

PD-AAA-628-A1

Post Bogotá Colombia	No.	Classification UNCLASSIFIED	Page 1	Total Pages 13
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PROJECT EVALUATION SUMMARY

1. Mission or AID/W Office Name Capital Development Office			2. Project Number 514018.1 514-W-074	
3. Project Title Small and Medium Industry Development - Corporación Financiera Popular (CFP)				
4. Key project dates (fiscal years)				5. Total U.S. funding life of project \$ 5,000,000
a. Project Agreement Signed April 24/75	b. Final Obligation	c. Final input delivered 10/31/78		
6. Evaluation number as listed in Eval. Schedule	7. Period covered by this evaluation From: 6/30/76 To: 3/31/78 Month/year		8. Date of this Evaluation Review June 1978 Month/year	
9. Action Decisions Reached at Evaluation Review, including items needing further study (Note--This list does not constitute an action request to AID/W. Use telegrams, airgrams, SPARS, etc., for action)			10. Officer or Unit responsible for follow-up	11. Date action to be completed

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12. Signatures:	
Project Officer	Mission or AID/W Office Director
Signature: <i>James C. Suma</i>	Signature: <i>Jerry B. Martin</i>
Typed Name: James C. Suma	Typed Name: Jerry B. Martin
Title: Capital Development Officer	Title: Associate Director
Date: June 20, 1978	Date: June 20, 1978

13. **SUMMARY** - Summarize in about 200 words the current project situation, mentioning progress in relation to design, prospects of achieving purpose, major problems encountered, etc.

The Project consists of two key parts: a Special Credit Program and a Technical Assistance Program. The Special Credit Program was recently extended (until October 31, 1978) due to the inability to disburse through the GOC national budget system, all Loan funds destined for credit purposes before the close of the GOC 1977 fiscal year. This particular Loan is with "The Nation". Therefore all AID disbursements must pass through the national budget which is complex and time consuming. However all available Loan funds have been committed against specific eligible subloans for some time. (The amount of available Loan funds does change, dependent on exchange rate and GOC budgetary approvals. However the prior statement is basically correct.) Note the AID Loan allows disbursement on a reimbursement basis with AID reimbursing 40% of those eligible subloans made by CFP.

It should be noted that a Logical Framework specifying project Goal, Purpose, Inputs and Outputs does not exist and that the processing of the Loan was subject to

14. **EVALUATION METHODOLOGY** - Describe the methods used for this evaluation, i.e. was it a regular or special evaluation? was it in accordance with the Evaluation Plan in the PP with respect to timing, study design, scope, methodology and issues? What kinds of data were used and how were they collected and analyzed? Identify agencies and key individuals participating and contributing.

This was a delayed regular evaluation. No Evaluation Plan was set forth in the P.P. Regular Borrower reports supplemented by latest data was utilized in preparing this report. The USAID Project Managers (American and Local) were the major contributors.

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15. Documents to be revised to reflect decisions noted page 1 (other side:)

Project Paper (PP) Logical Framework CPI Network Financial Plan

PIO/T PIO/C PIO/P Project Agreement Other

This evaluation brought out ideas for a new project -- a Project Identification Document (PID) will follow.

UNCLASSIFIED
Classification

Continuation Sheet 13. - SUMMARY cont' - special considerations. The following reflects the disbursement status of the Special Credit Program.

<u>Disbursement Request #</u>	<u>Amount Million Pesos</u>
9	5.7
10	11.8
Plus funds previously disbursed	<u>97.9</u>
	114.9
Available AID Loan funds	145.0
Balance	30.1 **

** Balance could be Col\$35.1 million, based on a change in the exchange rate as of late November and passage of necessary GOC resolution.

In May 1977 the USAID agreed to extend the terminal date for the Technical Assistance Program an additional year i. e. from Oct. 31, 1977 to Oct. 31, 1978 for reasons briefly described hereafter. This activity was delayed substantially due to tardiness in staff mobilization at CFP and limiting technical factors such as selection of areas for T. A. based on verified field requirements, obtaining the confidence of local entrepreneurs, recruitment of appropriate technical expertise, etc. The TA Program did not really get underway, in terms of field activity, until the start of CY 1977. It was decided to provide CFP an additional year to allow adequate time to implement the TA Program; because of the need for advance planning, the extension was provided early on. The following reflects the disbursement status of the Technical Assistance Program.

<u>Disbursement Request #</u>	<u>Amount Million Pesos</u>
2	1.5
3	1.3
5	1.4
6	5.3
7	<u>2.3</u>
	11.8
Plus funds previously disbursed	<u>.1</u>
TOTAL	11.9
Available Loan Funds	36.3
Balance to be disbursed	24.4 *

UNCLASSIFIED
Classification

BEST AVAILABLE DOCUMENT

Point	No.	Classification	Page	Page
		UNCLASSIFIED		

Continuation Sheet 13. -SUMMARY cont' - * Balance could be as much as Col\$25.4 million, based on a change in the exchange rate as of November 1977 and passage of necessary GOC resolution.

While the project has and is addressing directly two of the purposes originally intended, that is credit availability and technical assistance to small and medium industry, its total impact has been not great due to poor project design, substantial personnel problems within CFP and, as identified in the original Project Paper (p. 16) technical assistance transfer is a much more difficult task than sub-lending. A third purpose set forth in the Project Paper but not carried forward in the Project Agreement, was "development and refinement of institutions serving the small and medium industrialist". This is being addressed in a marginal way through the TA Program, i. e. collaboration with other institutions concerned with the small/medium industrial sector.

The project has been able to provide a large number of small businessmen with credit which they were unable to obtain elsewhere. Consequently, these businesses were able to expand and the credit users incomes increased. Because repayments of this credit are continuing to be supplied to other small businesses there is also a considerable multiplier effect to the credit provided by the AID loan. However, considering the magnitude of the demand for small industry credit in Colombia and the limited amount of funds provided by this loan-compared to the total needs of small and medium industry in Colombia, \$5 million is insignificant- it can not be expected that this project has had, or will ever be able to have, a strong, positive impact upon the problem. In retrospect, it is our opinion that the project should have been designed differently with the emphasis upon policy changes within the Government of Colombia which would have increased the total supply of credit to small industry. Whether or not \$5 million of AID funds would have been sufficient inducement to effect such policy changes is problematical.

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UNCLASSIFIED
Classification.

Post	No.	Classification	Page	Pages
		UNCLASSIFIED	3	of

15. Evaluation findings about EXTERNAL FACTORS - Identify and discuss major changes in project setting which have an impact on the project. Examine continuing validity of assumptions.

As previously noted, no Logical Framework exists for the project and, therefore, an examination of "assumptions" utilized in the original project design is not possible. As to "external factors", in general, turnover of personnel has had a significant negative impact on the project. However, turnover of personnel belonging to a quasi-government, financial institution is not new in the development field due to such factors as salary levels, government vs private sector opportunities, political factors, etc. A number of able CFP technical personnel were lost over the last year and a half with consequent loss to CFP and the CFP/AID program. Also due to similar market factors, there continues to be constant turnover in personnel assigned to the TA Program. Given the nature of the TA program whose implementation is acutely dependent on its personnel, the personnel turnover hindered implementation of the TA program even more than the Special Credit Program. There was a nearly complete turnover in CFP leadership in August/September 1977 whose underlying reason was political. A similar turnover can be expected after the Colombia national elections in June 1978.

17. Evaluation findings about GOAL/SUBGOAL - For the reader's convenience, quote the approved sector or other goal, (and subgoal, where relevant) to which the project contributes. Then describe status by citing evidence available to date from specified indicators and by mentioning progress of other projects (whether or not U.S.) which contribute to same goal. Discuss causes--can progress toward goal be attributed to project. why shortfalls?

No goal is specifically cited in the original Loan documentation. The drafter's reading of this original documentation, as embraced in subsequent Loan documentation is that the Project Goal was and is to assist the Colombian small and medium industrial sector.

While all current project activities serve to reinforce the above goal, both the design and magnitude of the 074 Loan project were inadequate to make any meaningful impact on the above goal. This observation is based on the fact that Colombia is a large country and the small/medium industrial sector is quite large. The amount of money involved under 074 is small relative to the total credit needs of Colombian small and medium industry. Greater impact could have been achieved through focusing on GOC credit policy for small/medium industry. However, this was not part of project design.

UNCLASSIFIED
Classification

Post	No.	Classification UNCLASSIFIED	Page	Page
			+	of

18. Evaluation findings about PURPOSE - Quote the approved project purpose. Cite progress toward each End-of-Project Status (EOPS) condition. When can achievement be expected? Discuss causes of progress or shortfalls.

The slightly modified Project Purposes as stated in the revised Loan Annex are:

1. Make credit available, through innovative credit activities, to small and medium size entrepreneurs who are unable or have difficulty obtaining credit from institutional sources.
2. Provide a source of technical assistance, needed for the growth of small and medium industry.

Both are being achieved to the extent program resources permit. However, as previously indicated, due to bad design, no quantitative benchmarks were developed in respect to the above Project Purposes. Therefore it is unrealistic to address progress toward "End of Project Status" since in the terms described in the PES "End of Project Status" was not described in any manner in Loan documentation.

19. Evaluation findings about OUTPUTS and INPUTS - Note any particular success or difficulties. Comment on significant management experiences of host contractor, and donor organizations. Describe any necessary changes in schedule or in type and quantity of resources or outputs needed to achieve project purpose.

No log-frame exists from which to derive specific Inputs and Outputs. However, in reading the PP, the following two Outputs have not and will not be achieved. In the judgement of the drafter, both activities were ill-conceived i. e. these two activities are not technically feasible and much too complex and sophisticated for CFP to implement.

- I Marketing Company
- II Guarantee Fund

The most significant Outputs achieved, to which the majority of AID Loan resources will go (4 of 5 mil U. S. or 80%) is a creditable workable Special Credit Program. The attached charts (charts: Confidence Credits, Community, Professional, Production Credit) demonstrate the subcredits made under each of the credit lines under the Special Credit Program. What stands out from this data, which has been verified in innumerable field trips, is:

- (1) the significant geographic dispersion in the utilization of the AID Loan funds;
- (2) the average small size of the subcredits granted;

UNCLASSIFIED
Classification

Post	No.	Classification	Page	Pages
		UNCLASSIFIED	of	

Continuation Sheet 19. -OUTPUTS and INPUTS cont' - (3) the innovative character, given traditional Colombian financial practices, of particularly two of the four credit lines under the Special Credit i. e. , the Confidence and the Productive Credit Lines and the social benefit of the third credit line, the Community Credit Line. All were objectives in original project planning.

Based on recent negotiations, CFP has convenanted to utilize all recuperations generated from this program to continue the program. Given that AID reimburses only 40% of eligible credits made, the above represents a major achievement under the project. As previously discussed under Section 15, the fault lies in that the Government has not seen fit to mobilize the considerable additional resources at its disposal, to address effectively the credit needs of the small and medium industrial sector that are huge compared to that credit presently available.

UNCLASSIFIED
Classification

Post	No.	Classification	Page	Pages
		UNCLASSIFIED	5	of

20. Evaluation findings about UNPLANNED EFFECTS - Has project had any unexpected results or impact, such as changes in social structure, environment, technical or economic situation? Are these effects advantageous or not? Do they require any change in plans?

See comments under Section 15 concerning External Factors which are pertinent to this section.

21. CHANGES in DESIGN or EXECUTION - Explain the rationale for any proposed modification in project design or execution which now appear advisable as a result of the preceding findings (items 16 to 20 above) and which were reflected in one or more of the action decisions listed on page 1 or noted in Item 15 on page 2:

(Following comment relates to previous modification or lack thereof).

In the Fall of 1976, it was obvious that several subactivities contained in the original Project Description (Guaranty Fund and Marketing Company) would not prove feasible. Therefore, a revision to the Project Description, providing, among others, for the reprogramming of those funds previously budgeted for these activities to another innovative credit activity was negotiated and executed in February 1977.

Concurrent with the above reappraisal, the status of the TA Program was examined. Certainly, sufficient activity had not yet taken place, to consider redesign of the TA Program. It was decided, at the same above time (Fall 1976) although not authorized until May 1977, to give the TA Program another year to prove itself. Whether the TA Program will prove technically feasible and efficient is yet too early to judge. However, the writer fears the TA Program, in its total context, will not prove technically sound since the right system for Colombia has yet to be developed.

UNCLASSIFIED
Classification

Post	No.	Classification	Page	Pages
		UNCLASSIFIED	6	of

22. LESSONS LEARNED - What advice can you give a colleague about development strategy--e.g., how to tackle a similar development problem or to manage a similar project in another country? What can be suggested for follow-on in this country? Similarly, do you have any suggestions about evaluation methodology?

The poor design of the project reflected in part the lack of hard critical analysis which preparation of a logical framework would have aided in revealing. Likewise there appeared to be a lack of technical expertise employed in the formulation of the project because as explained under block 19, several activities were proposed that were subsequently revealed as not technically sound.

As for the TA Program on which a final judgement still has to be made, it would appear that the best possible technical expertise should have been recruited early on and assigned full time to monitor the program. Given the technical complexity of this type of program, reliance on internal institutional capability proved deficient.

To summarize, the principle lesson learned is that whereas lending money at favorable terms in a credit short situation is relatively easy, small/medium industrial technical assistance is a tough and difficult task. A secondary lesson is that in an economy as large as Colombia, greater impact could have been achieved if policy reforms and institutional changes had been intended as part of the project. With limited funds, such an approach would appear as the only rationale approach to take-- noting that the leverage from limited funding may not be adequate to bring about the needed changes.

23. SPECIAL COMMENTS or REMARKS (For AID/W projects, assess likelihood that results of project will be utilized in LDC's).

UNCLASSIFIED
Classification

AID LOAN 514-W-074
CORPORACION FINANCIERA POPULAR

Program: Confidence Credits

As of March 31, 1978

Department	Amount Col. (\$000)	No.	Project Value Col. (\$000)	Employment per Project Col. (\$000)	Cost per new Job Col. (\$000)
Cundinamarca	22.995.5	197	27.063.1	454	59.6
Santander	15.187.0	167	18.724.1	255	73.4
Nariño	14.424.0	319	16.327.3	607	26.9
Norte Santander	13.289.3	168	14.726.2	290	50.5
Quindío	8.597.0	170	10.958.6	306	35.8
Boyacá	6.144.9	57	11.216.4	135	83.1
Caldas	5.839.7	100	7.327.8	161	45.5
Tolima	5.485.0	59	8.722.7	116	75.2
Valle	5.406.7	182	10.208.7	474	21.5
Risaralda	5.383.0	69	7.852.1	149	52.7
Antioquia	3.973.0	56	4.960.4	100	49.6
Huila	3.607.0	65	4.431.7	116	37.6
Atlántico	2.670.0	26	3.611.3	71	50.9
Cauca	1.091.0	33	1.595.0	97	16.4
Bolivar	732.0	16	762.6	30	25.4
Meta	500.0	3	635.6	6	105.9
Cesar	470.0	6	928.3	20	46.4
Sucre	215.0	2	316.4	6	52.7
Chocó	100.0	2	109.0	2	54.5
Córdoba	25.0	1	50.0	2	25.0
TOTAL	116.135.1	1.698	150.527.3	3.397	44.3

AID LOAN 514-W-074
CORPORACION FINANCIERA POPULAR

Program: Community

As of September 30/77

Department	Amount Col. (\$000)	No.	Project Value Col. (\$000)
Boyacá	27.674.3	9	29.341.7
Cundinamarca	5.350.0	2	5.350.0
Santander	2.960.0	6	4.510.6
Bolívar	2.750.0	2	5.211.0
Antioquia	1.970.0	3	2.220.0
Caldas	1.670.0	5	1.751.9
Valle	1.375.0	6	1.643.4
Nariño	194.0	1	194.0
Norte Santander	155.1	2	199.4
Risaralda	55.0	1	107.0
Atlántico	42.5	1	42.5
TOTAL	44.195.9	38	50.571.5

AID LOAN 514-W-074
CORPORACION FINANCIERA POPULAR

Program: Professional

As of September 30, 1977

Department	Amount Col. (\$000)	No.	Project Value Col. (\$000)	Employment per Project Col. (\$000)	Cost per new Job Col. (\$000)
Cundinamarca	46.267.9	79	76.422.2	597	128.0
Antioquia	10.352.0	10	13.762.8	83	165.8
Tolima	10.260.0	15	18.079.2	123	147.0
Santander	9.580.0	24	17.906.3	67	267.3
Risaralda	9.098.0	21	17.861.5	111	160.9
Valle	7.363.0	22	12.377.0	79	156.7
Quindío	5.327.0	14	10.575.9	59	179.3
Atlántico	4.900.0	7	7.845.5	28	280.2
Huila	3.310.0	10	5.701.3	47	121.3
Bolívar	3.200.0	4	3.956.8	37	106.9
Norte Santander	2.955.0	27	3.223.3	75	43.0
Boyacá	1.500.0	2	3.154.7	17	185.6
Nariño	1.400.0	5	2.350.0	18	130.6
Caldas	1.342.4	5	6.186.3	9	687.4
Cesar	300.0	1	326.7	9	36.3
TOTAL	117.155.3	246	199.729.5	1.359	147.0

AID LOAN 514-W-074
CORPORACION FINANCIERA POPULAR

Program: Production Credit

As of March 31, 1978

Department	Amount Col. (\$000)	No.	Project Value Col. (\$000)	Employment per Project Col. (\$000)	Cost per new Job Col. (\$000)
Cundinamarca	5.600.0	9	10.196.8	47	216.9
Risaralda	4.200.0	1	5.225.0	7	746.4
Antioquia	4.140.0	7	5.336.0	22	242.5
Valle	3.600.0	3	6.513.0	14	465.2
Atlántico	2.500.0	3	3.530.0	4	882.6
Caldas	2.330.0	4	4.854.8	10	485.5
Huila	1.500.0	3	2.547.0	5	509.4
Santander	900.0	1	1.555.0	4	388.7
Nariño	30.0	1	31.2	1	31.2
TOTAL	24.800.0	32	39.789.0	114	349.0