

A EVALUATION SUMMARY - PART XID-ABQ-692-A 92543

1 BEFORE FILING OUT THIS FORM READ THE ATTAC INSTRUCTIONS
 2 USE LETTER QUALITY TYPE NOT DOT MATRIX TY

IDENTIFICATION DATA

A Reporting AID Unit Mission or AID/W Office <u>EL SALVADOR</u> IES# _____	B Was Evaluation Scheduled in Current FY Annual Evaluation Plan? Yes <input checked="" type="checkbox"/> Skipped <input checked="" type="checkbox"/> Ad hoc <input type="checkbox"/> Evaluation Plan Submission Date FY <u>0</u>	C Evaluation Timing Interim <input type="checkbox"/> Final <input checked="" type="checkbox"/> Ex Post <input type="checkbox"/> Other <input type="checkbox"/>
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D Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated if not applicable list title and date of the evaluation report.)

Project No	Project /Program Title	First PROAG or Equivalent (FY)	Most Recent PACO (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
USAID No 519-0387-A-00- 3233-00	Small Enterprise Support	Sept 1993	May 1997	\$5 0M	\$5 0M

ACTIONS

E Action Decisions Approved By Mission or AID/W Office Director Action(s) Required	Name of Officer Responsible for Action	Date Action to be Completed
NONE		

(Attach extra sheets if necessary)

APPROVALS

F Date Of Mission Or AID/W Office Review Of Evaluation (Month) (Day) (Year)

G Approvals of Evaluation Summary And Action Decisions

	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
Name (Typed)	Sandra Lorena Duarte	Ana Cristina Mejia	Kenneth Ellis	
Signature	<i>[Signature]</i>	<i>[Signature]</i>	<i>[Signature]</i>	
Date	12-27-97	12/30/97		

ABSTRACT

H Evaluation Abstract (Do not exceed the space provided)

The project aims to increase employment and income opportunities for salvadorans from lower socio-economic groups especially in National Reconstruction Program (NRP) areas. The project was implemented by the small and micro-enterprises promotion program of The Salvadoran Foundation for Economic and Social Development (PROPEMI/FUSADES). This final evaluation (march 31- may28/97) was conducted by Desarrollo, Investigacion y Consultoria S A de C v (DEICO) teams on the basis of (1) survey to 111 credit clients/users, (2) project documents provided by PROPEMI/FUSADES, and (3) appraisals of officials and persons directly related to the project. The purpose was to promote the development of small enterprises, specially those located within NRP zones, through the provision of credit, training and technical assistance. The major findings and conclusions are:

- This well-managed project became one of the most effective forms to carry out training, assessment and credit services to entrepreneurs located in zones where the level of poverty is very high
- The implementing agency after the project is a sustainable institution
- The quality of human resources is one of the strengths that has identified the implementing agency with its clients
- The training and enterprise assessment guaranteed the health of a loan portfolio

The evaluators noted the following "lessons"

- The institutional, credibility and presence of the implementing organization contributed to its success
- The short-term operating and financial sustainability of promotion and development programs for small and microenterprises do not guarantee their long-term sustainability
- The development and implementation of management information systems are indispensable to guaranteeing timely and transparent registries for administering financial programs efficiently
- The financial success of credit promotion and development programs are related directly to both its personnel stability and the integration of the credit component with training and technical assistance

COSTS

I Evaluations Costs

Name	1 Evaluation Team	Affiliation	Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U S \$)	Source of funds
Héctor Armando Maldonado Carlos Arturo Flores Raúl Antonio Montesinos Carlos Antonio Zavala José Eduardo Navarro		Team Leader	519-0387-0-00 -7053-00	218,216 00 (\$25,522 33)	Activity Funds 519-0387 Element VI
2 Mission/Office Professional Staff			3 Borrower/Grantee Professional		
Person-Days (Estimate) _____			Staff Person-Days (Estimate) _____		

A.I D EVALUATION SUMMARY - PART II

SUMMARY

J Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided) address the following items

- | | |
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| <ul style="list-style-type: none"> • Purpose of evaluation and methodology used • Purpose of activity(ies) evaluated • Findings and conclusions (relate to questions) | <ul style="list-style-type: none"> • Principal recommendations • Lessons learned |
|--|--|

Missions or Office

Date This Summary Prepared

Title And Date Of Full Evaluation Report

USAID/EL SALVADOR

September 30/97

October 17, 1997

The purpose of the project was to promote the development of the small enterprise with an emphasis on National Reconstruction Program (PRN) zones through providing credits training and technical assistance. The project defined four specific goals: (1) Average income increase for firms assisted, in excess of 30%; (2) Average employment creation of one job by each firm assisted for a total of 7,363 new jobs during the life-of-project; (3) Higher percentage of credits placed in areas of influence of the PRN; (4) Higher percentage of beneficiaries in areas determined to be ex-conflictive, with 4,417 jobs created during the life-of-project. The evaluation included a review of major project activities: rotating credit line usage, non-credit training activities, technical assistance, investment and development; and project management, supervision and evaluation.

The evaluation was conducted within the framework of project goals and achievements, project impact at the client/beneficiary, institutional, managerial, financial and technical levels, the financial situation in relation to its financial and operational sustainability; and, the project's impact by gender.

The methodology used was to conduct and analyze a survey among 111 credit clients, review documents provided by USAID and implementing agency and data collection from officials and persons directly related with the project.

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Findings and Conclusions

ROTATING CREDIT LINES

The records show that 52.2% of the original funds were assigned to clients within the PRN and 47.8% to non-PRN clients. However, of the total loans awarded during the life-of-project, 43% were made to microentrepreneurs residing in the zones classified as PRN and 57% to enterprises in non-PRN areas. The majority of borrowers were located in the bigger cities of the zones served or close to them, specifically those classified in the PRN. This achieved one project objective.

The global goal for loans was achieved by making a total of 1,507 loans with a total value of \$6,425,787. Of these loans, men received 56% and women 44% in terms of the number of loans, and men received 64% and women 34% in terms of their value. By sector, trade received 45% of loans made by number and 47% by value, and industry and services received 55% by number and 53% by value.

It was confirmed that 100% of PROPEMI S clients were the direct owners and/or administrators of their companies, financed with their own capital. 98% were small or microenterprises with assets under US\$11,500, and 80% percent of the initial loans were made for amounts of US\$1,150.

The businesses that received loans generated and strengthened 6 jobs per loan. Overall, the project generated and/or strengthened a total of 9,144 jobs exceeding its goal by 24%. Of these jobs, 33% were new, and 48% were obtained by women. In PRN zones, 3,036 jobs were generated and strengthened, corresponding to 71% of the total goal. This underscores the success of microenterprise development projects and the generation of employment for relatively disadvantaged populations. Thus, the clients have experienced improvements to their standards of living, levels of savings, businesses assets as well as their income.

The total portfolio as of December 1996 showed an amount of US\$96,083 in overdue payments (outstanding debt) equal to 4.3% of the portfolio. Hence, outstanding debt for overdue payments (4.3%) does not appear to represent a significant risk for PROPEMI's total portfolio. However, since the affected outstanding portfolio is 18.1% of the total, it is a matter of concern if the proper measures for its recuperation are not taken.

The use of credit reflows was related positively to the larger rotation, improved portfolio health, more solid enterprises and more selective placement in non-PRN zones. However, in PRN zones credit was made to entrepreneurs with a greater geographic mobility at longer terms, and to weak enterprises with poor entrepreneurial organization.

The study confirmed that PROPEMI maintained a similar commercial/financial system interest rate during the life-of-project.

IMPACTS BY GENDER

The impacts observed by gender are noteworthy. Forty percent of the loans granted and 36% of the funds disbursed during the life of the project went to women-owned businesses. These women also received 44% of the project training provided and obtained 48% of the jobs created.

Change was observed between the financing received. With the first loan, 80% received credits for amounts under US\$1,150 and with the last, 94% received loans for amounts between US\$1,150 and over US\$11,500. Further, the evaluation unearthed no evidence of restrictions to women's access to and participation in project activities.

In businesses owned by men, 53% of the wives/life companions participated in the activities of the business, 29% provided funds to initiate the businesses, 53% participated in making decisions for the business and 45% participated in the administration of the business.

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TRAINING

The data show that 7 912 beneficiaries have received some type of training

Project clients indicated that 73% of those surveyed did not received any training from PROPEMI. However, of those who did, 88% said that the training has helped them to improve communications with their employees, the organizational capacity of the business and relations with clients as well as their own families

TECHNICAL ASSISTANCE

The training as well as the credit assessment offered have been important in maintaining the portfolio's outstanding debt at a relative low level. Of the PRN's portfolio, an average of five visits per loan were made. Average visits to non-PRN clients were 2.5. To follow-up on the loans, 5,390 credit assessments were made

INVESTIGATION AND DEVELOPMENT

The project conducted a study that identified information from the PRN municipalities considered in the implementation of the Project, and ascertained the infrastructure and conditions under which the economic activities of existing businesses would occur

PROJECT MANAGEMENT

In terms of organizational structure, PROPEMI had the required human, financial and technical resources to maintain the quality of the services offered to its clients. It designed and implemented a Portfolio Management System, which gave the program the necessary registries to provide information in a rapid, timely and transparent manner. This system includes statistics of balances and amounts, sources of funds and general data on approved loans. Through this system, one can obtain current reports by region, zone and the portfolio situation. A complementary Program Management System provide financial reports by region and cost center, and budgetary reports by month and cumulative reports by cost center and region

The analysis of its financial situation based on information provided by the institution for the 1994-1996 period showed that the program has achieved its operating and financial sustainability. However this sustainability cannot be guaranteed in the long run if PROPEMI does not receive sufficient financial support to allow for the growth of its present portfolio

MAJOR LESSONS LEARNED

- 1 The institutional, credibility, image and presence of an organization that promotes and develops projects for the small and microenterprise sector contribute to its success
- 2 The short-term operating and financial sustainability of promotion and development programs for small and microenterprises do not guarantee their long-term sustainability
- 3 The design, development and implementation of management information systems are indispensable to guaranteeing timely and transparent registries for administering financial programs efficiently
- 4 For marginal sectors work, identifying and characterizing target groups and providing the human resources to work with them is essential to achieve the goals and purpose
- 5 The success of microenterprise development programs does not depend on the gender assisted. Both have the same participation levels and development potentials
- 6 The financial success of credit promotion and development program are related directly to both its personnel's stability and the integration of the credit component with training and technical assistance

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S U M M A R Y (continue)

Recommendations

Project Goal and Purpose

- For its sustainability, PROPEMI relies on funds generated by interest earned from loans and commissions on credit assessments
- If it becomes a financial institution, it should consider contracting training and technical assistance services with specialized companies
- PROPEMI should share the lessons it learns with other organizations that have a similar target group

Institutional Sustainability

- PROPEMI should define its institutional position, whether it continues operating as a promotional program for small and micro enterprises or becomes a formal financial institution subject to the regulations of the Superintendency of the Financial System
- For PROPEMI to maintain long-term sustainable growth, its portfolio must increase sufficiently to reach a larger clientele
- To obtain better results from its resources, PROPEMI should invest liquid excesses in low-risk, easily recoverable bonds such as those issued by the Central Reserve Bank of El Salvador and the Ministry of Treasury as long as it does not violate any regulations
- In order to obtain the financial resources needed to expand its loan portfolio, PROPEMI should open agencies in the main cities of the country's interior, especially where there are no formal banking institutions
- The management information systems should be adequate for the demands of the Superintendency of the Financial System
- Install PROPEMI's Financial Information System with FUSADES as soon as possible, so that PROPEMI does not depend upon the centralized information system it has
- Install the Information System (SINFIN) to handle financial information by program/cost center

Gender

- PROPEMI must design methodologies for attention of family enterprises, especially those administered by women
- Training and technical assistance must be offered according to the needs and education level of women

ATTACHMENTS

K Attachments (List attachments submitted with this Evaluation Summary: always attach copy of full evaluation report even if one was submitted earlier, attach studies, surveys, etc., from "on-going" evaluation, if relevant to the evaluation report.)

Project Assistance Completion Report
Final Report (English)
Final Report (Spanish)
Annexes (English)
Annexes (Spanish)

COMMENTS

L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report

PROPEMI is one of the best financial NGO's in El Salvador; an effort that maybe USAID should promote as a success story. This is an NGO that took the challenge of starting provision of credit in areas considered "High Risk Areas". Through the use of the right methodology, highly qualified personnel, development of proper management information systems, etc they were able to achieve the goal of successfully giving small and micro credits in the ex-conflictive zones.

According to their financial balances, they have reached sustainability and they are covering all their costs. Additional funding may be appropriate to expand their portfolio due to the increasing demand for its services. This may help them reach a long-term sustainability, avoiding the risk of leaving the institution on their own before this situation is permanent.

They are still to decide if they will keep on being a financial program under the FUSADES structure or if they are interested in becoming a formal financial institution. Should they choose the second option, they have enough capital to do so.

FUSADES had no additional comments to the final report of the evaluation.

As a recommendation, in future Cooperative Agreements the difference between creating and strengthening jobs should be clearly made and the gender issue should be discussed since the beginning stages of design.

No further assistance to FUSADES is foreseen at the moment.