? \_\_\_\_\_

Leyó algo en una publicación\_\_\_\_\_ (panfleto, periodico etc.)

Escuchó de FUNADE por el radio o televisión\_\_\_\_\_.

Otro\_\_\_\_\_

3. Cuanto fue la demora en recibir los fondos?\_\_\_\_\_. A su juicio, cree que esto es muy lenta\_\_\_, el normal\_\_\_, muy rapido\_\_\_?

4. A preparar la solicitud de prestamo y los documentos y analisis correspondientes, como fue la asistencia del personal de FUNADE?

a) Me ayudó Mucho\_\_\_, Algo\_\_\_, Poco\_\_\_.

b) Me explicó a mi cada paso y su razon:  
Casi Siempre\_\_\_, Generalmente\_\_\_, Casi Nunca\_\_\_.

c) Durante el proceso de hacer la solicitud, ellos cuplieron sus compromisos sobre citas, y visitas: Casi Siempre\_\_\_, Generalmente\_\_\_, Faltaba bastante\_\_\_.

5. Despues de la aprobación de los prestamos, los promotores de FUNADE tratan de visitar sus clientes una vez cada mes. En su caso le ve visitas mensuales como mucho\_\_\_, suficiente\_\_\_, inadecuado\_\_\_?

6. En su opinion, de que trata estas visitas?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

7. Como estima la capacidad de los promotores de conocer los problemas reales y precisiones que forman parte de la vida del empresario pequeno? Son bien conocidos\_\_\_, Tienen una idea general\_\_\_, Saben poco sobre lo que es de ser empresario pequeno\_\_\_? Otro \_\_\_\_\_  
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8. Ha recibido ideas de los promotores que usted esta usando ahora en su negocio - como por ejemplo ideas de como administrar mejor, llevar libros contables, planificar mejor, mejorar su sistema de venta, o producir mejor? No\_\_\_, Si\_\_\_ (Describir las ideas que el esta usando) \_\_\_\_\_  
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9. Participò en cursos de INFOP durante el periodo de un año antes de que hizo su solicitud de prestamo con FUNADE? Si\_\_\_, NO\_\_\_.
10. Participò en clases de INFOP, Dale Carnegie, o otros despues de hacer su solicitud de prestamo con FUNADE? Si\_\_\_, No\_\_\_ (si la respuesta es no, salta a la pregunta num. 15)
11. Que fue que le impulsò a participar en estas clases? \_\_\_\_\_  
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12. Puede darme unos ejemplos de practicas nuevas que esta empleando actualmente en su empresa a resultado de estas clases: No\_\_\_, Si\_\_\_ - Describirlos \_\_\_\_\_  
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13. Como evalua los clases de INFOP?  
En general son: buenas\_\_\_ regulares\_\_\_ deficientes\_\_\_  
Los instructores son interesados en las necesidades del pequeno empresario: si\_\_\_ veces\_\_\_ no\_\_\_  
El horario de las clases es: conveniente\_\_\_, incunveniente\_\_\_.  
Los materiales son presentados en la manera que uno puede adaptarlos a su empresa facialmente?  
Si\_\_\_, No\_\_\_ (explicar) \_\_\_\_\_  
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14. Que sugerencias tiene para ayudar a INFOP de hacer sus clases mas efectivas? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
(salta a la preunta 18)
15. Porque no participò en las clases ofrecidos por INFOP, y otros clases promovidos por FUNADE? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
16. Hay cierto tipo de clase que le interesaria recibir y que actualmente no se ofrecieron.  
No\_\_\_, Si\_\_\_ (cual) \_\_\_\_\_
17. Cuales son algunos condiciones que le estimularia a atender clases o seminarios etc. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
18. En su opinion, paga menos intereses a FUNADEH que pagará a un coyote de credito? No\_\_\_, Si\_\_\_ (menos que la mitad: Si\_\_\_, No\_\_\_).
19. En su opinion, los clientes de los bancos comerciales pagan mas o menos intereses que el que usted esta pagando a FUNADE?  
  
Los clientes de los bancos pagan: mucho menos\_\_\_, poco menos\_\_\_, poco mas\_\_\_, mucho mas\_\_\_.
20. Al resultado de la inversión que hizo con los fondos del prestamo, cree que su empresa esta ganado mas\_\_\_ o menos\_\_\_ (salta a # 22) que antes?
21. Poco mas \_\_\_\_, mucho mas \_\_\_\_, doble \_\_\_? (salta a #23)
22. Poco menos \_\_\_\_, bastante menos \_\_\_\_, la mitad \_\_\_?
23. Cuantos empleados tiene en la empresa \_\_\_\_? (permanentes\_\_\_? temporales\_\_\_?)
24. Cuantos de los empleados son Hombres \_\_\_\_? (per. \_\_\_? tem. \_\_\_?)
25. Cuantos de las empleadas son Mujeres \_\_\_? (per. \_\_\_? tem. \_\_\_?)
26. Cuanto vendio en Septiembre \_\_\_\_\_?
27. En cuanto estima el promedio de sus ventas por los ultimos tres meses \_\_\_\_\_?

28. Porque no vendió mas? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

29. Lleva la empresa libros contables o registros auxilliares?  
no\_\_\_, si\_\_\_ - Cuales? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

30. En su opinion, de que trata FUNADEH? \_\_\_\_\_  
\_\_\_\_\_

31. Que sugerencias tiene para FUNADEH? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Entrevistadores: Agradecer al cliente para su colobración y el  
deseo de FUNADEH a considerar sus ideas en sus futuros operaciones.

Para el uso de los entrevistadores: \_\_\_\_\_

Nombre de Cliente \_\_\_\_\_ Numero de Pres. \_\_\_\_\_

Dirección \_\_\_\_\_

Monto del Prestamo \_\_\_\_\_

Terminos: Pagos mensuales \_\_\_\_\_

\_\_\_\_\_

APPENDIX C

FUNADEH'S PURPOSE AS SEEN BY LOAN RECIPIENTS

En su opinión, de qué se trata FUNADEH?

- Tratan de ayudar al artesano.  
Impulsa el desarrollo de la pequeña industria en el sentido económico e intelectual.
- Para ayudar a los países con bajos recursos, como Honduras.
- Ayudar al pequeño empresario sin ningún lucro.
- Es una institución de desarrollo de las cuales deberían existir unas diez instituciones como ésta.
- Una institución que ha llegado a beneficiar en grande a la pequeña industria. Ha estado mudo muchos años porque el Gobierno no se ha interesado y además es muy burocrático.
- Una fundación que ayuda al micro empresario financieramente.
- Organización de financiamiento para la pequeña industria.
- Ayudar a personas de pocos recursos que quieren mejorar su posición.
- Ayudar a la pequeña industria para mejorar su taller.
- Se dedica a ayudar a la pequeña industria para que puedan abrirse paso y mejorar su negocio.
- Institución que está ayudando a la pequeña y mediana industria.
- Una organización que ha venido a favorecer la pequeña industria.

- De ayudar a los pequeños empresarios que no tienen acceso al financiamiento de los bancos privados.
- Una institución para beneficio de la gente que quiere trabajar.
- De ayudar, desarrollar y fomentar a la pequeña industria.
- Ayuda a la pequeña industria.
- Organización que trata de ayudarle al pequeño empresario económicamente como intelectualmente.
- Institución crediticia para ayudar a la pequeña industria.
- Es una institución de desarrollo para ayuda a la pequeña industria.
- Es una institución que llena un vacío necesario para ayudar de la pequeña empresa.
- El desarrollo de Honduras de ayuda al pequeño empresario.
- Una institución de desarrollo para ayudar a la pequeña industria.
- Institución creada para ayudar financieramente y técnicamente al pequeño empresario.
- Es la mejor institución para ayudar a la pequeña industria-empresario.
- Una organización creada para fomentar la pequeña industria del país.
- Trata de ayudar a la pequeña industria mediante financiamiento, asistencia administrativa y técnica.
- Agencia que se dedica a ayudar a la pequeña industria.
- Institución que sirve para ayudar al pequeño empresario, para poder llevar a la práctica las ideas, los proyectos del pequeño empresario.

- Ayudar al pequeño empresario.
- Financiar al pequeño empresario para ayudarse a sí mismo y crear fuentes de trabajo.
- Llevar un registro contable y adecuado en el negocio.
- Un mejor conocimiento de los costos por unidad producido.
- Un mejor control y registro de sus gastos.
- El traslado de mi taller para mejorar mi comercialización del producto.
- Mejorando el producto - control de calidad. Más registros, más contabilidad.
- Hace facturas para ventas a crédito que firmen los clientes. Nada plazos largos de pagos (dos meses máximo).
- Dirección de personal más eficaz y cercana.

FUNDACION NACIONAL PARA EL DESARROLLO DE EMPRESAS (FUNADEH)

Solicitud No. \_\_\_\_\_

SOLICITUD DE PRESTAMO

1. DATOS DEL SOLICITANTE

Nombre \_\_\_\_\_ Edad \_\_\_\_\_ años

Nacionalidad \_\_\_\_\_ Tarjeta de Identidad \_\_\_\_\_ RTN \_\_\_\_\_

Carnet de Residente No. \_\_\_\_\_ Tiempo de Residir en Honduras \_\_\_\_\_ años

Domicilio \_\_\_\_\_

Teléfono \_\_\_\_\_ Estado Civil \_\_\_\_\_ No. de Hijos \_\_\_\_\_

2. Nombre del Negocio \_\_\_\_\_

Actividad del negocio   \_\_\_\_\_ Tiempo establecido \_\_\_\_\_ años

Valor: a) De la Maquinaria y Equipo Lps. \_\_\_\_\_ Terrenos y Edificios

Lps. \_\_\_\_\_ Total (a+b): Lps. \_\_\_\_\_

Dirección del Negocio \_\_\_\_\_

3. Tipo de Organización (favor subrayar): Comerciante Individual, Cooperativa,  
Sociedad Mercantil, Otros \_\_\_\_\_

4. Propósito del Crédito   \_\_\_\_\_

Monto aproximado solicitado: Lps. \_\_\_\_\_

Tiene préstamos con otras Instituciones de Crédito? No \_\_\_\_\_ Si \_\_\_\_\_ Cuál es su

saldo pendiente?: Lps \_\_\_\_\_ Cuota mensual: Lps. \_\_\_\_\_

\_\_\_\_\_ Fecha

\_\_\_\_\_ Firma del Micro-Empresario

Para uso de Oficinas de FUNADEH:

Recomendación: \_\_\_\_\_ Ampliar Información (Promotor asignado) \_\_\_\_\_

\_\_\_\_\_ Rechazado (Concepto) \_\_\_\_\_

Fecha: \_\_\_\_\_

Firma: \_\_\_\_\_

=====

REQUISITOS DEL PRESTAMO

1. Copia de la Cedula de Identidad, Registro Tributario Nacional, Tarjeta de Solvencia Municipal, Tarjeta de Impuesto Sobre la Renta y Constancia de Trabajo del prestatario y de los avales.
2. Referencias personales y crediticias:
  - a) Trabajos que ha desempeñado en los ultimos 5 años
  - b) Creditos que ha tenido con Casas Comerciales
  - c) Nombre y direccion de la persona quien alquila su casa y ultimo recibo o recibo de pago por financiamiento de su casa
  - d) Nombre y direccion de dos personas que puedan dar referencias
3. Principales Proveedores:
  - a) Nombres de Proveedores
  - b) Valor de las compras del mes anterior
  - c) Saldos por pagar
  - d) Direccion y telefono de Proveedores
4. Principales Compradores:
  - a) Nombres de los Compradores
  - b) Direccion y telefono
5. Promedio de Ventas Mensuales, por productos.
6. Promedio de Compras Mensuales de Materia Prima
7. Gastos Mensuales de Sueldos y Salarios
8. Lista de los principales gastos del negocio (alquiler, energia electrica, telefono, depreciacion de equipo, impuestos, etc.)
9. Promedio de Gastos Personales Mensuales (alimentacion, vivienda, medicinas y tratamiento medico, etc. (Se adjunta formulario)
10. Lista completa de todas las herramientas y maquinaria, inclusive vehiculos, que posee el negocio, con su respectiva marca, serie y valor, y fotocopia de las facturas de propiedad de las mismas.
11. Describir que piensa hacer con el dinero del prestamo.
12. Detallar que beneficios le traera este prestamo a su negocio.
13. Calcular los Costos Unitarios por producto.

NOTA: Los Promotores estan siempre disponibles para aclararle o ayudarle a recopilar los datos antes descritos; sin embargo, para efectos de tramite, toda solicitud se considerara formalmente presentada hasta que se haya recibido toda la informacion antes descrita; para lo cual FUNADEH le devolvera la copia de esta hoja debidamente firmada y fechada

5. REFERENCIAS PERSONALES Y CREDITICIAS

a. Que trabajos ha desempeñado en los ultimos 5 años?. En el caso de no haber operado su empresa durante ese tiempo (pricipiando con el ultimo).

	<u>Periodo</u>	<u>Patrono</u>	<u>Descripcion del Trabajo</u>
a.1	_____	_____	_____
a.2	_____	_____	_____
a.3	_____	_____	_____
a.4	_____	_____	_____
1.5	_____	_____	_____

b. Nombre del Conyuge: \_\_\_\_\_

c. Personas de reconocida solvencia que puedan dar referencias:

c.1 Nombre: \_\_\_\_\_ Telefono \_\_\_\_\_  
Dirección: \_\_\_\_\_

c.2 Nombre: \_\_\_\_\_ Telefono \_\_\_\_\_  
Dirección: \_\_\_\_\_

d. Principales Proveedores:

	<u>Nombres</u>	<u>Compras del Mes Pasado Lps.</u>	<u>Saldos por Pagar Lps.</u>	<u>Direccion y Telefono</u>
d.1	_____	_____	_____	_____
d.2	_____	_____	_____	_____
d.3	_____	_____	_____	_____
d.4	_____	_____	_____	_____

e. Principales Compradores:



a. Total General de Ingresos: \_\_\_\_\_

6.2 Compras de Materias Primas

(Promedio Mensual estimado de los ultimos seis meses)

Descripción	Compras Actuales Promedio Mensual			Compras Proyectadas Promedio Mensual			Uso Oficina	
	Cant. Unid.	Precio Lps.	Total Lps.	Cant. Unid.	Precio Lps.	Total Lps.	Cant. %	Gasto Lps.

b. Gastos materiales: \_\_\_\_\_

6.3 Mano de Obra:

(Promedio Mensual estimado de los ultimos seis meses)

Descripción y número de Empleados	Mano de Obra Actual			Mano de Obra Proyectada			Uso Oficina	
	Cant. No.	Valor Lps.	Total Lps.	Cant. No.	Valor Lps.	Total Lps.	Variación Absoluta	Gasto Lps.

c. Gastos en Mano de Obra: \_\_\_\_\_

6.4 Otros Gastos de Producción

(Promedio Mensual estimado de los ultimos seis meses)

Descripción	ACTUALES	PROYECTADAS	Uso Oficina	
	Promedio Mensual	Promedio Mensual	Variación %	Gasto Lps.
	Valor Lps.	Valor Lps.		
Alquiler				
Energía Eléctrica				
Papelería				
Amortización e Intereses				
Sueldos Indirectos				
Deprec. Maq/Equipo				
Impuestos				

d. Total Otros Gastos \_\_\_\_\_

6.5 Utilidad Bruta en Ventas  $a-(b+c+d)$

Actual: Lps. \_\_\_\_\_

Proyectada: Lps. \_\_\_\_\_



8. Descripción de la Garantía

a. Prendaria:	<u>Valor Actual</u>
Descripción del Activo _____	_____
_____	_____
_____	_____
b. Hipotecaria: _____	_____
_____	_____
c. Fiadores Solidarios: _____	_____
_____	_____

9. Desarrollo Administrativo de la Empresa

a. Cuáles son los principales problemas de su empresa?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

b. Como vende su producto?  
a) Mayorista \_\_\_\_\_. b) Detallista \_\_\_\_\_. c) Consumidor Final \_\_\_\_\_. En el mercado \_\_\_\_\_

c. Los Pedidos se entregan a tiempo? Si \_\_\_\_\_ No \_\_\_\_\_. Porque? \_\_\_\_\_  
\_\_\_\_\_

d. Quien se encarga de la producción? \_\_\_\_\_  
\_\_\_\_\_  
Porque? \_\_\_\_\_

e. Administra su negocio personalmente? Si \_\_\_\_\_ No \_\_\_\_\_. En caso negativo, porque? y quien lo administra? \_\_\_\_\_  
\_\_\_\_\_

- f. Que cantidad y porcentaje de las ventas promedio mensual de su negocio utiliza para sus necesidades personales? Lps. \_\_\_\_\_, \_\_\_\_\_ %
- g. Que porcentaje de sus ventas son a crédito? \_\_\_\_\_ %
- h. A que plazos otorga créditos? \_\_\_\_\_ meses
- i. Tiene créditos morosos a esta fecha? No \_\_\_\_\_ Si \_\_\_\_\_. Cuanto en total le deben? Lps. \_\_\_\_\_
- j. Quienes son sus proveedores? Mayoristas \_\_\_\_\_, Minoristas \_\_\_\_\_, Detallistas \_\_\_\_\_  
Porque les compra? (subrayar)  
a) Precio    b) Calidad    c) Cantidad
- k. Tiene problemas de producción en relación a:
- |   | <u>Si</u> | <u>No</u> |
|---|-----------|-----------|
| a) Maquinaria inadecuada  | _____     | _____     |
| b) Falta de Implementos o Maquinaria                                    | _____     | _____     |
| c) Dificultades en abastecimiento de Materias primas u otros materiales | _____     | _____     |
| d) Mantenimiento de Equipo  | _____     | _____     |
| e) Empleados no muy productivos   | _____     | _____     |
| f) Escasez de mano de obra calificada                                   | _____     | _____     |
| g) Sub-utilización de la maquinaria                                     | _____     | _____     |
- l. Lleva la empresa libros contables o registros auxiliares? No \_\_\_\_\_ Si \_\_\_\_\_.  
En caso afirmativo descríbalos a continuación.

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m. Actualmente, cuáles son las necesidades de financiamiento para su empresa?

<u>Descripcion de Inversion</u>	<u>Valor en Lempiras</u>
_____	_____
_____	_____
_____	_____
_____	_____
<b>Total</b>	=====

n. Con los cambios que usted desea realizar en su empresa, cuántas plazas nuevas de trabajo se abrirán?

Permanentes \_\_\_\_\_ Temporales \_\_\_\_\_

o. Tiene su empresa objetivos a corto y largo plazo?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

p. Tiene deudas pendientes? No \_\_\_\_ Si \_\_\_\_ . En caso afirmativo, detallelas en el siguiente cuadro:

<u>Institucion/Individuo</u>	<u>Lps.</u> <u>Saldo Deudor</u>	<u>Lps</u> <u>Saldo Moreso</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____



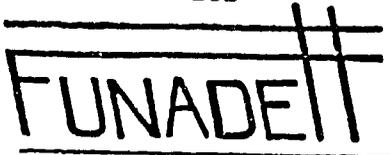
PROMEDIO DE GASTOS PERSONALES MENSUALES

Descripcion	Valor Lps.	Uso Oficina Valor Lps.
Alimentacion	_____	_____
Vivienda	_____	_____
Medicinas y Tratamiento Medico	_____	_____
Energia Electrica	_____	_____
Gastos Educativos	_____	_____
Combustibles	_____	_____
Agua	_____	_____
Impuestos Municipales (Servicios Publicos)	_____	_____
Telefono	_____	_____
Trabajadora Domestica	_____	_____

INGRESOS

Otros ingresos

\_\_\_\_\_



# *Fundación Nacional para el Desarrollo de Honduras*

## REGLAMENTO DE CREDITO DE LA FUNDACION NACIONAL PARA EL DESARROLLO DE HONDURAS (FUNADEH)

Consejo Directivo en Sesión No. 14 de fecha Diciembre 17, 1984, resolvió aprobar el presente Reglamento de Crédito.

### LIBRO I. OBJETIVO Y FINALIDAD

Art. 1 El presente Reglamento tiene por objeto regular el trámite y uso del crédito que la Fundación Nacional para el Desarrollo de Honduras otorgue a la pequeña industria y/o talleres artesanales, grupos colectivos organizados jurídica y administrativamente, y sociedades mercantiles.

### LIBRO II. LIMITE GEOGRAFICO

Art. 2 La Fundación se circunscribirá en sus inicios, al área de San Pedro Sula y sus alrededores, y a medida que la FUNADEH se desarrolle financiera y técnicamente, otros sectores se irán incorporando, previa autorización de su Junta Directiva y notificación a las comunidades beneficiadas.

### CAPITULO III. PRIORIDAD CREDITICIA

Art. 3 Prioridades en el otorgamiento de crédito:

- a. Se financiarán de preferencia los sectores de bajos recursos económicos con potencial productivo, que posean pequeñas empresas o talleres artesanales, con uno o mas años de establecidos.
- b. Se otorgará crédito, pero con segunda prioridad, a los negocios de comercio, agro-industriales y de servicios.

- c. Se preferirán proyectos que creen nuevas plazas de empleo.
- d. Se requerirá que estos negocios sean personalmente administrados por los solicitantes del préstamo.

#### CAPITULO IV. SUJETOS DE CREDITO

- Art. 4 Son sujetos de crédito, toda persona mayor de 18 años, como individuos, y las Sociedades Mercantiles y Grupos Colectivos, de bajos recursos economicos, que no tengan acceso al crédito de los bancos públicos y privados e instituciones financieras similares, y siempre y cuando el proyecto sea factible.

#### CAPITULO V. COBERTURA FINANCIERA

- Art. 4 El monto a prestar dependerá de las necesidades financieras del proyecto, estipulándose ciertos limites al capital, que estarán sujetos a la flexibilidad de la política crediticia de FUNADEH, como ser:
- a. Para proyectos de propietarios individuales de pequeños negocios, se financiará hasta un máximo de Lps. 15,000.00.
  - b. Para proyectos de Sociedades Mercantiles y agrupaciones colectivas, se financiará hasta un máximo de Lps. 50,000.00.

#### CAPITULO VI. DEL CREDITO

- Art. 6 Los préstamos son de dos clases:
- a. Prestamos personales.
  - b. Prestamos a Sociedades Mercantiles y grupos colectivos jurídicamente organizados.
- Art. 7 Préstamos personales son aquellos solicitados por un solo propietario de una pequeña empresa, negocio o taller artesanal para desarrollar su proyecto.

- Art. 8 Los préstamos se concederán como financiamiento de Activos Fijos y Capital de Trabajo; que un proyecto requiera para su ejecución.
- Art. 9 En el plan de pago del préstamo, prevalecerá el criterio del destino y de la capacidad de pago del mismo, fijándose desde luego, ciertos parámetros sobre los plazos, de acuerdo a esta política de préstamos.
- Art. 10 La concesión de créditos será a corto, mediano y largo plazo, en concordancia a las necesidades financieras del proyecto.
- a. Créditos a corto plazo son aquellos cuya duración no es mayor de doce meses.
  - b. Créditos a mediano plazo son aquellos cuya duración no es mayor de 18 meses.
  - c. Créditos a largo plazo son aquellos de mas de 18 meses, con un maximo de 36 meses.
- Art. 11 Los préstamos que se aprueben dependerán de la necesidad de inversion y/o estudio economico del proyecto y su factibilidad.
- Art. 12 La tasa de interés que cobrará la Fundación por créditos otorgados, se regirá de acuerdo a las tasas autorizadas por el Banco Central de Honduras. En todo caso estas nunca serán superiores, ni menores en exceso de dos puntos, y serán fijadas por resolución expresa del Consejo Directivo.
- Art. 13 El préstamo será concedido en condiciones de sana garantía, la cual será prendaria y/o garantizada por la firma de avales e hipotecaria.
- a. Prendaria, cuando el financiamiento esté garantizado por sus activos fijos, reteniendo la Fundación las facturas de propiedad, y entrega al beneficiario del crédito, un Contrato de Arrendamiento que se cancela y libera la garantía al pagar el préstamo.

- b. Avales, cuando el financiamiento está garantizado por dos personas, siendo una de ellas el conyuge o el socio, si los hubiera. En este caso, ambos avales son responsables solidariamente ante la deuda contraída por el beneficiario del crédito.
- c. Hipotecaria, cuando el financiamiento esté garantizado con bienes inmuebles por medio de primera hipoteca.

#### CAPITULO VII. TRAMITE DE SOLICITUDES

Art. 14 Las solicitudes de crédito tendrán el siguiente trámite:

- a. Los solicitantes a créditos de la Fundación deberán usar el formato de Solicitud de Préstamo en el que consignarán toda la información requerida que pondrán a disposición de los técnicos y promotores de FUNADEH. Dicha solicitud debe ir acompañada de la documentación que exige la Fundación
- b. Las solicitudes deberán seguir los siguientes canales de presentación:
  - b-1 Propietarios individuales: Presentan personalmente su solicitud de crédito a la Fundación.
  - b-2 Empresas Mercantiles: Presentan su solicitud por medio de su representante legal.
  - b-3 Grupos Colectivos Organizados Jurídicamente: Presentan su solicitud por medio de su representante legal y adjuntan copia del Acta de la Asamblea General donde se acordó solicitar el Préstamo a FUNADEH.
- c. En base a la solicitud, los técnicos o promotores entrevistarán, inspeccionarán y determinarán la factibilidad del proyecto.
- d. El Director Ejecutivo presentará las solicitudes de financiamiento al Comité de Crédito, quien dará su dictamen previo entrenamiento administrativo del beneficiario que lo califica para manejar los fondos.

- e. Una vez cumplidos estos requisitos, se firmará un Contrato entre la Fundación y el solicitante, y se ordenará la compra directa del equipo, o bien se hará entrega del monto correspondiente, en caso de Capital de Trabajo.

#### CAPITULO VIII. OBLIGACIONES DEL BENEFICIARIO DEL PRESTAMO

- Art. 15 Son obligaciones del beneficiario del prestamo, las siguientes:
- a. Suministrar toda la información que se solicita en el formulario "Solicitud de Prestamo".
  - b. Contar con la garantía que se estipula en la solicitud.
  - c. Permitir y participar en la realización de visitas de inspección previa y las de supervisión de su proyecto.
  - d. Elaborar el plan financiero de su proyecto y permitir ser asesorado por el Técnico o Promotor de la Fundación.
  - e. Llevar al día los registros contables del proyecto.
  - f. Cumplir con todos los compromisos de pago, tanto de intereses como de capital, de acuerdo a las fechas previstas en la aprobación del crédito.

#### CAPITULO IX FUNCIONES DEL PERSONAL TECNICO

- Art. 16 Son funciones del Personal Técnico, las siguientes:
- a. Entrevistar a los solicitantes de crédito y determinar la factibilidad del proyecto a financiarse.
  - b. Realizar visitas de inspección al proyecto que se determine sujeto a crédito de la Fundación.

- c. Presentar un informe a la Fundación, consignando un dictamen técnico aprobatorio o desaprobatario del proyecto.
- d. Efectuar visitas periódicas de supervisión a los proyectos en ejecución y proporcionarles asesoramiento técnico y emitir informes sobre su desarrollo, por lo menos una vez cada 30 días.
- e. Supervisar el cumplimiento oportuno de los compromisos de los beneficiarios del crédito.

#### CAPITULO X. RESPONSABILIDADES DEL COMITE DE CREDITO

Art. 17 El Comité de Crédito es el organismo de la Fundación encargado de revisar, analizar y emitir su resolución sobre las solicitudes de préstamo que sean presentadas por los beneficiarios de crédito que ofrece la Fundación.

Art. 18 El Comité de Crédito está integrado por cinco miembros del Directorio de la Fundación, de preferencia con experiencia bancaria. Como Secretario actuará el Director Ejecutivo de FUNADEH, con voz pero sin voto. Sus resoluciones se tomarán por simple mayoría de votos y se levantará un Acta de dicha reunión consignándose los créditos aprobados e improbados.

Art. 19 Son funciones del Comité:

- a. Recibir todas las solicitudes de Crédito y emitir la correspondiente resolución.
- b. Aprobar al Director Ejecutivo los Desembolsos a favor de los peticionarios de acuerdo al Programa.
- c. Conocer los informes sobre la situación de la Cartera.
- d) Sesionar como mínimo una vez al mes o de acuerdo a las necesidades de crédito, para atender en forma oportuna las solicitudes presentadas.

#### CAPITULO XI. DISPOSICIONES GENERALES

Art. 20 FUNADEH en ningún caso proveerá fondos para refinanciar deudas con otras Instituciones Crediticias.

REGIAMI NTO DE CREDITO DE FUNADEH  
Pagina No. 7

- Art. 21 La Fundación acepta como garantía bienes de Activos Fijos.
- Art. 22 No se atenderán solicitudes de crédito para adquirir bienes muebles e inmuebles que no intervienen en el proceso productivo.
- Art. 23 Una solicitud de financiamiento podrá ser rechazada cuando:
- a. Se compruebe que los datos consignados por el peticionario son falsos.
  - b. El solicitante o el avalista tengan saldos pendientes de pago a la Fundación.
  - c. La garantía o el aval no satisfaga la cuantía de la solicitud.
  - d. El proyecto no demuestre ser viable.
  - e. El beneficiario rehusa cumplir con el programa de entrenamiento y las recomendaciones derivadas de éste.
- Art. 24 Cualquier modificación o ampliación al presente reglamento de crédito, se someterá al Consejo Directivo.

FUNDACION NACIONAL PARA EL DESARROLLO DE HONDURAS

San Pedro Sula,  
\*FECHA\*

\*NOMBRE Y APELLIDO\*  
\*DOMICILIO\*  
\*DIRECCION\*  
\*CIUDAD\*

Estimado Señor :

Por Medio de la Presente, le recordamos que el dia \*FECHA\* de \*MES\* pasado, vencio su cuota No. X de XY, lo cual afecta su registro y buena imagen de credito, por lo que le agradeceremos se sirva cancelarla a la mayor brevedad posible.

Atentamente,

J. ROBERTO MEMBRENO  
Director Ejecutivo

JRM/bfp

cc: \*AVALES\*  
    Archivo.

FUNDACION NACIONAL PARA EL DESARROLLO DE HONDURAS

San Pedro Sula,  
\*FECHA\*

\*NOMBRE Y APELLIDO\*  
\*DOMICILIO\*  
\*DIRECCION\*  
\*CIUDAD\*

Estimado Señor :

A pesar del requerimiento que le hicieramos mediante nuestra carta de fecha \*DIA\* de \*MES\* nuestros registros muestran que su cuota sigue vencida; y es mas, el \*FECHA\* de \*MES\* de 1986 vencio su segunda cuota, sin que exista evidencia de ningun esfuerzo por su parte de normalizar esta situacion. En tal virtud, hacemos de su conocimiento los siguientes Articulos de nuestro Reglamento de Credito:

ART. 27 El retraso de la segunda cuota sin justificacion de parte del beneficiario, FUNADEH, hara exigible el pago de lo vencido directamente al beneficiario y sus avalistas, sin perjuicio de los intereses moratorios.

ART. 28 El retraso de tres cuotas o noventa dias, hara exigible el total de la deuda por los medios que disponga la Fundacion, sin perjuicio de los gastos legales, ni los intereses moratorios causados.

Siendo este el ultimo llamado para que pase a nuestras oficinas para normalizar esta situacion.

Atentamente,

LIC. J. ROBERTO MEMBRENO  
Director Ejecutivo

JRM/bfp

cc: \*AVALES\*  
Archivo

FUNDACION NACIONAL PARA EL DESARROLLO DE HONDURAS

San Pedro Sula  
\*FECHA\*

\*NOMBRE Y APELLIDO\*  
\*DOMICILIO\*  
\*DIRECCION\*  
\*CIUDAD\*

Estimado Señor :

A pesar del requerimiento que le hicieramos mediante nuestra carta de fecha \*DIA\* de \*MES\* de 1986, nuestros registros muestran que a la fecha se encuentran vencidas 2 cuotas de su prestamo No.0000-85, cuotas que suman Lps.000.00; y es mas, el \*FECHA\* de \*MES\* de 1986 esta por vencer su tercera cuota, segun el Art. 28 de nuestro Reglamento de Credito el retraso de 3 cuotas o 90 dias, hara exigible el total de la deuda por los medios legales que disponga la Fundacion, sin perjuicio de los gastos legales, ni los intereses moratorios causados.

Esperamos que a la mayor brevedad pueda cancelar las dos cuotas vencidas para normalizar el estado de su prestamo, y en lo sucesivo cancelar su cuotas el \*FECHA\* de cada mes, que es la fecha en la cual le corresponde efectuar sus pagos; en caso contrario nos veremos en la necesidad de cobrarles intereses moratorios por cada cuota vencida no pagada en la fecha correspondiente.

Atentamente,

LIC. J. ROBERTO MEMBRENO  
Director Ejecutivo

JRM/bfdep

cc: Archivo

FUNDACION NACIONAL PARA EL DESARROLLO DE HONDURAS

San Pedro Sula

\*FECHA\*

\*NOMBRE Y APELLIDO\*

\*DOMICILIO\*

\*DIRECCION\*

\*CIUDAD\*

Estimado Señor :

En días anteriores, según conversación sostenida en su casa de habitación referente al atraso en el pago de sus cuotas correspondientes a su préstamo No.0000/85, otorgado el \*FECHA\* de \*MES\* de 1985, por la cantidad de L.0,000.00, usted acordó en ponerse al corriente en sus cuotas vencidas y, simultáneamente, ir cancelando la cuota por vencerse en cada mes. Este compromiso lo efectuó en el mes de Junio del presente año. Sin embargo, usted ha incumplido en el pago de sus obligaciones, y hasta la fecha de hoy, no ha realizado ningún pago, y el \*FECHA\* de \*MES\* de 1986 vencerá su cuarta cuota, lo que nos obliga a tener que proceder judicialmente contra usted .

A la fecha se encuentra totalmente vencida la cantidad de L.000.00 que corresponden a las siguientes cuotas:

*FECHA*/86	L.000.00
*FECHA*/86	L.000.00
*FECHA*/86	L.000.00
TOTAL	L.000.00

Siendo este el último llamado para que pase por nuestras oficinas para normalizar esta situación.

Atentamente,

LIC. ROBERTO MEMBRENO  
Director Ejecutivo

JRM/bfdep

cc: \*AVALES\*  
Archivo

FUNDACION NACIONAL PARA EL DESARROLLO DE HONDURAS

San Pedro Sula,  
\*FECHA\*

\*NOMBRE Y APELLIDO\*  
\*DOMICILIO\*  
\*DIRECCION\*  
\*CIUDADA\*

Estimado Senor :

En vista de que el \*FECHA\* de Mayo del presente ano se vencio su tercera cuota y usted aun no ha hecho nada por normalizar esta situacion, incumpliendo sus promesas de pago, me permito manifestarle que nuestro reglamento establece que a la tercera cuota vencida se exige el pago total de la deuda.

Debido a lo expuesto anteriormente, solicitamos su presencia en nuestras oficinas, en el termino de dos dias.

Atentamente,

LIC. J. ROBERTO MEMBRENO  
Director Ejecutivo

JRM/BFDEF

cc: \*AVALES\*  
    . Archivo

**ESTATUTOS**  
**DE LA FUNDACION**  
**NACIONAL**  
**PARA EL**  
**DESARROLLO DE HONDURAS**

**FUNADET**

**CAPITULO 1.**

**NATURALEZA – OBJETIVOS – DOMICILIO – DURACION**

**ARTICULO 1.**

La Fundación Nacional para el Desarrollo de Honduras (FUNADEH) en adelante llamada La Fundación, es una Asociación Civil sin fines de lucro, con personalidad jurídica, patrimonio y gobierno propios, constituida por personas del sector privado del país, en Acta del día 5 de Febrero de mil novecientos ochentitres, de conformidad con las leyes de la República de Honduras.

**ARTICULO 2.**

Esta Fundación se regirá por los presentes Estatutos y por los Reglamentos de orden interno, resoluciones y disposiciones que en el futuro emanen de sus autoridades competentes y supletoriamente por las leyes de la República.

**ARTICULO 3.**

La Fundación tendrá los objetivos siguientes:

- a) Cumplir con la responsabilidad del sector privado en la promoción del desarrollo económico y social de las comunidades y grupos sociales organizados de escasos recursos.
- b) Coordinar sus esfuerzos con el Estado en los diversos programas de desarrollo económico y social.

**ARTICULO 4.**

En cumplimiento de los anteriores objetivos, la Fundación financiará de preferencia:

- a) Proyectos que tiendan a aumentar los ingresos, incrementar la productividad o diversificar la producción de las comunidades o grupos sociales organizados o individuos de escasos recursos.
- b) Proyectos que tiendan a elevar la capacitación profesional mediante el adiestramiento vocacional o el aprendizaje.

**ARTICULO 5.**

La Fundación tendrá su domicilio en la ciudad de San Pedro Sula. Podrá establecer filiales o subsidiarias en cualquier parte de la República o fuera de ella.

**ARTICULO 6.**

La Fundación tendrá duración ilimitada y solamente podrá ser disuelta en la forma y por las causas contempladas en los presentes Estatutos.

**ARTICULO 7.**

La Fundación tendrá patrimonio constituido por las donaciones o empréstito que hagan las empresas, instituciones y personas naturales o jurídicas que comparten los principios que la inspiran, y los excedentes derivados de las operaciones normales.

**ARTICULO 8.**

Las personas naturales o jurídicas que participen como socios de la Fundación en virtud de donaciones, no tendrán derecho sobre el patrimonio.

**ARTICULO 9.**

Además formarán parte de los recursos de la Fundación, los préstamos y créditos que obtenga, y cualquier otros ingresos recibidos a cualquier título legal.

**ARTICULO 10.**

Para el logro de sus objetivos, la Fundación podrá:

- a) Emitir obligaciones propias.
- b) Conceder préstamos a intereses razonables, con garantías o sin ellas.

- c) Proporcionar asesoramiento administrativo y técnico a los usuarios de crédito.
- d) Otorgar su garantía a créditos concedidos con objetivos similares a los de la Fundación.
- e) Obtener préstamos, créditos o garantías de instituciones nacionales e internacionales.
- f) Obtener garantías para la contratación de créditos provenientes de otras instituciones financieras.
- g) Suscribir convenios de asistencia técnica.

## CAPITULO SEGUNDO DE LOS SOCIOS

### ARTICULO 11.

La Fundación reconocerá u otorgará las siguientes calidades de socios: Fundadores, Activos, Afiliados y Honorarios.

- a) Son Socios Fundadores: los que suscribieron el acta constitutiva de la Fundación.
- b) Son Socios Activos: Las personas naturales o jurídicas que se incorporen o contribuyan con cuotas periódicas, en la cuantía que fije la Junta Directiva.
- c) Son Socios Afiliados: Las personas naturales o jurídicas que contribuyen con dinero, especies servicios a la Fundación, sin comprometerse a una cuota periódica.
- d) Son Socios Honorarios: Los que por su notable contribución al logro de los fines de la Fundación, se han hecho acreedores a ser calificados con esa distinción.

### SON OBLIGACIONES Y DERECHOS DE LOS SOCIOS ACTIVOS:

- a) Cumplir con los Estatutos, reglamentos, resoluciones y Acuerdos que se adopten.
- b) Enterar con puntualidad a la Tesorería de la Fundación las cuotas mensuales que se establezcan.
- c) Asistir personalmente o por medio de representantes debidamente acreditado a las asambleas generales de la Fundación.
- d) Aceptar y cumplir con diligencia los cargos o comisiones que les fueren encomendados.
- e) Elegir los miembros de la Junta Directiva de la Fundación.

## CAPITULO TERCERO DE LOS ORGANOS

### ARTICULO 12.

Los órganos superiores de organización son: Asamblea General y, Junta Directiva.

## CAPITULO CUARTO DE LA ASAMBLEA GENERAL

### ARTICULO 13.

Habrán dos clases de Asambleas: Ordinarias y Extraordinarias.

Los Socios se reunirán por lo menos una vez al año dentro de los primeros tres meses del año en Asamblea General Ordinaria Nacional de Asociados.

Las asambleas extraordinarias, se celebrarán previa convocatoria por el Presidente o por petición escrita de socios que representen por lo menos el 25o/o del total de los socios activos.

### ARTICULO 14.

Las convocatorias para las reuniones de cada Asamblea General se harán por la prensa y/o personalmente, por escrito, por lo menos con 15 días de anticipación a la fecha de la Asamblea, en los cuales no se computará ni el día de la convocatoria ni el día de la celebración de la Asamblea. A la convocatoria se adjuntará la agenda que regirá la Asamblea. De no reunirse la mayoría establecida en el Artículo dieciseis, se asentará razón de esta circunstancia en el Libro de Actas correspondiente. Y se reunirá en segunda convocatoria el siguiente día a la misma hora y en el mismo lugar; las reuniones en primera y segunda convocatoria se anunciarán simultáneamente.

**ARTICULO 15.**

Todos los Socios tienen derecho a asistir a las Asambleas Generales Ordinarias o Extraordinarias de Asociados, pero tendrán derecho a voto únicamente los socios activos. Los socios pueden hacerse representar por otro socio de la Fundación por simple carta. Cada socio puede ostentar hasta dos representaciones.

**ARTICULO 16.**

Tanto en Asambleas Ordinarias o Extraordinarias se considerará que hay quórum cuando estén presentes o representados la mitad más uno de los socios activos, y las resoluciones se adoptarán por simple mayoría de votos a excepción de las contempladas en los Artículos 35 y 37 de estos Estatutos.

**ARTICULO 17.**

Son atribuciones de la Asamblea General:

- a) Discutir, modificar y aprobar el informe anual que presente el Presidente.
- b) Discutir y aprobar el Balance y los informes que le presenten.
- c) Discutir y aprobar las reformas que sean necesarias a los presentes Estatutos.
- d) Fijar la política general de la Fundación.
- e) Decidir en su caso sobre la disolución de la Fundación.
- f) Nombrar a los socios honorarios.
- g) Resolver los casos de pérdida de calidad de socio activo, cuando alguno no cumpliera con las obligaciones adquiridas.
- h) Velar por el cumplimiento de estos Estatutos y demás resoluciones emanadas de los organismos de la Fundación.
- i) Elegir a los miembros de la Junta Directiva así como removerlos.

**CAPITULO QUINTO  
DE LA JUNTA DIRECTIVA**

**ARTICULO 18.**

La Fundación será dirigida y administrada por una Junta Directiva, compuesta de diez miembros como mínimo y un Fiscal, quienes serán miembros activos y durarán en su cargo dos años, pudiendo ser reelectos.

**ARTICULO 19.**

En la primera sesión que celebre la Junta Directiva, después de la elección de sus miembros, designará de entre ellos a un Presidente, a un Vice-Presidente, a un Tesorero y a un Secretario, los demás serán Vocales.

**ARTICULO 20.**

Los Miembros Directivos durarán en su cargo dos años a contar de su instalación, con excepción del primer período en el cual la mitad de ellos durará tres años, pues a partir del final del primer período la mitad de los mismos se renovará cada año. La renovación de la primera vez se hará por sorteo. El fiscal no se sortea, se elegirá por el Artículo 28.-

**ARTICULO 21.**

La Junta Directiva: Tendrá las siguientes atribuciones y deberes:

- a) Estructurar e implementar la política de la Fundación.
- b) Adquirir los derechos y contraer todas aquellas obligaciones referentes al desarrollo y desenvolvimiento de la Fundación.
- c) Aprobar los presupuestos de la Fundación y sus modificaciones.
- d) Nombrar comités que estime convenientes.
- e) Presentar los Informes de Labores, Balance, a la Asamblea General Ordinaria, así como también cualquier asunto que requiera la aprobación de ese Organismo.
- f) Nombrar el o los Auditores para el control financiero.
- g) Dictar y modificar los reglamentos que estime convenientes para la buena marcha de la Fundación.
- h) Otorgar y contratar préstamos.
- i) Otorgar y revocar poderes generales y especiales, para lo cual queda investido de las facultades generales del mandato judicial y las especiales de desistir en primera instancia de la acción de-

ducida, aceptar la demanda contraria, detener el juramento decisorio, aceptar su delación, absolver posiciones, renunciar los recursos o los términos legales, transigir, promover, otorgar a los árbitros facultades de arbitradores, aprobar convenios y percibir.

j) Nombrar y remover al Director Ejecutivo.

#### ARTICULO 22.

El Presidente de la Junta Directiva será también Presidente de la Asamblea Ordinaria, así como también Presidente titular de la Fundación, con los siguientes deberes y atribuciones.

- a) Representar legalmente a la Fundación en actos judiciales y extrajudiciales y ante organismos con los que debe tratar la Fundación como tal, dentro o fuera del país.
- b) Velar por la eficiente labor de la entidad y por el cumplimiento de las disposiciones de estos Estatutos.
- c) Presidir las sesiones de la Junta Directiva y de las Asambleas Generales, o cualquier otro órgano de la Fundación. A falta del Presidente, ejercerá sus funciones el Vice Presidente y a falta de este los vocales por su orden.

#### ARTICULO 23.

Habrà quórum en las reuniones de la Junta Directiva con la concurrencia de la mitad más uno de sus miembros. Sus decisiones se adoptarán por simple mayoría de los asistentes a la reunión, y, en caso de empate, el Presidente tendrá doble voto dirimente.

#### ARTICULO 24.

La Junta Directiva celebrará sesiones ordinaria por lo menos una vez al mes y extraordinarias cuando el Presidente las convoque.

#### ARTICULO 25.

Para la apertura de cuentas bancarias y expedición de cheques y otros títulos valores y para avalar estos últimos, así como el otorgamiento de fianzas y cualquier otra clase de garantías, siempre será necesaria la firma del Presidente o del Tesorero en forma mancomunada con la de cualquier otro miembro de la Junta Directiva que haya sido autorizado o del Director Ejecutivo.

#### ARTICULO 26.

El Tesorero será el custodio del patrimonio de la Fundación, responsable de los fondos y por el adecuado registro de los mismos. Los demás que le otorgue la Junta Directiva y los Reglamentos.

#### ARTICULO 27.

El Secretario es el órgano de comunicación de la Fundación. Llevará el registro de actas y firmará junto con el Presidente las Actas de las Asambleas y Junta Directiva. Las demás que le otorgue la Junta Directiva y los Reglamentos.

#### ARTICULO 28.

El Fiscal durará en sus funciones dos años, será el asesor legal de la Fundación, vigilará por el estricto cumplimiento de estos Estatutos y Resoluciones de las asambleas y Junta Directiva, y de la correcta aplicación de los fondos, debiendo rendir un informe de sus gestiones a la asamblea anual de la Fundación.

### CAPITULO VI DIRECCION EJECUTIVA

#### ARTICULO 29.

El Director Ejecutivo será el principal funcionario administrativo de la Fundación y será responsable ante su Directiva.

#### ARTICULO 30.

El Director Ejecutivo participará en la Asamblea General y en las Sesiones de la Junta Directiva, con voz pero sin voto.

**ARTICULO 31.**

El Director Ejecutivo tendrá las atribuciones que conforme al Reglamento le confiere la Junta Directiva.

**CAPITULO SEPTIMO  
EJERCICIOS ECONOMICOS Y BALANCE GENERAL**

**ARTICULO 32.**

Los ejercicios económicos de la Fundación se iniciarán el primero de Enero y terminarán el treinta y uno del mes de Diciembre de cada año. Anualmente se practicará un Balance y se formulará un Estado de Resultados del período, el cual será presentado por la Junta Directiva a la Asamblea General de Asociados que se celebrará en los primeros tres meses del año.

**ARTICULO 33.**

En cada regional se practicará anualmente una revisión de las operaciones por un auditor externo nombrado por la Junta Directiva.

**CAPITULO OCTAVO  
DISPOSICIONES GENERALES**

**ARTICULO 34.**

Lo no previsto en estos Estatutos así como cualquier ambigüedad que resultare de su contexto, será resuelto por la Junta Directiva. Las resoluciones de la Directiva serán de efecto inmediato pero deberán ser refrendadas por la Asamblea General Ordinaria.

**ARTICULO 35.**

La Fundación se disolverá:

- a) Por los votos de las dos terceras partes de los socios de la Fundación, en Asamblea General Extraordinaria.
- b) Por las demás causas establecidas.

**ARTICULO 36.**

En caso de disolución de la Fundación, la Asamblea General Extraordinaria de Asociados, determinará la forma de liquidarla y el destino que se dará al capital de la misma. En todo caso, el excedente del capital después de canceladas las obligaciones, deberá ser destinado a instituciones sin fines de lucro con objetivos similares a los de la Fundación.

**ARTICULO 37.**

La reforma de los presentes Estatutos solo podrá hacerse en primera convocatoria por una Asamblea General Extraordinaria de Asociados, en la cual esten presentes o representados las tres cuartas partes del total de los Socios Activos y con el voto favorable de la mitad de los Socios que tengan derecho a votar. En segunda convocatoria se podrá celebrar con cualquier número de Socios Activos que esten presentes o representados, las decisiones deberán tomarse por el voto favorable de la mitad de los socios que tengan derecho a votar.

**ARTICULO 38.**

Los presentes Estatutos entrarán en vigencia al ser aprobados por el Poder Ejecutivo.

**KARL HENRY HOLST**  
Secretario

REQUISITOS DE LOS PROMOTORES

1. Haber cursado o estar cursando niveles superiores en cualquiera de las ramas de Administración, Contaduría, Finanzas, Economía, Ingeniería Industrial o cualquier otra afín a las posibles necesidades de los beneficiarios.
2. Estar dispuesto a trabajar diligentemente con el sector de beneficiarios que atiende la Fundación, respetando su idiosincrasia y criterios.
3. Estar dispuesto a realizar la labor de campo que exige la Fundación.
4. Estar dispuesto a someterse a un horario de trabajo acorde a las exigencias del puesto.
5. Contar con capacidad analítica y motivacional.

FUNADEH

FUNCIONES DE LOS PROMOTORES

1. Recibir y tramitar conforme los procedimientos establecidos, las solicitudes de crédito que se presenten a la Fundación.
2. Apoyar a los posibles beneficiarios en la preparación del proyecto de financiamiento y entrenarles en este sentido.
3. Evaluar tanto la responsabilidad crediticia y la capacidad administrativa del potencial beneficiario, así como la viabilidad del proyecto.
4. Asistir y recomendar a los beneficiarios de crédito, los campos administrativos que deberá reforzar en su negocio (control de créditos, ventas, control de inventarios, etc.) indicándole las mejoras pertinentes, ayudándole a implementarla.
5. Vigilar el desenvolvimiento del proyecto, así como la recuperación del crédito mediante visitas regulares a los beneficiarios, motivándoles y asesorándoles en este sentido.
6. Informar inmediatamente a la Dirección de la Fundación, cualquier evidencia de mala utilización de fondos de un proyecto, así como cualquier problema que ponga en peligro su buen funcionamiento.
7. Asistir a la Dirección en la recuperación de aquellos créditos morosos.
8. Representar a la Fundación frente a los beneficiarios y el público en general de una forma responsable, y de acuerdo a las políticas

**FUNCIONES DE LOS PROMOTORES**  
**Página No. 2**

e intereses de la misma.

9. Canalizar a la Dirección, los comentarios y necesidades de los beneficiarios.
10. Acatar las disposiciones y reglamentos de la Fundación.
11. Asistir con diligencia a las sesiones y programas de entrenamiento de la Fundación.
12. Desempeñar cualquier otra función o tarea que se requiera para el buen desenvolvimiento de la Fundación.

# HOJA DE VISITA

APPENDIX K

Prestamo Número \_\_\_\_\_ Fecha \_\_\_\_\_

Nombre del Beneficiario \_\_\_\_\_

Sigue en la misma Dirección? SI \_\_\_\_\_ No \_\_\_\_\_

Nueva Dirección \_\_\_\_\_

Explique \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## CAMBIOS ECONOMICOS DEL NEGOCIO

	<u>Proyectado</u> (En Lempiras)	<u>Real</u>	<u>Aumento +</u> <u>Disminuye -</u> (En relacion al mes anterior)
Ventas del Mes Anterior	_____	_____	_____
Gastos del Mes Anterior	_____	_____	_____
Ventas al Crédito	_____	_____	_____
Abonos de Crédito	_____	_____	_____
Cuentas por Cobrar	_____	_____	_____
Cuentas por Pagar	_____	_____	_____
Equipo	_____	_____	_____
Empleos Actuales	_____	_____	_____

• Clientes Nuevos: SI \_\_\_\_\_ No \_\_\_\_\_ Cuantos? \_\_\_\_\_

• Líneas o Productos Nuevos: SI \_\_\_\_\_ No \_\_\_\_\_

• En general su negocio en este mes ha:  
Mejorado \_\_\_\_\_ Empeorado \_\_\_\_\_ Igual \_\_\_\_\_

Comentarios: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Firma del Promotor(a) \_\_\_\_\_

APPENDIX L

RECIPIENT RESPONSES TO FUNADEH TRAINING AND T.A.

¿Ha recibido ideas de los promotores que usted está usando ahora en su negocio - como por ejemplo ideas de cómo administrar mejor, llevar libros contables, planificar mejor, mejorar su sistema de venta, o producir mejor?

- Llevar las facturas - apuntar todo.
- Control de ingresos y egresos.
- Le dieron ideas para llevar mejor control.
- Cómo presentar su producto.
- Llevar control de materias primas.
- Registros diarios.
- Mejores precios de ventas.
- Libro de sueldos y salarios.
- Aumentar el número de clientes por medio de estrategias.
- Control de egresos o gastos mensuales.
- Cómo mejorar el producto (calidad). Por ejemplo, usar telas que gustan más al cliente y de mejor calidad.
- Relación de ventas (registro).
- Relación de gastos (registro).
- No descuidar los créditos, no dando mucho plazo.

- Registro de compra y ventas (Ingresos y Gastos).
- Un registro de deudores y un control de producción.
- Control diario de ingreso y egreso.
- Llevar diario de ingresos y egresos.
- Ampliar su línea de productos.

¿Puede darme unos ejemplos de prácticas nuevas que está empleando actualmente en su empresa y resultado de clases de INWOP?

- Contabilidad: control de ingresos y egresos, facturas para ventas de crédito.
- Que la dueña se dedique sólo a la venta.
- Especializarse en una cosa en el negocio.
- Cómo dirigir la persona - conocer el tiempo que lleva para hacer cada operación. Ahora lo practica en su negocio.
- Organización del trabajo.
- Diversificando la producción para obtener mayores ingresos.
- Registros de cuentas básicas, control de inventarios, planificación de actividades.
- Prácticas de atraer a más clientes y poder vender más.
- Estrategias de ventas que he aprendido a través del curso de ventas, Dale Carnegie, y registros contables organizados.
- Manejar el personal más eficientemente, darse el puesto de que es jefe.

- Bajar el precio de venta (como estrategia de ventas).
- El curso de Relaciones Humanas ha servido de mucho provecho para el trato con la clientela y para memorizar datos, nombres, etc.
- Llevar control de ingresos y egresos, asignación de un sueldo para necesidades personales.