

5190094-5

A.I.D. Reference Center
Room 1656 NS

PD-AAA-784-CI

AID 1020-28 (7-68) PROJECT APPRAISAL REPORT (PAR) (U-446) See M.O. 1026.1 SECURITY CLASSIFICATION UNCLASSIFIED 001 PROJECT NUMBER 519-11-810-094

002 PAR MO. DAY YR. AS OF: 0 03 06 9 003 U.S. OBLIGATION SPAN FY 6 1 Thru FY 7 2 004 PROJECT TITLE Rural Community Development (Credit Union Development) 005 COOPERATING COUNTRY - REGION - AID/W OFFICE EI. SALVADOR, L.A.

006 FUNDING TABLE

AID DOLLAR FINANCING-OBLIGATIONS (\$000)	TOTAL	CONTRACT (NON-ADD)	PERSONNEL SERVICES			PARTICIPANTS		COMMODITIES		OTHER COSTS	
			AID	PASA	CONTRACT	DIR. PASA	CONTRACT	DIR. PASA	CONTRACT	DIR. PASA	CONTRACT
CUMULATIVE NET THRU ACTUAL YEAR (FY 1969)	354	155			143	34		37		128	12
PROPOSED OPERATIONAL YEAR (FY 1970)	252	107			50	15		30		100	57

CCC VALUE OF P.L. 480 COMMODITIES (\$000) → Thru Actual Year : -0- Operational Year Program : -0-

007 IMPLEMENTING AGENCY TABLE

If contractors or participating agencies are employed, enter the name and contract or PASA number of each in appropriate spaces below; in the case of voluntary agencies, enter name and registration number from M.O. 1551.1, Attachment A. Enter the appropriate descriptive code in columns b and c, using the coding guide provided below.

TYPE CODE b	TYPE CODE c	a. IMPLEMENTING AGENCY	TYPE CODE		d. CONTRACT/PASA/VOLAG NO.	e. LEAVE BLANK FOR AID/W USE	
			b.	c.			
1. U.S. CONTRACTOR	0. PARTICIPATING AGENCY	CIUNA International	1.	?	csd-1526		
2. LOCAL CONTRACTOR	1. UNIVERSITY		2.	al			
3. THIRD COUNTRY CONTRACTOR	2. NON-PROFIT INSTITUTION		3.				

PART I - PROJECT IMPACT

I-A GENERAL NARRATIVE STATEMENT ON PROJECT EFFECTIVENESS, SIGNIFICANCE & EFFICIENCY.

This summary narrative should begin with a brief (one or two paragraph) statement of the principal events in the history of the project since the last PAR. Following this should come a concise narrative statement which evaluates the overall efficiency, effectiveness and significance of the project from the standpoint of:

- (1) overall performance and effectiveness of project implementation in achieving stated project targets;
- (2) the contribution to achievement of sector and goal plans;
- (3) anticipated results compared to costs, i.e., efficiency in resource utilization;
- (4) the continued relevance, importance and significance of the project to country development and/or the furtherance of U.S. objectives.

Include in the above outline, as necessary and appropriate, significant remedial actions undertaken or planned. The narrative can best be done after the rest of PART I is completed. It should integrate the partial analyses in I-B and I-C into an overall balanced appraisal of the project's impact. The narrative can refer to other sections of the PAR which are pertinent. If the evaluation in the previous PAR has not significantly changed, or if the project is too new to have achieved significant results, this Part should so state.

008 NARRATIVE FOR PART I-A (Continue on form AID 1020-25 I as necessary):

MISSION DIRECTOR APPROVAL → SIGNATURE L. Paul Dechli DATE Oct. 24, 1969

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PART 1-A

I. HISTORY OF PROJECT

From 1950 to 1964 a small number of credit unions were initiated by the Ministry of Labor, religious organizations and by individuals acting on their own initiative. There was no attempt in this early period at cooperation or coordination among these individual unions, located throughout the urban areas of the country. This, along with a lack of guidance and experience, resulted in duplication of effort and under utilization of financial and human resources. Growth occurred slowly and at the end of fourteen year period 54 credit unions existed with a total membership of 8,700 and savings of \$597,800.

In 1964 a contract was drawn up between ROCAP and CUNA International (Credit Union National Association) in order to stimulate urban credit union growth and development on a planned, organized basis, utilizing modern concepts adapted to local conditions. The first step was an attempt to persuade the existing credit union federations to work together on a coordinated basis under common criteria. The initial response of willingness and enthusiasm was short-lived. It became readily apparent that the individual organizations resisted changing their varying concepts and operational systems and could not work together harmoniously. Some federations would not standardize their accounting procedures to facilitate audit reports and forms preparation; some would not allow their unions to be audited; others feared a loss of identity and control over their members.

In 1965, as a result of these difficulties, the emphasis of the program was shifted. CUNA began to organize an independent credit union movement with the intention to invite membership of the existing credit unions at a later date into a National Credit Union Federation. A contract (PIO/T) was signed in October 1965 for \$37,000 which provided for the services of four local technicians (extensionists) and one secretary to work with the CUNA/AID technician (funded separately) in the organization of the credit unions and in the provision of technical assistance to the groups. A series of targets were drawn up, which included the establishment of 250 credit unions by 1969, serving 50,000 members, with savings of \$500,000^{1/}. This new emphasis focused

^{1/} These targets have been modified over time. The most recent projection is for 160 credit unions with 30,000 members and \$5 million in savings by 1972. See Part 1-B-1 #1 for details.

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almost exclusively on the organization of credit unions in the urban areas, where small but clearly defined groups of workers exist, and where the chances were considered best for a rapid expansion of the movement.

In June 1966 the National Federation of Credit Unions, FEDECACES (Federación de Cooperativas de Ahorro y Crédito de El Salvador), was organized. This was considered a major step in the development of the program.

In December 1966 the first Project Agreement with FEDECACES was signed for \$35,000. The targets specified were the promotion and organization of 150 credit unions with 30,000 members, \$3 million in savings, and \$7.5 million in loans by 1970. In addition the Agreement called for FEDECACES to "... function as a self-sustaining, dues-supported organization capable of supporting cooperative principles and the development of credit unions."

In February 1968 the second Project Agreement was signed for \$34,000.^{2/} Among other targets, this agreement called for FEDECACES to ".....become progressively self-supporting and able to assume part of its operating expenses in the amount of \$3,000 for CY-1968, and to be completely self-supporting by the end of CY-1971.

The third Project Agreement, in the amount of \$101,000,^{3/} was signed in January 1969. It called for FEDECACES to assume \$6,000 in operating expenses during CY-1969 and to be self-supporting by the end of 1972.

FEDECACES currently is developing a special policy for agricultural credit unions, called Directed Agricultural Production Credit (DAPC), which essentially assists members of the cooperatives through (1) crop loans; (2) quantity purchasing of agricultural inputs (fertilizers, insecticides, etc.); (3) technical assistance in crop production; and (4) marketing assistance. In one area of the country plans are underway to coordinate the activities of an agricultural cooperative with an urban cooperative of market women, thus eliminating middlemen and

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yielding higher returns to both farmers and market women.

In the discussion which follows, the following terms will be used:

CUNA -- Credit Union National Association.

FEDECACES -- Federación de Cooperativas de Ahorro y Crédito de El Salvador.

DAPC -- Directed Agricultural Production Credit.

The terms "credit union" and "cooperative" will be used interchangeably.

2. OVERALL EFFICIENCY, EFFECTIVENESS, AND SIGNIFICANCE OF THE PROJECT.

A. Overall Performance and Effectiveness of Project Implementation in Achieving Stated Project Targets.

The targets for this project have been modified considerably since they were first established in the FY-1966 Country Assistance Program Book. Owing basically to an extreme emphasis by CUNA AND A.I.D. on creating as many credit unions as possible within the shortest time possible, FEDECACES assigned a low priority to assisting member credit unions in qualitative improvements. As a result, membership and savings have not increased at desirable rates. Since FEDECACES derives its revenues from the dues payments of the member credit unions, and since these dues payments are a fixed percentage (2%) of the level of savings (up to a maximum of \$400 dollars per credit union per year), the revenues of FEDECACES have likewise not reached projected levels.

B. The Contribution to Achievement of Sector and Goal Plans.

The organization of an economically sound Federation of Credit Unions, one of the major goals of the project, has suffered from the above situation, in which the personnel of FEDECACES do not have the time to work with the individual credit unions in improving their services and procedures and thus in moving both FEDECACES and the member unions closer toward economic self-sufficiency.

Additionally, and perhaps more important, the development of FEDECACES as an institution has not been given the priority which it should have had. Few targets were specified which dealt exclusively with the improvement of the organizational structure or the Human Resources of the institution. The institution which has developed is one which vests power in the hands of a small group of persons

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which (for reasons discussed in Part I-C) do not always understand or act in the best interests of FEDECACES,

C. Anticipated Results Compared to Costs, i.e. Efficiency in Resource Utilization

At the end of CY-1968, the project had received a total of \$125,000 in grant funds. This will rise to approximately \$239,500 by the end of CY-1969.

In the approximately four years that this project has been operating, a total of 93 credit unions have been formed, with slightly over 9,000 members, and over \$400,000 in savings.

In addition to these quantitative achievements, there have been other benefits which are difficult to quantify: many of the present members of the credit unions were paying exorbitant interest rates (some as high as 40% per month!) to strong-armed money lenders, and many were simply unable to borrow funds even at high interest rates. Thus, the creation of cooperatives has played an important role in raising or improving standards of living, and in assisting low income persons to remove themselves from situations in which they were heretofore inextricably in debt.

Nevertheless, for reasons discussed throughout this PAR, it appears that resources could have been used more efficiently both in establishing the credit unions and in assisting the institutional development of FEDECACES. With certain recommended changes in project targets and in the organizational structure of FEDECACES, it is believed that a more efficient utilization of resources would be possible in the future.

D. The Continued Relevance, Importance and Significance of the Project to Country Development and/or the Furtherance of U.S. Objectives.

This project is important to the economic development of El Salvador and the furtherance of U.S. Title IX objectives for a number of reasons: (1) as discussed above, it assists low income persons in avoiding the oppressive debt situations into which they often are forced by a combination of low salaries and unexpected family needs; (2) it provides a meaningful reason to save, structured to the needs and abilities of lower income groups; (3) it teaches the credit union members to work together for a common purpose and gives them the opportunity to exercise some control over their environment; (4) it, in some cases, brings two mutually dependent groups together (e.g. small

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agriculturists and market women) in such a way as to improve the standard of living of each; (5) it stimulates agricultural production; and (6) for all the reasons given above, it has a tendency, however slight, to create a more equitable distribution of income in a country characterized by extremely wide income differentials.

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PART I-B - PROJECT EFFECTIVENESS

009

I-B-1 - OUTPUT REPORT AND FORECAST - (See detailed instructions)

1. CODE NO. AID/W USE ONLY	2. This section is designed to record progress toward the achievement of each project output target which was scheduled in the PIP, Part II. Where progress toward a target is significantly greater or less than scheduled, describe reason(s) beneath the target.	ACTUAL AND PLANNED OUTPUTS (ALL DATA CUMULATIVE)				6. PROJE TOT FC PROJ. LIF																							
		3 ACTUAL CUM. TO DATE	4. AS OF PRIOR JUNE 30		5. PLANNED BY NEXT JUNE 30																								
			a. PLANNED	b. ACTUAL																									
	<p>No PIP has yet been prepared for this project. Project output targets, as specified in E-1 tables and the Project Agreements, have been modified over time. These targets are listed chronologically within each area of interest. The discussion which follows each area breakdown will attempt to evaluate the progress toward the targets.</p> <p>1. <u>ORGANIZATION OF CREDIT UNIONS --NUMERICAL TARGETS</u></p> <p><u>Targets</u></p> <p>a. <u>FY 1966 Country Assistance Program Book</u></p> <table border="1"> <thead> <tr> <th><u>Fiscal Year</u></th> <th><u>Number of Credit Unions Organized</u></th> <th><u>Number of Members</u></th> <th><u>Savings</u></th> </tr> </thead> <tbody> <tr> <td>1964-5</td> <td>30</td> <td>6,000</td> <td>\$ 60,000</td> </tr> <tr> <td>1965-6</td> <td>75</td> <td>15,000</td> <td>150,000</td> </tr> <tr> <td>1966-7</td> <td>135</td> <td>27,000</td> <td>270,000</td> </tr> <tr> <td>1967-8</td> <td>190</td> <td>38,000</td> <td>380,000</td> </tr> <tr> <td>1968-9</td> <td>250</td> <td>50,000</td> <td>500,000</td> </tr> </tbody> </table>	<u>Fiscal Year</u>	<u>Number of Credit Unions Organized</u>	<u>Number of Members</u>	<u>Savings</u>	1964-5	30	6,000	\$ 60,000	1965-6	75	15,000	150,000	1966-7	135	27,000	270,000	1967-8	190	38,000	380,000	1968-9	250	50,000	500,000				
<u>Fiscal Year</u>	<u>Number of Credit Unions Organized</u>	<u>Number of Members</u>	<u>Savings</u>																										
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- b. FY 1967 Country Assistance Program Book: 250 credit unions to be organized by FY 1969 serving 50,000 members with savings of \$1 million.
- c. FY 1968 Country Assistance Program Book: To promote the cooperative organization, including 180 credit unions with a membership of 36,000 families by 1970.
- d. FY 1969 Program Memorandum: To expand credit cooperative organizations, including 165 credit unions with a membership of 30,000 families, and savings of \$2.5 million by FY 1970.
- e. December 1966 and February 1968 Project Agreements: To promote organization of 150 credit unions, with 30,000 members, \$3 million in savings, and \$7.5 million in loans by 1970.
- f. January 1969 Project Agreement: To promote the organization of 160 credit unions, with 30,000 members, \$5 million in savings, and \$10 million in loans by 1972.

Evaluation of Targets

Table 1 shows the progress toward the numerical establishment of credit unions. As can be seen, the targets have consistently been overstated in comparison to the apparent ability and actual performance of FEDECACES. Moreover, the targets were not set in relation to local credit union needs. FEDECACES did not have the manpower necessary to organize credit unions at the rate projected, and does not now have sufficient manpower to both provide needed technical services to existing credit unions and to assist in the development of new organizations. As existing credit unions develop, they can be expected to increase their level of savings and hence their dues contribution to FEDECACES. Thus it would appear that future targets concerning the formation of new credit unions should be set quite low in order to allow FEDECACES to work with existing credit unions and to give those credit unions an opportunity to attain financial and technical self-sufficiency.

Membership and savings goals have fallen below projected levels. In a 1967 CUNA International evaluation of the program ^{1/}it was pointed

^{1/} Evaluation of CUNA/AID Program in El Salvador, C.A., CUNA International, Inc., Latin American Regional Office, Panama, 1967.

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out that membership should be increasing at a rate of sixty members per credit union per year, and that savings should be increasing at a rate of \$20 per member per year in order to reach an adequate base to support a self-sufficient Federation in a span of five years.

As Table 1 shows, average membership per credit union has grown from 75.6 in 1965 to 97.0 in 1969 (June), an average rate of increase of five to six members per year. The average level of savings per credit union member has risen from \$12.07 in 1965 to \$47.54 in June 1969, an average rate of increase of \$9 to \$10 per year. Thus, both rates of increase are considerably below CUNA's desirable levels. Again, this would appear to be at least partially a result of FEDECACES over-extending itself in an attempt to form new credit unions, while not allowing sufficient time to assist existing credit unions in the maturation process.

The level of accumulated loans also has failed to reach projected levels. In part this was due to low loan-savings ratios during the first few years of the program, but more importantly it is a result of a lack of savings. In target "e" accumulated loans were projected to be two-and-one-half times the level of savings, and in target "f" twice the level of savings. Accumulated loans are actually over three times the level of savings, indicating that if the projected savings levels had been attained, loans also would have reached projected levels.

2. ORGANIZATION OF CREDIT UNIONS -- NON-NUMERICAL TARGETS

Targets

a. FY 1966 Country Assistance Program Book: Credit unions to be organized in the urban and rural areas of El Salvador, and to cover initially those villages served by the Rural Mobile Health Program and the Brigades of Fundamental Education. This organizational effort to later be extended to other towns and villages in the country.

b. FY 1967 Country Assistance Program Book: Credit unions to be organized to concentrate initially on those villages served by the Rural Mobile Health Program, the Brigades of Fundamental Education, and Peace Corps Volunteers.

c. FY 1968 Country Assistance Program Book: Credit union activity to be expanded to include general support for the formation of agricultural cooperatives. In most cases consumer-producer cooperatives to be built from a credit union base. This target based on enactment of a Cooperatives Law.

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d. December 1966 Project Agreement: FEDECACES to promote the enactment of adequate legislation necessary to the enhanced growth of the cooperative movement.

e. February 1968 Project Agreement: To incorporate Peace Corps Volunteers as assigned by the Peace Corps Office in El Salvador to work in implementing the objectives of FEDECACES.

Evaluation of Targets

The majority of credit unions established have been in the urban areas of the country (See Table 1). The breakdown by type of credit union is shown in Table 2. The reason for establishing urban credit unions is explained in Part 1-A-1. The villages served by the Rural Mobile Health Programs, the Brigades of Fundamental Education, and Peace Corps Volunteers were not covered first as FEDECACES learned that it was often more feasible to use other locations where economic conditions and leadership abilities were more conducive to successful credit unions.

Intensive work with rural credit unions in the form of Directed Agricultural Production Credit (DAPC) has been started recently. Rather than making loans for both productive and consumer needs, the DAPC system makes loans only for productive purposes, and includes technical and purchasing assistance. In Table 3, a number of data are given comparing the two systems. DAPC appears to be progressing well in every category except the average savings per member which, although increasing is not increasing as rapidly as average savings in non-DAPC credit unions. As farmers begin to realize the value of the credit unions, this figure hopefully will increase at a faster rate.

The enactment of a Cooperatives^o Law still has not been achieved. At the present time the Minister of Economy is reportedly working with the appropriate Legislative Committee on some changes in a bill currently under study. It is possible that the bill will be approved within the next few months. The lack of a Cooperatives^o Law has made it necessary for credit unions to meet the same requirements for their charter as commercial establishments. Without a charter, a credit union may not legally accept savings, make loans, or receive bonding and insurance from FEDECACES.

Peace Corps Volunteers have worked with FEDECACES in implementing the objectives of the organization. However, Volunteers working as part of the FEDECACES office staff have been more valuable than rural Volunteers working with the individual credit unions. See Part C.2, 015.

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3. FINANCIAL SELF-SUFFICIENCY OF FEDECACES

Targets

a. FY 1966 Country Assistance Program Book: (Totals are cumulative)

<u>Fiscal Year</u>	<u>Annual Budget</u>	<u>A.I.D. Funds</u>	<u>Local Contribution</u>
1964-5	\$22,500	\$22,500	\$ 0
1965-6	23,000	23,000	0
1966-7	23,500	15,000	8,500
1967-8	24,000	9,000	15,000
1968-9	25,000	5,000	20,000

b. FY 1967 Country Assistance Program Book: It is expected that the organization and financial strength of the Federation (National Federation of Credit Unions) will permit it by FY 1968 to cover part of the local costs of its promotional work.

c. December 1966 Project Agreement: FEDECACES to function as a self-sustaining, dues supported organization capable of supporting the cooperative principles and development of credit unions.

d. February 1968 Project Agreement: FEDECACES to become progressively self-supporting and able to assume part of its operating expenses in the amount of \$3,000 for CY 1968, and to be completely self-supporting by the end of CY 1971.

e. January 1969 Project Agreement: FEDECACES envisaged to become progressively self-supporting and able to assume part of its operating expenses (\$6,000 for CY 1969) and that by the end of 1972 it shall have become completely self-supporting.

Evaluation of Targets

Table 4 shows the progress which has been made toward the financial self-sufficiency of FEDECACES. As can be seen, the organization did not reach the originally projected levels of self-support, although targets "d" and "e" were met. It does not appear realistic to expect the organization to be self-supporting by the end of CY-1972 unless the emphasis which has been placed on the rapid expansion of the number of credit unions is shifted. In effect, the past and present cost of establishing a new credit union is higher than the revenue which FEDECACES receives as a result of that credit union's dues over the

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first few years of maturation. Thus, continued expansion of the number of credit unions and progress toward financial self-sufficiency of FEDECACFS would appear to be inconsistent short-run targets.

Since about 60% of FEDECACES' operating revenues, other than the USAID grant portion, come from the dues payments of member credit unions, and since these dues payments are a percentage of the level of savings of the unions, it appears that FEDECACES should devote more time to assisting the existing member credit unions in increasing both their membership and savings. This, in turn should help the member credit unions to achieve the savings and membership targets specified under heading "1" above. In order for this approach to be fruitful, however, the dues maximum of \$400 per credit union per year must be eliminated. With roughly 100 credit unions, this limits FEDECACES' principal source of income to \$40,000, about one-third of what is needed for financial self-sufficiency in relation to FEDECACES' ~~budget~~ ^{present} budget. (See Table 4). FEDECACES expects to gain much of its future income through the sale of services to member credit unions. However, a schedule of this income has not been prepared.

4. PROVISION OF TECHNICAL SERVICES BY FEDECACES

Targets

a. FY 1966 Country Assistance Program Book: (1) The provision of technical assistance to the Ministry of Labor's Department of Cooperatives.

(2) The credit union team (one U.S. Country Program Director, three local extension workers, and a secretary) to provide technical assistance in the following areas: credit union organization; chartering; accounting; the use of credit union management techniques; bonding and security protection; and in general all services necessary for a sound credit union movement. This to be achieved by providing training courses on a national, departmental, and local scale.

(3) As program develops, the emphasis to be shifted from operations to technical backstopping and coordination.

b. FY 1967 Country Assistance Program Book: In FY 1966-67 special attention to be given to training technicians working in the Ministry of Labor's (Department of Cooperatives) programs in the principles of credit union formation.

c. FY 1969 Program Memorandum: (1) To establish a program for the centralization of credit union funds and accounting in order to

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maximize utilization and mobilization of funds throughout the credit union movement.

(2) To stimulate the Ministry of Agriculture in the establishment of an agricultural cooperative promotion section, including specification of the section's objectives, organization, functions, work plan, and personnel training needs.

d. December 1966 Project Agreement: (1) To provide technical assistance to the credit unions, as needed for improvement of their systems, procedures, and practices to assure successful organizations.

(2) FEDECACES to supervise and manage the total program through a staff consisting of the full-time services of a manager, three field workers, a secretary, and an office assistant.

e. February 1968 Project Agreement: It is expected that the CUNA/AID Cooperative Advisor will be phased out at the end of 1969.

Evaluation of Targets

Technical assistance was offered to the Ministry of Labor's Department of Cooperatives but was not accepted. The reasons were: (1) a fear of loss of identity as an organization; (2) a fear that a relationship with FEDECACES would bring about changes in concepts and systems; (3) a feeling that the FEDECACES program was controlled by the United States; and (4) a desire to use the cooperative system for political ends, which is not acceptable to FEDECACES.

A centralization of credit union funds and accounting should be established during 1969. The system is designed (a) to centralize credit union accounts to permit the use of dormant member union capital now in commercial banks and therefor better meet the liquidity needs of the total credit union movement; (b) to create a mechanism through which external funds may be channeled to the affiliated credit unions; and (5) to improve the administration of the credit unions through the provisions of unified and centralized accounting.

The Cooperative Division of the Ministry of Agriculture consisting of three persons, presently is working with FEDECACES to organize cooperatives in the rural areas. It is expected that these cooperatives will affiliate with FEDECACES once they are established. There are now seven groups in the process of formation with a membership of 230.

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The Administración de Fomento Agrario, a semi-autonomous agency of the Ministry of Agriculture, has provided assistance to small farmers, reorganized agricultural organizations, and ABC's cooperative staff of 200 persons. It is currently operating 30 credit unions (17 with 1,622 members). It is expected that these credit unions will become affiliated with FEDCACE. The Administration has cooperated with ABC on a flow chart of the organization and a report with guidelines for the development of a cooperative movement, but FEDCACE's organizational structure is limited by the small amount of funds available to the organization.

In general, the small size of the credit unions, which were mostly on their time created by the employees, has limited the time available for the necessary provision of technical assistance. Technical assistance has been given for the establishment of the basic structure necessary for the operation of the credit unions and continuing services have been given. The lack of technical assistance is necessary for the development of viable and self-sufficient credit unions. Additionally, as disclosed above, the development of the credit unions has been impeded by the lack of a cooperative law.

The teaching of accounting and training in various management techniques have not been as developed as they could have been if office facilities and other services, such as bookkeepers existed in the credit unions. The lack of personnel resulting from voluntary leadership has contributed to the weak credit unions, thus making it difficult to obtain the necessary to obtain bonding and services, particularly.

1/ However, the CUNA/AID technician spent several months during a two-year period working with ABC. He also spent several months giving a one-week course on ABC techniques to ABC and Ministry of Agriculture employees in 1966. In addition, a CUNA consultant spent three months with ABC in 1966, giving training to personnel in ABC's Department of Training, as well as to the staff members of all ABC cooperatives. More details can be found in the Final Report of November 2, 1966 (October 21, 1967) and November 1, 1967 (October 21, 1967) prepared for ABC by CUNA (PIO/T 519-094-3-70012) and A (519-094-3-70013) respectively.

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The FEDECACES staff has expanded considerably during the last year to a total of 22. The organizational structure of FEDECACES, including salaries, is shown in Chart I.

The CUNA/AID Cooperative technicians will not be phased out at the end of 1969. The FEDECACES staff depends heavily on their presence and technical guidance. There is still a lack of personnel in FEDECACES capable of absorbing and applying the advice of the CUNA technicians. The slow development of the individual credit unions (for reasons discussed in other sections of this PAR) means that FEDECACES is not receiving the local financial support it needs to become financially self-sufficient, and the CUNA/AID technicians are therefore also needed to administer AID funds. The lack of cooperative legislation has inhibited the rapid creation of chartered cooperatives, and hence has retarded the establishment of insurance and bonding services on a large scale for which CUNA technical advice is still needed.

A number of developments must take place before the CUNA/AID technicians can begin to phase out: small cooperatives must merge; credit unions must have offices and be staffed adequately with paid personnel; centralization of funds and accounting must be established; FEDECACES may need to be restructured; the FEDECACES staff must be given specialized training; and the Cooperatives' Law must be passed. Each of these items is discussed in depth in other portions of this PAR. The CUNA/AID technicians estimate that June 1970 is the earliest date by which these conditions could be met. A more realistic date would be December 1970. Once these conditions are fulfilled, the CUNA/AID technicians will be able to phase out in about two years. Future PARs should pay close attention to the progress toward the fulfillment of these conditions.

PAR CONTINUATION SHEET

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TABLE 1

FEDECACES: CREDIT UNIONS, MEMBERSHIP, SAVINGS, AND LOANS
(End of Year Data, 1965 - 1969)

	1965	1966	1967	1968	1969 (June)
1. Credit Unions Without Charter	40	35	33	33	35
2. Credit Unions With Charter	10	29	38	55	58
3. Total Credit Unions	50	64	71	88	93
4. Urban Credit Unions	40	49	58	74	78
5. Rural Credit Unions	10	15	13	14	15
6. Total Membership	3,780	4,870	6,148	8,218	9,019
7. Average per Credit Union	75.6	76.1	86.6	93.4	97.0
8. Total Savings (US\$)	45,833	106,881	187,406	343,934	428,778
9. Average per Member	12.07	21.94	30.48	41.85	47.54
10. Average per Credit Union	912.49	1,669.63	2,639.57	3,908.79	4,611.38
11. Loans Outstanding at end of Year (US\$)	32,000	60,442	126,496	296,548	384,461
12. Average per Member	8.46	12.41	20.57	36.08	42.63
13. Average per Credit Union	639.58	944.40	1,781.36	3,369.87	4,135.11
14. Total Accumulated Loans (US\$)	128,460	270,863	430,826 1,152,229	1,443,287	
15. Loan-Savings Ratio (11÷8)	.70	.57	.67	.86	.90
16. Accumulated Loan-Savings Ratio (14÷8)	2.68	2.53	3.36	3.38	3.36

TABLE 2. FEDECACES. CREDIT UNIONS, MEMBERSHIP, AND SAVINGS BY TYPE OF CREDIT UNION, 1965-1969

Number of Credit Unions	1965		1966		1967		1968		1969	
	Jan.	June	Jan.	June	Jan.	June	Jan.	June	Jan.	June
<u>Community 1/</u>	5	10	11	19	24	23	21	22	23	2
<u>Institutional</u>	7	7	10	8	9	11	14	14	22	2
<u>Industrial</u>	-	4	5	6	9	9	14	21	23	2
<u>Teacher</u>	2	14	24	23	22	23	22	22	22	2
Total	14	35	50	56	64	66	71	79	90	9
Membership										
<u>Community 1/</u>	454	830	1014	1553	1293	1274	1386	1536	1809	210
<u>Institutional</u>	566	541	443	342	541	707	1185	1371	1931	218
<u>Industrial</u>	--	218	710	788	948	1255	1753	2488	2817	279
<u>Teacher</u>	268	1456	1636	1752	1794	1927	1988	1980	1936	202
Total	1288	3045	3803	4435	4576	5163	6312	7375	8383	901
Savings (US \$)										
<u>Community 1/</u>	736	8,672	6,340	8,834	18,152	17,960	25,090	30,787	38,151	49,703
<u>Institutional</u>	14,790	4,328	17,296	29,748	23,553	29,412	74,843	93,520	146,950	177,47
<u>Industrial</u>	-	1,818	7,934	5,025	30,948	36,723	45,698	63,915	123,102	146,37
<u>Teacher</u>	1,270	10,592	15,409	22,900	34,527	41,037	49,890	48,123	51,161	55,89
Total	16,796	25,400	46,979	66,507	107,180	125,132	195,521	236,345	359,364	428,77

1/ All rural credit unions are included in this group, as well as some urban credit unions.

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TABLE 3.

FEDECACES: COMPARISONS OF RURAL CREDIT UNIONS WITH AND WITHOUT DAPC, 1969

	Without DAPC		With DAPC	
	January	July	January	July
1. Credit Unions	10	8	2	6
2. Total Memberships	616	445	167	830
3. Average per Credit Union	61.6	55.6	83.5	138.3
4. Total Savings (US\$)	4,673	11,132	3,080	21,018
5. Average per Member	7.59	25.01	18.44	25.32
6. Average per Credit Union	467.30	1,391.50	1,540.00	3,503.00
7. Total Accumulated Loans (US\$)	20,026	25,298	18,737	76,414

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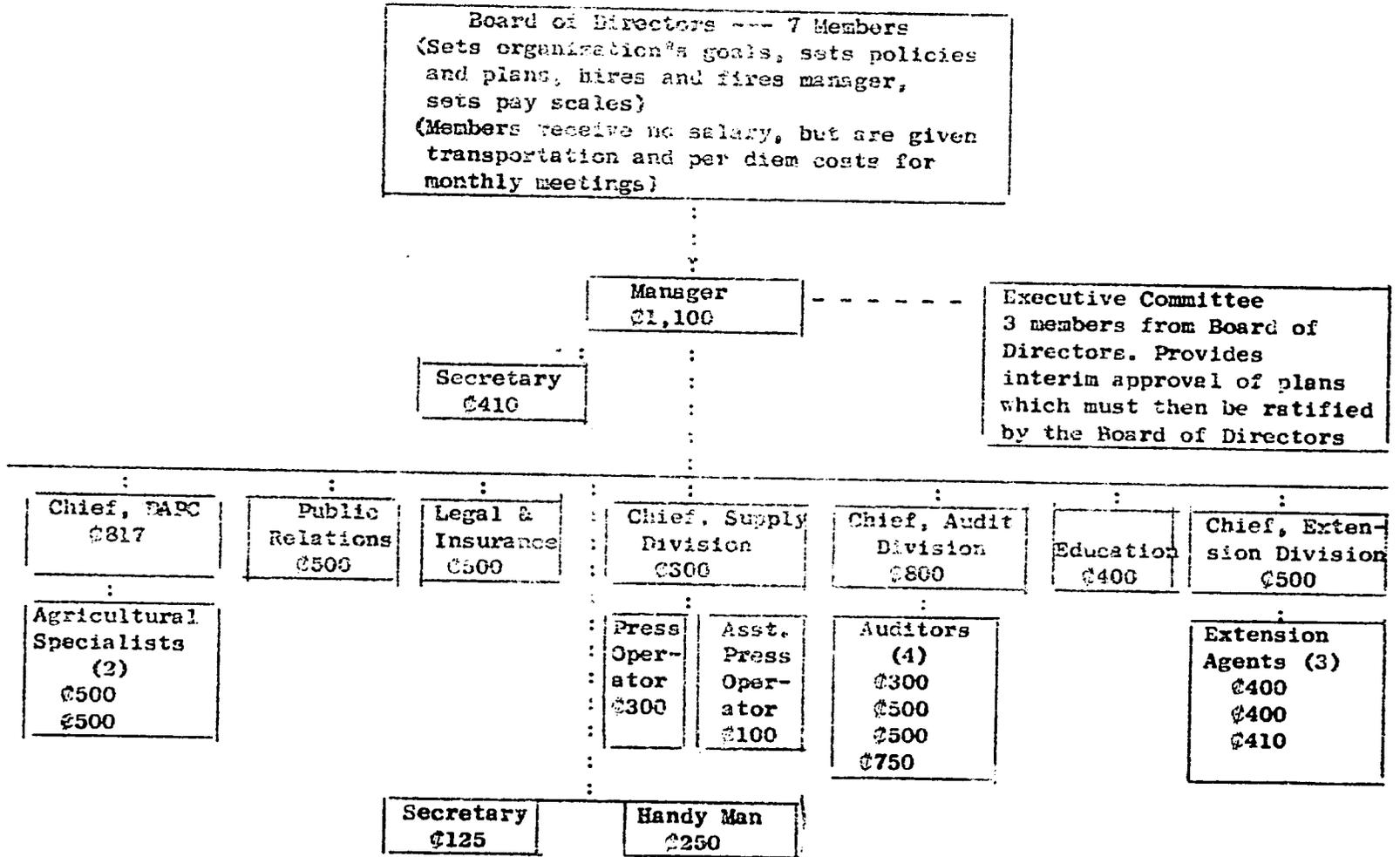
TABLE 4 FEDECACES: ANNUAL BUDGETS 1966 - 1969
(In U. S. Dollar Equivalent)

	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
<u>REVENUES</u>				
AID Funds	37,000	35,000	53,000	114,500
FEDECACES Funds	---	---	3,000	6,000
Total Revenues	<u>37,000</u>	<u>35,000</u>	<u>56,000</u>	<u>120,500</u>
<u>EXPENDITURES</u>				
Salaries and Fringe Benefits	20,300	19,342	23,148	56,683
Rents and Utilities	1,500	1,141	1,400	5,500
Equipment Maintenance	--	3,129	3,000	7,000
Training	--	898	1,200	2,500
Travel and Per Diem	9,000	4,723	4,800	17,100
Office Equipment and Supplies	3,800	4,636	6,825	16,860
Other Costs	2,400	1,121	15,627	14,857
Surplus or Deficit	-0-	10	-0-	-0-
Total Expenditures	<u>37,000</u>	<u>35,000</u>	<u>56,000</u>	<u>120,500</u>

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CHART I. FEDECACES: ORGANIZATIONAL STRUCTURE
(Salaries on a Monthly Basis) ₡2.50-\$1.00



Total Salaries = ₡10,362/month = ₡124,344/yr. = \$49,738/yr.

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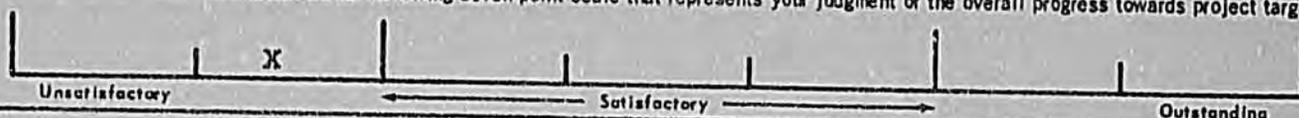
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PART I-B - Continued

010

B.2 - OVERALL ACHIEVEMENT OF PROJECT TARGETS

Place an "X" within the bracket on the following seven-point scale that represents your judgment of the overall progress towards project targets:



PART I-C - PROJECT SIGNIFICANCE

011

C.1 - RELATION TO SECTOR AND PROGRAM GOALS (See detailed instructions M.O. 1026.1)

This section is designed to indicate the potential and actual impact of the project on relevant sector and program goals. List the goals in col. b and rate potential and actual project impact in cols. c and d.

a. CODE NO. (AID/W USE ONLY)	SCALE FOR COLUMN c: 3= Very Important; 2= Important; 1= Secondary Importance SCALE FOR COLUMN d: 3= Superior/Outstanding; 2= Adequate/Satisfactory/Good; 1= Unsatisfactory/Marginal	c. POTENTIAL IMPACT ON EACH GOAL IF PROJECT ACHIEVES TARGETS	d. ACTUAL IMPACT ON GOAL TO DATE RELATIVE TO PROGRESS EXPECTED AT THIS STAGE
b.	SECTOR AND PROGRAM GOALS (LIST ONLY THOSE ON WHICH THE PROJECT HAS A SIGNIFICANT EFFECT)		
	(1) To organize an economically sound Federation of Credit Unions which will provide the educational, technical, and organizing services essential to maintain a well-developed credit union movement.	2	1
	(2) El Salvador Federation to become a part of a planned Central American Association of Credit Unions, which will provide high level technical services to the member federations, and a Regional Central Credit Union which will be able to channel outside funds to the member credit unions.	1	2
	(3) To promote agricultural credit cooperatives and credit unions which can become significant contributors to rural economic and social development through the fostering of local initiative and organization for self-help in rural communities.	3	3

For goals where column c. is rated 3 or 2 and column d. is rated 1, explain in the space for narrative. The narrative should also indicate the extent to which the potential impacts rated 3 or 2 in column c. are dependent on factors external to the achievement of the project targets, i.e., is there a substantial risk of the anticipated impact being forestalled by factors not involved in the achievement of project targets. If possible and relevant, it also would be useful to mention in the narrative your reading of any current indicators that longer-term purposes, beyond scheduled project targets, are likely or unlikely to be achieved. Each explanatory note must be identified by the number of the entry (col. b) to which it pertains.

012 NARRATIVE FOR PART I-C.1 (Continue on form AID 1020-25 1):

(1) Progress toward this goal has suffered in a number of ways. Of principal importance is that nowhere in official documentation has the USAID specified meaningful targets which are directly concerned with the development of FEDECACES as an institution. The creation of FEDECACES itself, while regarded as a major step in the credit union movement, was never a specifically stated target.

The personnel of FEDECACES, most of whom appear to be capable, have been given limited credit union training, and operate within a structure which appears to seriously inhibit satisfactory performance: their time is spread over an increasingly large number of activities, emphasizing the establishment of new credit unions, thus tending to further limit their ability to provide adequate services to existing organizations, and their pay is kept low by

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the Board of Directors, a group of five to seven representatives of the member credit unions, who are elected at varying intervals by the credit unions, and who have the power to set policy, hire and fire, and establish salary scales.

The Board of Directors is composed basically of low income persons with little education and limited knowledge of the issues and problems confronting FEDECACES. They receive no pay (See Chart 1); they have their own day-to-day interests, which leave them with little time either to communicate with the persons whom they are supposed to represent or to prepare themselves adequately to discuss the problems faced by the Federation and make meaningful decisions about its future; and in some cases they belong to organizations (e.g. Federación de Cajas de Crédito) which directly compete with FEDECACES. They usually arrive for their monthly meeting unprepared to discuss current issues and unwilling to devote the necessary time to making the policy decisions which they should be making.

Additionally, they have resisted the payment of salaries to the FEDECACES staff and management sufficient to attract and keep capable personnel. A number of attempts has been made by the CUNA/AID technicians to convince the Board to raise the salaries of the FEDECACES personnel to more appropriate levels; however, the Board has only reluctantly increased the salaries, and still not to the levels considered adequate by the CUNA/AID technicians.

In sum, the organizational structure which has evolved is one in which power is vested in the hands of a group of persons who are not making the decisions necessary to allow FEDECACES to evolve as a viable and progressive institution. If this situation is to change, either the attitude of the Board of Directors must become more conducive to the development of FEDECACES, or FEDECACES should be reorganized. A possible reorganizational structure is presented in Chart 2.

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CHART 2. FEDECACES: PROPOSED ORGANIZATIONAL STRUCTURE
(Salaries are on a Monthly Basis) \$2.50 - \$1.00

Board of Directors -- 7 members which serve for one year. (Confirms appointments to the Executive Committee. Provides suggestions to Executive Committee concerning credit unions needs and desires.) (Members receive no salary, but are given transportation and per diem costs for monthly meetings.)

Executive Committee - serve for two years, 5 members -- 2 managers from top rated credit unions, 3 prominent Salvadoran businessmen. (Sets organization's goals, hires and fires manager, sets pay scales) (Receive per diem payments for attendance at meetings.)

Manager

(Provides overall planning within goal guidelines of Executive Committee)
\$1,800 - \$2,000

Secretary
\$500

Assistant Manager
\$1,200

Chief, DAPC
(Agr. Econ)
\$1,000

Public
Relations
\$750

Insurances
\$1,000

Chief, Supply
Division
\$750

Chief, Audit
Division
\$900

Education
\$750

Chief, Extension
Division
\$850

Agricultural
Specialists
(4)
\$400 ea.

Press Operator
\$400

Asst. Press
Opr.
\$200

Graph
Arts
Tech.
Part-
Time
\$300

Auditors
(4)
\$800
\$800
\$600
\$600

Extension Agents
(4)
\$700
\$600
\$500
\$500

Pool Secretaries

Executive \$450

Secretary
\$300

Secretary
\$300

Handy Man
\$250

Total Salaries = \$20,200/mo. = \$242,400/yr. = \$96,960/yr.

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PART I-C - Continued

C.2 - GENERAL QUESTIONS

These questions concern developments since the prior PAR. For each question place "Y" for Yes, "N" for No, or "NA" for Not Applicable in the right hand column. For each question where "Y" is entered, explain briefly in the space below the table.	MARK IN THIS COL.
013 Have there been any significant, unusual or unanticipated results not covered so far in this PAR?	Y
014 Have means, conditions or activities other than project measures had a substantial effect on project output or accomplishments?	N
015 Have any problems arisen as the result of advice or action or major contributions to the project by another donor?	Y
016 If the answer to 014 or 015 is yes, or for any other reason, is the project now less necessary, unnecessary or subject to modification or earlier termination?	N
017 Have any important lessons, positive or negative, emerged which might have broad applicability?	Y
018 Has this project revealed any requirement for research or new technical aids on which AID/W should take the initiative?	N
019 Do any aspects of the project lend themselves to publicity in newspapers, magazines, television or films in the United States?	Y
020 Has there been a lack of effective cooperating country media coverage? (Make sure AID/W has copies of existing coverage.)	N

021 NARRATIVE FOR PART I-C.2 Identify each explanatory note by the number of the entry to which it pertains. (Continue on form AID 1020-25 I as necessary):

013. The creation of self-sufficient credit unions is inhibited by the existence of a vicious circle: in order for a credit union to attract members and increase the savings of its present members, it must offer a fairly wide range of services in addition to loans (see 017 below); in order to offer these services, the credit union needs permanent office space and a full-time office staff consisting primarily of a manager, a secretary, and a bookkeeper; in order to pay the expenses of an office, the credit union needs a sizable income from the interest charges of its loans, which implies a high level of loans outstanding; in order to have a high level of loans outstanding the credit union needs a high level of savings; and in order to have a high level of savings, membership and/or savings per member must be increased at much faster rates than they are increasing at present.

In one instance this circle was broken by an \$8,000 loan to a credit union. The credit union then used the loan funds to rent office space and hire personnel; services were offered and the organization was able to expand. Interest income from the credit union's loans now exceeds the repayments on the loan.

015. The Volunteers at times do the work of the credit union rather than primarily training the local manager and bookkeeper. Additionally, because FEDECACES has spread itself thinly in giving technical assistance (See Part I-B-1 #1 and 4), some Volunteers apparently feel that FEDECACES is not particularly concerned with the progress of the member credit unions. The difficulty appears to be one of poor communications and understanding between the two groups, with each group at least partially unaware of and/or unsympathetic to the problems of the other. The result is a limitation on the coordination between the two, and hence the effectiveness of each.

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017.a) If a cooperative is to attract members and increase savings it must offer more than just loans to its members. Necessary or desirable services include (1) larger loans and longer terms (as much as two years in some urban areas where credit union loans are being used as a source of financing to repay tremendous debt burdens by low income persons); (2) established office hours on a daily basis; (3) group purchasing in rural areas to give the Campesino a better price for such products as seeds and fertilizers than he would otherwise receive; (4) the acceptance of demand deposits from such persons as farm owners who would otherwise need to make weekly trips to a town large enough to have a commercial bank; (5) technical assistance to small farmers in the use of their funds; (6) cooperation between credit unions to establish marketing systems and eliminate as many middlemen as possible (e.g. a production credit cooperative tied to a cooperative of market women). In order to provide these services, the credit unions need at least a full-time manager, secretary, and bookkeeper, as well as permanent office space (See 013 above), and branch offices in some cases, where the membership is large and spread out over a wide geographical areas.

b) The development of an adequate institutional structure is extremely important to the progress of the program. FEDECACES was allowed to develop in such a way as to seriously limit its growth potential. See Part 1-C(1).

c) The number of cooperatives established, while important, should not be the overriding target of the project. See Part 1-B-1, all sections.

019. The Tacuba Cooperative in the Western end of El Salvador is a success story in the development of an agricultural cooperative with CUNA/AID assistance.

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UNCLASSIFIED**519-11-810-094****PART II - IMPLEMENTATION REPORT****II-A - STATUS OF SCHEDULE**

022 A-1 -- **INDIVIDUAL ACTIONS** (See detailed instructions M.O. 1026.1). This is a listing of major actions or steps which were scheduled for physical start or continuing implementation in the reporting period as reflected in the Project Implementation Plan, Part I.

(a)

PIP
ITEM
NO.MAJOR ACTIONS OR STEPS; CAUSES AND RESULTS
OF DELAYS; REMEDIAL STEPS(b) STATUS - PLACE AN "X" IN,
ONE COLUMN(1)
BEHIND
SCHEDULE(2)
ON
SCHEDULE(3)
AHEAD OF
SCHEDULE

The first PIP is presently in draft stage.
No implementing action sequence to date.

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PART II - Continued

023

II-A.2 - OVERALL TIMELINESS

In general, project implementation is (place an "X" in one block):

	(a) On schedule	
	(b) Ahead of schedule	
	(c) Behind schedule	X
BLOCK (c): If marked, place an "X" in any of the blocks one thru eight that apply. This is limited to key aspects of implementation, e.g., timely delivery of commodities, return of participants to assume their project responsibilities, cooperating country funding, arrival of technicians.	(1) AID/W Program Approval	
	(2) Implementing Agency (Contractor/Participating Agency/Voluntary Agency)	X
	(3) Technicians	
	(4) Participants	X
	(5) Commodities (non-FFF)	
	(6) Cooperating Country	X
	(7) Commodities (FFF)	
	(8) Other (specify):	

II-B - RESOURCE INPUTS

This section appraises the effectiveness of U.S. resource inputs. There follow illustrative lists of factors, grouped under Implementing Agency, Participant Training and Commodities, that might influence the effectiveness of each of these types of project resources. In the blocks after only those factors which significantly affect project accomplishments, write the letter P if effect is positive or satisfactory, or the letter N if effect is negative or less than satisfactory.

1. FACTORS-IMPLEMENTING AGENCY (Contract/Participating Agency/Voluntary Agency)

024	IF NO IMPLEMENTING AGENCY IN THIS PROJECT. PLACE AN "X" IN THIS BLOCK:	032 Quality, comprehensiveness and candor of required reports	N
		033 Promptness of required reports	P
025	Adequacy of technical knowledge	034 Adherence to work schedule	P
026	Understanding of project purposes	035 Working relations with Americans	P
027	Project planning and management	036 Working relations with cooperating country nationals	P
028	Ability to adapt technical knowledge to local situation	037 Adaptation to local working and living environment	P
029	Effective use of participant training element	038 Home office backstopping and substantive interest	P
030	Ability to train and utilize local staff	039 Timely recruiting of qualified technicians	P
031	Adherence to AID administrative and other requirements	040 Other (describe):	

2. FACTORS-PARTICIPANT TRAINING

041	IF NO PARTICIPANT ELEMENT IN PROJECT. PLACE AN "X" IN THIS BLOCK:	TRAINING UTILIZATION AND FOLLOW UP	
		052 Appropriateness of original selection	P
	PREDEPARTURE	053 Relevance of training for present project purposes	P*
042	English language ability	054 Appropriateness of post-training placement	P
043	Availability of host country funding	055 Utility of training regardless of changes in project	P
044	Host country operational considerations (e.g., selection procedures)	056 Ability to get meritorious ideas accepted by supervisors	P
045	Technical/professional qualifications	057 Adequacy of performance	P
046	Quality of technical orientation	058 Continuance on project	P
047	Quality of general orientation	059 Availability of necessary facilities and equipment	P
048	Participants' collaboration in planning content of program	060 Mission or contractor follow-up activity	
049	Collaboration by participants' supervisors in planning training	061 Other (describe):	
050	Participants' availability for training		
051	Other (describe):		

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UNCLASSIFIEDPLACE AN "X"
IN APPROPRIATE
BLOCK:062
PPP063
PPP065 Timeliness of AID/W program approval
(Transfer Authorization).066 Quality of commodities, adherence to
marking.067 Timeliness in procurement or receipt of
goods.

068 Timeliness of shipment to port of entry.

069 Adequacy of port and inland storage facilities.

070 Timeliness of shipment from port to site.

071 Control measures against loss and theft.

Indicate in a concise narrative statement (under the heading "Overall Implementation Performance") the status of project implementation, covering the significant accomplishments and problems noted above, the adequacy of provision of direct hire technical assistance, and the extent to which the project has achieved the objectives which follow. For projects which include a major input from the private sector, indicate the status of that input (see Detailed Instructions).

Discuss separately (under separate headings (1) and (2) in the "Overall Implementation Performance" section) above listed factors are causing significant problems (under (1) "Problems Caused by the Mission" and (2) "Problems Caused by the Mission"). Identify each factor discussed by its number.

079 NARRATIVE FOR PART II-B: Under separate headings (1) and (2) in the "Overall Implementation Performance" section as needed, with the following narrative section headings: (1) "Problems Caused by the Mission" and (2) "Problems Caused by the Mission". For any headings which are not applicable, use the heading "Not Applicable" (under the appropriate narrative section heading.)

a. Overall Implementation Performance

Project implementation is being carried out in a satisfactory manner. In part this is due to the lack of a comprehensive plan. In part it is due to the organizational structure of the project. Additionally, it has been noted that the project has been established which have all but ignored the existing credit unions in the area and have stressed quantitative rather than qualitative objectives. A failure to reach projected savings and credit union targets -- which would have made possible the establishment of a large number of quality credit unions -- has also contributed to the slow implementation.

The CUNA/AID technician is qualified and has the necessary technical skills, and in addition is fluent in Spanish and familiar with the Latin culture. However, his hands have been somewhat tied by the organizational structure. His attempts to train the local staff (including participant training) and to bring the operations of the credit unions over to them have until recently been hampered by the lack of USAID provided training funds.

b. Implementing Agency

027. The CUNA/AID technician has brought skills and knowledge

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to the credit union movement in El Salvador, without which the movement would not be where it is today. However, partially as a result of the institutional problems he has faced (See Part 1-C) and partially as a result of his zeal to make the program work, he has not turned as much of the project planning and management over to FEDECACES as he might have.

129. This element has been used very little by the technician, in part because the FEDECACES staff only recently has been expanded to its full operational size. Only two FEDECACES employees have been sent for training (in July 1969), and neither of these received extensive credit union courses. In-country training courses have been given, however, in the subjects of credit union management, adult literacy, cooperative education, DAPC, etc.

130. This has been limited by the size and capability of the FEDECACES staff. In many instances, though, the CUNA/AID technician has tended to perform tasks himself instead of training the local staff members and turning the work over to them. In large part this approach was a result of USAID and CUNA pressures to meet the unrealistic targets discussed in Part 1-B-1. This appears to be improving now, as the CUNA/AID technician better recognizes the need to create a strong personnel base, as the FEDECACES staff expands and as more realistic targets are established by the USAID.

131. Required reports from the CUNA technician have been less than needed and have failed to point out the enervating organizational structure of FEDECACES and other problems.

c. Participation

132. The FEDECACES staff appears to be somewhat overworked. The difficulty in contacting potential credit union members during the week necessitates a great deal of weekend work in addition to the day to day office and community operations. FEDECACES must be convinced to sacrifice some short-term progress in order to obtain the long-term advantages of better trained personnel. Without paid and permanent personnel in the member credit unions, however, well-trained FEDECACES personnel will not be able to operate at full efficiency.

133. The participants attended the Institute of Human Relations training course at the Inter-American Center of Loyola University, New Orleans. While such training is useful, project needs seem to call for specialized training in the fundamentals of credit union development and management.

d. Commodities

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065, 067, 068. All commodities (office equipment and supplies, and jeeps) have arrived extremely late. The lag between the time the order is placed and the receipt of the commodities is usually about six months for part of the order and another six months until the complete order has been received. A recent message to the USAID from AID/W stating that the time lag on vehicle orders will be up to one year indicates where at least part of the problem lies.

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PART III - ROLE OF THE COOPERATING COUNTRY

The following list of illustrative items are to be considered by the evaluator. In the block after only those items which significantly affect project effectiveness, write the letter P if the effect of the item is positive or satisfactory, or the letter N if the effect of the item is negative or less than satisfactory.

SPECIFIC OPERATIONAL FACTORS:

080	Coordination and cooperation within and between ministries.	
081	Coordination and cooperation of LDC gov't. with public and private institutions and private enterprise.	
082	Availability of reliable data for project planning, control and evaluation.	P
083	Competence and/or continuity in executive leadership of project.	N
084	Host country project funding.	N
085	Legislative changes relevant to project purposes.	N
086	Existence and adequacy of a project-related LDC organization.	N
087	Resolution of procedural and bureaucratic problems.	N
088	Availability of LDC physical resource inputs and/or supporting services and facilities.	P
089	Maintenance of facilities and equipment.	P
090	Resolution of tribal, class or caste problems.	
091	Receptivity to change and innovation.	P
092	Political conditions specific to project.	
093	Capacity to transform ideas into actions, i.e., ability to implement project plans.	P
094	Intent and/or capacity to sustain and expand the impact of the project after U.S. inputs are terminated.	N
095	Extent of LDC efforts to widen the dissemination of project benefits and services.	P*
096	Utilization of trained manpower (e.g., participants, counterpart technicians) in project operations.	
097	Enforcement of relevant procedures (e.g., newly established tax collection and audit system).	
098	Other:	
HOST COUNTRY COUNTERPART TECHNICIAN FACTORS:		
099	Level of technical education and/or technical experience.	N
100	Planning and management skills.	N
101	Amount of technician man years available.	
102	Continuity of staff.	P*
103	Willingness to work in rural areas.	P
104	Pay and allowances.	N
105	Other:	

In the space below for narrative provide a succinct discussion and overall appraisal of the quality of country performance related to this project, particularly over the past year. Consider important trends and prospects. See Detailed Instructions for an illustrative list of considerations to be covered.

For only those items marked N include brief statements covering the nature of the problem, its impact on the achievement of project targets (i.e., its importance) and the nature and cost of corrective action taken or planned. Identify each explanatory note.

106 NARRATIVE FOR PART III (Continue on form AID 1020-25 I):

082. The permanent manager of FEDECACES, who is considered quite capable, will return soon from a 12 month training program in Chile. He will return to work at FEDECACES but may not stay for long unless his salary is raised. (See Chart 2, Part 1-C.)

084. For reasons discussed previously (Part 1-B-1 #3) FEDECACES has not reached target levels of self-support.

085. The Cooperatives' Law, discussed in Part 1-B-1 #2, still has not been passed and has limited the ability of FEDECACES to implement project targets.

086. For reasons discussed previously (Part 1-C) certain changes may have to be made in the FEDECACES organizational structure if the organization is to become a viable, self-sustaining institution.

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PAR CONTINUATION SHEET

This sheet is to be used for any Narrative Sections for which sufficient space has not been provided on the form. Identify each narrative by its Part and Section Designation.

087. See 086 above and related sections. Procedural and bureaucratic problems do inhibit FEDECACES' development as an institution.
094. See 084 above and related sections. FEDECACES is presently about 90% dependent on U.S. funding, and could continue to be unless a number of previously discussed changes are made in the targets.
095. The attempt to widen the dissemination of the project's benefits and services has, in many ways, been detrimental to the development of a financially and institutionally sound credit union movement. See Part 1-B-1 #1 for details.
099. FEDECACES technicians possess what might be considered the minimum level of education and experience necessary to adequately reach project targets. They should be given training if FEDECACES is to achieve its goals in the shortest time possible and to maximize its value as an institution.
100. See 099 above. Management faces much the same problem. In addition, management is handicapped in the planning process by the Board of Directors. (See Part 1-C.)
- 102*. This could change if the conditions described in 104 below are not changed.
104. If FEDECACES is to attract and keep adequate management and technicians it must pay higher salaries. Salaries, however, are kept low by the Board of Directors. (See Part 1-C.)

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PART IV - PROGRAMMING IMPLICATIONS

IV-A - EFFECT ON PURPOSE AND DESIGN

Indicate in a brief narrative whether the Mission experience to date with this project and/or changing country circumstances call for some adjustment in project purposes or design, and why, and the approximate cost implications. Cover any of the following considerations or others that may be relevant. (See Detailed Instructions for additional illustrative considerations.) Relevant experience or country situations that were described earlier can simply be referenced. The spelling out of specific changes should be left to the appropriate programming documents, but a brief indication of the type of change contemplated should be given here to clarify the need for change.

For example, changes might be indicated if they would:

1. better achieve program/project purposes;
2. address more critical or higher priority purposes within a goal plan;
3. produce desired results at less cost;
4. give more assurance of lasting institutional development upon U.S. withdrawal.

107 NARRATIVE FOR PART IV-A (Continue on form AID 1020-25 I):

The project design should be changed if FEDECACES is to mature and become self-sufficient within a reasonable short period of time. The following changes are considered to be necessary to achieve that end:

1. Project targets should be included which promote the institutional development of FEDECACES. Among these should be increased participant training and consideration of changes in the organizational structure of FEDECACES along the lines discussed in Part 1-C.

2. The emphasis should be changed from simply creating credit unions, to developing quality credit unions, which possess the qualifications discussed in Part 1-C.2 (013 and 017). This will require FEDECACES technicians to spend more time working with existing credit unions and less time organizing new credit unions. It also may require targets designed to consolidate two or more existing credit unions into a single credit union, thus effecting increased savings from lower operating costs, targets to change

(continued)

IV-B - PROPOSED ACTION

108 This project should be (Place an "X" in appropriate block(s)):	
1. Continued as presently scheduled in PIP.	
2. Continued with minor changes in the PIP, made at Mission level (not requiring submission of an amended PIP to AID/W).	
3. Continued with significant changes in the PIP (but not sufficient to require a revised PROP). A formally revised PIP will follow.	
4. Extended beyond its present schedule to (Date): Mo. ___ Day ___ Yr. ___. Explain in narrative, PROP will follow.	
5. Substantively revised. PROP will follow.	X
6. Evaluated in depth to determine its effectiveness, future scope, and duration.	
7. Discontinued earlier than presently scheduled. Date recommended for termination: Mo. ___ Day ___ Yr. ___. Explain in narrative.	
8. Other. Explain in narrative.	

109 NARRATIVE FOR PART IV-B:

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the dues maximum which currently exist (See Part 1-B-1 #3) and a plan for the sale of FEDECACES services to member credit unions are also needed to promote financial self-sufficiency.

3. USAID lending should be considered as one means to break the vicious circle described in Part 1-C.2 (013).

With the exception of item #3, the changes should not involve any additional costs to the USAID, but should have far reaching effects both on the development of FEDECACES as an institution capable of adequately serving the needs of the Salvadoran credit union movement, and on the development of financially and technically sound credit unions capable of promoting an improved standard of living in El Salvador.