

AIRGRAM

DEPARTMENT OF STATE

UNCLASSIFIED
CLASSIFICATION

For each address check one ACTION | INFO

5200216-~~(3)~~
520-216

3

DATE REC'D: [Stamp]

INT. SEC. - [Stamp]

DATE SENT
11/3/78

DISTRIBUTION ACTION
MAIL INFO.
ROOM
3 SW

TO - AID/W TORID A- 43
PD-AAA-930-A1

Not given to DIS

FROM - Guatemala

SUBJECT - Project Evaluation Summary

REFERENCE -

Following is Project Evaluation Summary for "Financiera Industrial y Agropacuaria, S.A., II, A.I.D. Loan 520-L-022".

BOSTER

Attachment: PES No. 79-2. 90 Mail ROOM 11/9/78

med 5/2/79

PAGE 1 OF 1 PAGES

DRAFTED BY CDO; TStukel: sr	OFFICE CDO	PHONE NO. X-214	DATE 10/30/78	APPROVED BY: ADIR; ECarrasco
--------------------------------	---------------	--------------------	------------------	---------------------------------

A. I. D. AND OTHER CLEARANCES
PRM; GAH11

UNCLASSIFIED
CLASSIFICATION

PROJECT EVALUATION SUMMARY (PES) -- PART I

Ref. Symbol U-247

1. PROJECT TITLE Financiera Industrial y Agropecuaria, S. A., II	2. PROJECT NUMBER 520-L-022	3. MISSION/AID/W OFFICE USAID/Guatemala
	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) <u>79-2</u>	

5. KEY PROJECT IMPLEMENTATION DATES			6. ESTIMATED PROJECT FUNDING A. Total. \$ <u>10.5</u> M B. U.S. \$ <u>5</u> M	7. PERIOD COVERED BY EVALUATION	
A. First PRO-AG or Equivalent FY <u>72</u>	B. Final Obligation Expected FY <u>75</u>	C. Final Input Delivery FY <u>76</u>		From (month/yr.) <u>4/73</u>	To (month/yr.) <u>8/78</u>

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

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
N/A		

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS

<input type="checkbox"/> Project Paper	<input type="checkbox"/> Implementation Plan e.g., CPI Network	<input type="checkbox"/> Other (Specify) _____
<input type="checkbox"/> Financial Plan	<input type="checkbox"/> PIO/T	<input type="checkbox"/> Other (Specify) _____
<input type="checkbox"/> Logical Framework	<input type="checkbox"/> PIO/C	
<input type="checkbox"/> Project Agreement	<input type="checkbox"/> PIO/R	

10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT

A. Continue Project Without Change

B. Change Project Design and/or Change Implementation Plan

C. Discontinue Project

11. PROJECT OFFICER AND HOST/COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)

Thomas W. Stukel
Thomas W. Stukel
Capital Development Officer

12. MISSION/AID/W OFFICE DIRECTOR APPROVAL

Eliseo Carrasco
Eliseo Carrasco, ADIR

Date
October 30, 1978

13. Summary

This Loan project has now been completed. It was a follow-up project to AID Loan 520-L-013. Both projects had as their purpose the establishment and strengthening of a private development bank in Guatemala (FIASA) which would make medium and long-term loans to, and investments in, private industrial enterprises in Central America as well as agricultural loans and investments. It was planned that at the end of the project FIASA would be self-sufficient and able to provide medium and long range venture capital to new and small businesses as well as established firms and individuals. Criteria for acceptance of a subloan include likelihood of increasing the demand for skilled and unskilled labor, increased production and exports to non Central American Markets, increased use of Guatemala raw materials, production of goods which require minimum tariff protection, and improved agro-industrial linkages. Two million dollars of the \$5 million loan was earmarked for new rather than on-going activities and \$500,000 was earmarked specifically for small businesses.

The major problem encountered during this project was the disbursement of \$500,000 by FIASA in the form of loans for small businesses and businessmen (defined as those with less than \$50,000 networth). Because of problems discussed below only \$160,000 of the \$500,000 was approved for small business loans and the remaining amount available was deobligated. No other significant problems were encountered during the course of the Project and FIASA has emerged as a strong and viable private development bank.

14. Evaluation Methodology

This is a final evaluation. Methods used included a review of progress reports, financial statements, annual audit reports, and other relevant documentation plus interviews with personnel connected with the Project.

15. External Factors

No major external factors have affected the course of this project. One difficulty encountered was obtaining bills of lading and letters of credit from U.S. suppliers to small purchasers. There were a few cases in which U.S. suppliers refused to supply a

small order. This is cited by FIASA as one of the reasons that more loans could not be extended to small businesses and business people. Although the GOG and Bank of Guatemala declined to assume the maintenance of value (MOV) risk of this loan, the difficulty was resolved through the negotiation of other restrictions on FIASA through which they themselves were able to assume the MOV clause.

16. Inputs

There were no problems encountered concerned with inputs to this project.

17. Outputs

\$4,660,000 was disbursed in loans for 241 separate projects which met FIASA criteria for contribution to national development. An estimated 2060 jobs were created as a result of this loan based on a capital-labor ratio of \$5,495/job and a 1.43 multiplier effect for indirect service related jobs.* While the employment generated figure is only a rough estimate and no project quantitative goals were set for employment generated, the figure does indicate that some employment was produced as a result of this project. Other outputs include the stimulation of agriculture, service, and industrial activities which contribute to the overall development of the national economy.

18. Purpose

The project purpose was to establish and strengthen a private development bank in Guatemala which would make medium and long-term loans to private industrial and agricultural enterprises and individuals. FIASA is now a strong and viable organization. Total assets at the end of 1977 were \$15,126,488.46 while total liabilities stood at \$11,007,253.17. Total capital and earnings were listed as \$3,769,356.05 in the 1977 annual audit. FIASA has secured a \$1 million dollar loan from EXIMBANK adding to its portfolio and international standing. The major weakness continues to be FIASA's lack of ability to provide loans to extremely small business and entrepreneurs.

* Data from Guatemalan National Economic Planning Council for CY 1974.

19. Goal/Subgoal

The overall goal of the loan is the establishment, expansion, and more efficient operation of private business in the industrial, agricultural, and service sectors of the Guatemala economy in order to stimulate national and regional economic development. \$2 million was loaned for new business enterprises and \$2.5 million for expansion of ongoing activities. Selection of Borrowers was selective and criteria for selection emphasized contribution to national development goals. There are several cases in which a direct contribution to the national economy can be identified such as a silica plant which is the first of its kind in Guatemala eliminating the need for importation of this commodity.

20. Beneficiaries

This project was planned and implementations begun before the new directions of the 1973 Foreign Assistance Act significantly changed target beneficiaries for all A.I.D. projects. Consequently the major beneficiaries of this project were the businesses and business people who obtained available financing as a result of this project. Indirect beneficiaries were the people who obtained employment as a result of the expansion of various industrial, agricultural, and service enterprises.

21. Unplanned Effects

There were no unexpected results or impact from this Project except the difficulty encountered in providing loans to small businesses. This difficulty is attributed to problems in obtaining guarantees or collateral for small business loans, the inelligibility of suitable types of equipment and machinery for some small businesses (frequently only a foreign made product was acceptable), and to difficulty in obtaining adequate service, bills of lading, and necessary letters of credit for small orders from American suppliers. These difficulties have been observed in private development banks in other countries and thus were not completely unexpected.

22. Lessons Learned

There must be a built in specific strategy designed to insure that financing will be made available to small businesses. This

22nd p.c.

strategy will probably necessitate additional personnel such as procurement specialists and investigators. Such measures may add considerable cost to and as a result more concessional terms for the Central A.I.D. Loan.]

23. Special Comments or Remarks

N/A