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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D. C. 20523

NICARAGUA

PROJECT PAPER

NICARAGUA RECOVERY PROGRAM  
(FUNDE Cooperative Development)

AID/LAC/P-063

Project Number 534-0188

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT <b>PROJECT DATA SHEET</b>				1. TRANSACTION CODE <b>A</b> A = Add C = Change D = Delete		Amendment Number _____		DOCUMENT CODE <b>3</b>		
2. COUNTRY/ENTITY <b>NICARAGUA</b>				3. PROJECT NUMBER <b>524-0188</b>						
4. BUREAU/OFFICE <b>LAC BUREAU</b>				5. PROJECT TITLE (maximum 40 characters) <b>Reconstruction Grant/FUNDE Coop. Development</b>						
6. PROJECT ASSISTANCE COMPLETION DATE (PACD)  MM DD YY <b>12 31 82</b>				7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4)  A. Initial FY <b>80</b> B. Quarter <b>4</b> C. Final FY <b>81</b>						
8. COSTS (\$000 OR EQUIVALENT \$1 = _____)										
A. FUNDING SOURCE		FIRST FY <b>80</b>			LIFE OF PROJECT					
		B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total			
AID Appropriated Total		200	1,800	2,000	200	4,800	5,000			
(Grant)		( 200 )	( 1,800 )	( 2,000 )	( 200 )	( 4,800 )	( 5,000 )			
(Loan)		( )	( )	( )	( )	( )	( )			
Other	1.									
U.S.	2.									
Host Country										
Other Donors										
TOTALS										
9. SCHEDULE OF AID FUNDING (\$000)										
A. APPRO- PRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT		
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	
(1) ESF	030	250				2,000		5,000		
(2)										
(3)										
(4)										
TOTALS										
10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)							11. SECONDARY PURPOSE CODE			
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)										
A. Code										
B. Amount										
13. PROJECT PURPOSE (maximum 480 characters)										
To strengthen, expand and diversify the FUNDE cooperative system to respond to the economic and social needs of current and potential membership										
14. SCHEDULED EVALUATIONS					15. SOURCE/ORIGIN OF GOODS AND SERVICES					
Interim		MM YY	MM YY	Final		MM YY	Central America			
		07 81				12 81	<input checked="" type="checkbox"/> 000	<input type="checkbox"/> 941	<input type="checkbox"/> Local	<input checked="" type="checkbox"/> Other (Specify) _____
16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment)										
17. APPROVED BY		Signature <b>Lawrence Harrison</b>			Date Signed MM DD YY <b>07 16 80</b>			18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCU- MENTS, DATE OF DISTRIBUTION MM DD YY		
		Title <b>Mission Director</b>								

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON DC 20523

ASSISTANT  
ADMINISTRATOR

PROJECT AUTHORIZATION

Name of Country: Nicaragua  
Name of Project: Nicaragua Recovery Program  
(FUNDE Cooperative Development)  
Number of Project: 524-0188

1. Pursuant to Section 531 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the FUNDE Cooperative Development component of the Nicaragua Recovery Program involving planned obligations of not to exceed \$2,000,000 in grant funds over a one-year period from date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project.

2. The project consists of assistance to strengthen, expand, and diversify the Fundacion Nicaraguense de Desarrollo (FUNDE) cooperative system in order to respond to the economic and social needs of current and potential membership (the Project).

a. Source and Origin of Goods and Services

Except for ocean shipping, goods and services financed by A.I.D. under the Project shall have their source and origin in the United States or in countries which are members of the Central American Common Market, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

b. Conditions Precedent to Initial Disbursement

Prior to any disbursement, or the issuance of any commitment document under the Project Agreement, FUNDE shall, except as A.I.D. may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D.:

(1) A certified copy of the corporate charter and by-laws of FUNDE, duly authorized by the FUNDE Executive Board;

(2) A certified copy of the operating policies, procedures, and standards of FUNDE, which shall include:

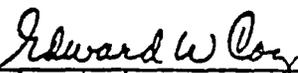
(a) The procedures to be followed for the objective and comprehensive review of loan requests in order to assure that proposed activities are economically justified, technically sound, and will have the desired impact on the agreed upon target group of beneficiaries;

- (b) A plan for the periodic audit of sub-loans made by FUNDE;  
and
- (c) The standards and procedures to be followed in providing technical assistance to cooperatives;
- (3) The administrative, organizational, executive training and staffing plan of FUNDE for the effective execution of the Project; and
- (4) The operating plan for the Project, including an implementation plan for capital lending to the member cooperatives.

c. Special Covenants

Except as A.I.D. may otherwise agree in writing, FUNDE shall covenant that:

- (1) It will charge at least 8% interest on loans to participating cooperatives made with A.I.D. Grant funds.
- (2) No more than \$300,000 of A.I.D. Grant funds will be distributed to any one participating cooperative.
- (3) Any A.I.D. Grant funds to be lent to cooperatives under the Project shall be for on-lending for productive activities.
- (4) During the life of the Project no more than 20% of all FUNDE lending activities shall be directed to housing.
- (5) FUNDE will submit a quarterly progress report, beginning the second quarter after execution of the Project Agreement, detailing progress in implementing the Project, including lending activities, technical assistance and training activities undertaken and any procurement of commodities related to Project implementation.
- (6) At least 3% of loan repayments by cooperatives will be used to further capitalize the lending portfolio of FUNDE.
- (7) It will attempt to be self-sufficient by 1985. All future solicitations and allocations of funds will, to the maximum extent possible, be directed toward achieving this goal.

  
\_\_\_\_\_  
Acting Assistant Administrator  
Bureau for Latin America  
and the Caribbean

Sept 19 1980  
Date

Clearances:

GC/LAC:JLKessler JY/GW date 8/4/80  
LAC/CEN:RGomez R date 8/2/80 YI 9/19/80  
LAC/DR:CPeasley CP date 8/5  
LAC/DR:MBrown MB date 8/5  
GC/LAC:GMWinter GM file # 8/1/80:x29183

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I. Summary and Recommendations

A. Face Sheet

B. Recommendation

USAID/Nicaragua recommends authorization of a grant of up to \$5,000,000 to provide assistance to the Fundación Nicaraguense de Desarrollo (FUNDE). Funding for the Project will be taken from FY 1980 and FY 1981 Economic Support Funds (ESF) earmarked for Nicaraguan economic recovery. The Congress appropriated an initial \$75 million for Nicaragua in July, 1980, and an additional \$25.0 million have been requested in FY 1981. The proposed \$ 5.0 million is a target level of support to the project which may be reduced depending upon availability of ESF monies in FY 1981 and upon other demands for these funds. It is anticipated that the grant will be funded over a period of two years as follows: Up to \$2,000,000 in FY 1980 and up to \$3,000,000 in FY 1981.

C. Grantee and Executing Institution

The Grantee and Implementing Institution will be the Fundación Nicaraguense de Desarrollo (FUNDE), a private foundation under legal charter in Nicaragua which provides credit, technical assistance, and other services to a cooperative system consisting of 58 cooperatives representing some 17,700 members.

D. Goal Structure

The goal of the project is to improve the economic and social conditions of the rural poor.

The project purpose is to strengthen, expand, and diversify the FUNDE cooperative system in order to respond to the economic and social needs of the current and potential membership. This purpose will be achieved through (a) increased capitalization of the cooperative system for lending operations and (b) improved administration, management, and planning in the FUNDE cooperative system.

E. Summary Rationale

The U.S. Government, acting through A.I.D., has committed itself to assist in the reactivation of the Nicaraguan economy, with particular emphasis on encouraging private sector participation. Most private enterprises were adversely affected by the war and are in a weakened financial position. Currently, a significant portion of credit available through the nationalized banking system is being channeled to government-owned agricultural, industrial and service enterprises. Further resources and alternative delivery channels are needed to stimulate production in the private sector.

FUNDE, a private sector organization which since its founding in 1969 has steadily increased the size and effectiveness of its cooperative system, has the capacity to mobilize and channel both public and private donor resources to the private sector. AID assistance will be provided to expand and improve FUNDE's programs. The project, therefore, proposes to contribute to the revitalization of private sector production using an institutional framework that has demonstrated its capacity to utilize project resources in an orderly, efficient and timely manner.

F. Summary Project Description

The project consists of two phases lasting approximately nine and twenty-one months respectively.

Phase I, beginning upon signature of the grant agreement and lasting through March 1981, consists of:

1. Lending: Using approximately \$1.91 million of AID grant funds, FUNDE will lend to its member cooperatives at 8% interest for the working capital and fixed capital needs of their agricultural, industrial and service activities.
2. Technical Assistance: Approximately \$22,000 of project funds will be utilized to obtain special assistance to (a) develop technical and informational needs assessment studies, a base line data system and (b) assist in the development of services which complement the lending activities.
3. Commodities: Approximately \$70,000 of project funds will be utilized to procure six 4-wheel drive type vehicles and office equipment to strengthen the delivery of FUNDE services to cooperatives.

Phase II, beginning April 1981 through the end of project in December 1982 will consist of:

1. Lending: FUNDE will expand its lending to cooperatives using an additional \$2.88 million of AID grant funds.
2. Technical Assistance: Based on plans developed during Phase I, approximately \$74,000 of project funds will be used to provide technical assistance and training to undertake additional special studies, to institutionalize a management information system, and to develop an overall master development plan for the FUNDE system.

3. Commodities: Approximately \$45,000 of project funds will be utilized to procure an additional five 4-wheel drive type vehicles.

G. Summary Findings

On the basis of an indepth independent evaluation and the intensive project review, the Mission has determined that the Project is financially, institutionally, economically and socially feasible. The planned lending and technical assistance activities are, or with programmed technical assistance, will be within the capabilities of the institution. The Project Committee has reviewed and found adequate the financial considerations necessary for successful project implementation. The economic analysis indicates that there will be more than adequate demand for credit and that the project will generate substantial benefits which warrant the proposed level of AID assistance. Finally, the social analysis indicates that the project activities and their derived benefits will be directed to AID's target group and that the Project will have local level support as required.

H. Summary Financial Plan

The total cost of the AID inputs is \$5.0 million. AID grants funds will be allocated as follows:

FINANCIAL PLAN (US\$ 000)	
Lending Capital	\$ 4,789
Technical Assistance/ Training	96
Commodities	<u>115</u>
Project Total	<u><u>\$ 5,000</u></u>

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1/ In May 1980, USAID/N financed under AID Contract No. 524-80-150 a detailed evaluation of FUNDE. For information other than that contained within this paper see Heard, John, "FUNDE: An Evaluation of Experience, Capability and Potential."

Interest rates charged on loans to member cooperatives will be 8%, except as FUNDE and AID may otherwise agree. Interest rates charged by cooperatives to members will be at least equal to the prevailing market rate at the time of lending.

#### I. Project Beneficiaries

The beneficiaries of the project are the current and potential members of the FUNDE cooperative system. Currently there are 17,700 members included in 58 cooperatives and 4 branches. With continued growth throughout the life of project and the creation of twenty new cooperatives, it is estimated that membership in FUNDE cooperatives will expand by 64% to 29,100 people. As most cooperative members are heads of household, it is estimated that 145,000 people will directly benefit under the project. Credit and technical assistance will be directed toward individual cooperative members, most of whom are small farmers. The principal benefits anticipated under the project include increased employment, production and income.

#### J. Project Issues

##### 1. Relationship with the GRN

Relationships between the government and the private sector have improved measurably over the past several months. While there is still private sector apprehensiveness about the longer-term direction of the government, many private sector people now believe that an enduring mixed economy is feasible. They are encouraged by the effective GRN-private sector dialogue which has been initiated.

FUNDE had encountered some problems with the government over registration of new cooperatives and access to credit. The new dialogue gives hope that these problems will diminish. In any event, FUNDE wishes to move toward self-sufficiency to insulate itself from the vagaries of public policy. While grant funds will be required for the next few years, should the GRN-private sector relationship continue to improve, government-guaranteed external lending to FUNDE may be feasible as FUNDE takes the final steps toward self-sufficiency.

##### 2. FUNDE Viability

The project is a two and a half year, two phased, activity of what could be considered a five year, three phased, development strategy on the part of FUNDE. At the end of project life, FUNDE will have significantly advanced toward the five year objective of financial independence, but it will still have lending and budget shortfalls which will require donor support. This project is not designed to provide the total support needed by FUNDE to reach

self-sufficiency, but rather to move it in that direction by strengthening it both financially and institutionally. Inherent in the project design is the need for continued resource mobilization efforts on the part of FUNDE during and after the project.

K. Project Development Committee

Arthur Warman, Chairman, Capital Projects Development Officer, USAID/N  
Gerald Wein, Assistant Director for Programs, USAID/N  
Polly Harrison, Regional Social Science Advisor, USAID/N  
Patricia Buckles, Capital Projects Development Officer/IDI, AID/W

L. USAID/N Project Review Committee

Lawrence Harrison, Director  
Kenneth Schofield, Program Officer  
John Klein, Act. Controller  
Gordon Straub, Human Resources Officer/IDI

The project review committee recommends this project for approval.

## II. PROJECT BACKGROUND AND DETAILED PROJECT DESCRIPTION

### A. BACKGROUND

#### 1. The Development Problem: Constraints to which the project is addressed.

The Nicaraguan economy is now engaged in a national recovery program from the devastating effects of the civil disturbance of 1978 and 1979. Economic recovery will require considerable amounts of domestic and foreign financial, human and other resources to rebuild capacity in virtually all productive sectors.

##### a) Agriculture

In agriculture there is a critical need for credit and technical assistance to put idled or neglected land back into production. The lack of agricultural credit resources and credit delivery systems is a traditional constraint for small farmers. While the new government has indicated its intent to expand the availability of credit to this group, and funds are being obtained from AID and other donors, financial and human resource constraints will continue to frustrate this goal.

In addition, as the government has expropriated 40% of the farmable land (approximately 1.5 million acres) it is naturally giving priority to the credit needs of the enterprises operating on these lands. Due to this factor and to existing credit and institutional limitations, it will be difficult for the government to respond completely to the needs of the private sector. Many small farmers are still forced to borrow from informal market intermediaries at interest rates varying as high as 20-100%. Therefore, multiple sources of credit and technical assistance need to be encouraged.

FUNDE can contribute to eliminating the constraints in the agricultural sector. Although growth by FUNDE coops in the agricultural areas was initially slow, it has been significant in the past three years. There are now 10 coops classified as agricultural (four coffee, five agriculture, and one cattle). By the end of 1979 there were 2,570 members in these 10 coops and many other farmer members of the other FUNDE coops. In total, there are 24 cooperatives with agricultural lending, and the number is increasing. A number of cooperatives are experimenting for the first time with agricultural membership. All of the cooperatives involved in agriculture are supplying credit and technical assistance such as extension, marketing and loan preparation to small farmers who are affiliated with the cooperatives. The agricultural coops as a group now represent the most viable segment of the FUNDE system. Management

is strong and delinquency rates for small farm borrowers are low 11%, with net capital from agricultural cooperatives exceeding those of the rest of the system.

b) Rural Commerce and Industry

Small rural commercial and industrial enterprises have been significantly affected by the civil war. Numerous businesses suffered losses to buildings, machines and inventories from the hostilities or subsequent looting, forcing many to close completely or to operate at less than full capacity. War damage has been estimated to be in excess of \$824 million in the commercial sector and \$220 million the manufacturing sector. Included in these estimates are over four hundred damaged enterprises, many of which are located in small rural towns. This deterioration in commercial and industrial enterprises has contributed to the severe unemployment problem, estimate to be approaching 28% of the labor force.

Despite the reprogramming of existing credits during the recovery period, there is a vital need for additional credit to rebuild inventories and facilities in both the public and private sector enterprises. Technical services (e.g. accounting, marketing information, etc.) for this sector are also very limited.

The FUNDE cooperative system has been directly involved in rural commerce and industry since its inception in 1969. The system currently includes 58 cooperatives providing credit and technical services to 17,700 members. In the area of small rural enterprise production, a number of experimental activities either exist or are planned in such areas as clothes, shoes, bricks, and furniture manufacture. Additionally, inter-cooperative distribution and technical assistance are being explored as means to lower marketing and technical assistance costs to members.

c) Social and Economic Infrastructure

In rural areas, the need for rehabilitation and repair of social and economic infrastructure at the community level is critical. The availability of health centers, marketing and distribution facilities, schools, day care centers, sanitary installations, community centers, and low-cost housing have all been affected by the war through either direct war-related damages or lack of financing for needed facilities during and after the war. Although the government is directing considerable resources to these problems, the needs are far greater than the government's ability to respond.

FUNDE's potential for responding to these problems rests principally in its housing program. Currently, 8% of its lending portfolio is being directed to low-cost rural housing rehabilitation or construction.

The majority of this activity involves local construction, supervision, and labor. A cooperative member usually serves as "maestro de obra" and other members provide much of the manual labor, carpentry, masonry, etc. Through these activities, employment is generated and the community economy is stimulated.

Other mechanisms through which FUNDE can contribute to development are increased savings and borrowing capacity, and financial benefits associated with ready access to reasonable cost and locally available institutional credit. In addition, opportunities for training and other educational experiences exist at individual cooperatives and through support for training.

## 2. Other Donor Assistance to FUNDE

Much of the other donor assistance detailed below is ongoing and is incorporated into the financial planning for this project.

a) Inter-American Foundation (IAF). Since 1973, the IAF has been providing substantial assistance to FUNDE. Between 1975 and 1979, it provided over \$1.0 million for support to cooperative development. Through the life of project IAF will be providing approximately \$1.0 million in budget support for FUNDE's diversification, Centros Familiares de Educación Rural (CFER), and commercialization programs.

b) SOLIDARIOS. Through the AID and IDB grant-funded SOLIDARIOS project, SOLIDARIOS will have by the conclusion of 1980 provided \$1.0 million in credit for on-lending to cooperatives. No Additional support by SOLIDARIOS is expected during the life of project.

c) Inter-American Development Bank (IDB). Prior to the conclusion of the civil war, the IDB approved \$1.0 million for cooperative lending through the FUNDE system. However, the new government has directed these credits directly to the FUNDE member cooperatives, bypassing FUNDE itself. Under an agreement with the government, FUNDE is to receive an annual margin of 1% on the outstanding balance of sub-loans made with this IDB credit.

d) Private Agencies Collaborating Together (PACT). Throughout the life of this project, PACT will provide assistance to the housing division of FUNDE. Support totalling \$200,000 will be provided for salaries, transportation and overall budget support for this department.

e) Appropriate Technology International (ATI). ATI is providing support totalling \$50,000 for the salaries and operation expenses of FUNDE's research and development division. FUNDE is currently negotiating the

continuation of support through 1982 at a level of \$130,000.

f) German Development Assistance Association for Social Housing (DESWOS). During 1980, DESWOS is providing \$50,000 in budget support for training activities being undertaken in the housing division. This one year support will permit FUNDE to broaden its housing activities which will, throughout the project, assume an increasing share of the loan portfolio.

3. Request by FUNDE for Additional AID Assistance

Although other donor and AID assistance to FUNDE has provided for initial development and capitalization of the cooperative system, a recent AID funded evaluation has identified considerable additional lending capital and budget support needs through 1985. FUNDE has requested \$5 million of AID grant assistance to provide the majority of lending resources and technical assistance through 1982. The request includes approximately \$4.8 million to increase the capitalization of the FUNDE lending programs and approximately \$200,000 for technical assistance and commodity support. The analyses included within this Project Paper support these amounts and categories of assistance. It is expected that this grant project will be followed by less concessional external donor support.

## B. Detailed Project Description

### 1. Rationale for Project Design

In the past, almost all projects financed by FUNDE's traditional donors were specifically focused on one or more activities. However, given the increasing scope and complexity of FUNDE's operations, it is essential to strive for a more systematic and integrated approach which will provide reasonable assurance of overall system viability and which will address the country's rural recovery needs. The proposed project design supports FUNDE's five year integrated strategy of overall system strengthening, expansion and diversification; it is a strategy that has evolved gradually, through trial and error, and which has been proven effective, relative to the cooperative system itself, the government and the donor community.

The proposed strategy addresses FUNDE's three basic support needs: capital, budget, and technical. It is proposed that under this project AID provide the majority of the required capital and technical support, while other donors (e.g. IAF, PACT, ATI, etc.) continue to supply the necessary budget support in the areas in which they are presently involved. In summary, a consortium approach to FUNDE is proposed which consists of multidonor support in a well-planned and coordinated manner.

### 2. Nature of the Project

The project is designed to achieve rural economic and social growth and to assist in developing FUNDE as a self-sufficient institution. Objectives for the realization of the foregoing include:

- i) revitalization of productive activities among lower income groups;
- ii) increased development of the credit and technical assistance delivery mechanisms at both the FUNDE and cooperative level;
- iii) improved access to credit resources, extension and technical assistance on the part of cooperative members;
- iv) increased private savings at the cooperative level by cooperative members; and
- v) expansion of membership in the FUNDE cooperative system.

3. Goal, Project Purpose, EOPs

a) Statement of Goal

The goal of the project is to improve the economic and social conditions of the rural poor.

Direct benefits realized as part of the goal achievement are increased income and production, increased access to extension services, private savings stimulation, and the development of the cooperative movement as well as greater participation in the realization of revolutionary goals of the government.

k) Assumptions for Achievement of Goal

1. The cooperative movement in Nicaragua in general and FUNDE in particular will play a vital role in the revitalization of productive sectors and the betterment of rural conditions in the country.
2. FUNDE will continue to operate as an independent cooperative system principally serving the needs of the private sector.
3. FUNDE will continue to play a significant role in the cooperative movement and will continue to receive the required donor and governmental support.

g) Statement of Purpose

The specific project purpose is to strengthen, expand, and diversify the FUNDE cooperative system in order to respond to the economic and social needs of current and potential membership. The principal assumption underlying the purpose statement is that the increased availability and more effective provision of credit and complementary services will increase FUNDE's participation in the economic recovery of the country.

d) Conditions Expected at the End of the Project (EOPS)  
Indicating Achievement of Project Purposes

The three key components from the purpose statement (strengthen, expand, and diversify) can be utilized to classify the principal conditions and achievements expected in terms of system impact.

(1) Strengthened System. This component includes the two main subcategories of finance and organization. In the case of finance, a high

degree of solvency and financial security will have been developed for both FUNDE and its cooperatives. On the organizational side, there will be the development of stronger management, analytical and planning systems. Economies of scale in credit management and processing will have been achieved. Leadership and management will have also been improved through training and experience at the cooperative level.

(2) Expansion of the System. This component refers to membership and growth. During the life of project a minimum of twenty <sup>1/</sup> new cooperatives and ten new branches to existing cooperatives will have been developed. Overall membership in the FUNDE cooperative system will have expanded by 61%, or 29,100 members.

(3) Diversification of the system. The "multi-service" cooperative model will have been promoted through strengthened linkages between the cooperative and the technical divisions of FUNDE. At the FUNDE level, linkages to sources of new technology and research will have been developed and new technologies and organizational models will have been examined for inclusion in future activities.

#### 4. Project Description

##### a) Project Phasing

Due to the absence of prior medium and long range planning within the FUNDE system, the unstable conditions in rural Nicaragua in the past three years, and the rapid changes now occurring, the project is designed in such a way as to permit adjustments to the changing needs, priorities and targets resulting from experience with implementation of the project. For these reasons the project consists of the following two phases.

##### (I) Phase I: Nine Months (July 1980-March 1981)

Under the proposed implementation plan, this phase would consist of an initial tranche of lending capital designed to meet a major portion of the projected 1980 lending shortfall. In addition, technical assistance and commodities will be provided to undertake (a) a social and economic sample survey of cooperative members, (b) an analysis of FUNDE's current and potential information processing requirements, including storage and retrieval mechanisms, and (c) special feasibility studies. In addition, a medium term planning exercise will be carried out in collaboration with the current Research and Development Program which will provide the basis for a more detailed programming of FUNDE resources in Phase II.

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<sup>1/</sup> On the basis of existing community demand, it is estimated that somewhere between 35 and 50 new cooperatives could be formed during the period.

(2) Phase II: Twenty-One Months (Feb. 1981 - Dec. 1982)

This phase will consist of an expansion of FUNDE's lending, continued strengthening of current operations, and a moderate expansion of the cooperative system in line with FUNDE's current consolidation strategy. During Phase II, the data collection, research and planning elements initiated in Phase I of the project will be utilized to develop (a) an on-going program for evaluating social and economic data for the FUNDE cooperative system, (b) a feasibility study and implementation plan for the possible creation of a computer center within FUNDE, (c) additional special studies relating to financial projections, training, and programs, and (d) a three-year, integrated financial and institutional development plan to be utilized after Phase II.

(3) Post Phase II

It is an inherent characteristic of the current project design that at the end of Phase II FUNDE will neither be fully self-sufficient institutionally nor have sufficient reflows from lending activities to meet all anticipated capital or budget demands from 1982 forward. Given the limited availability of grant assistance and alternative demands for these funds, the Mission could not at this time support a request for the estimated \$9.0 million that would be necessary to make FUNDE financially self-sufficient from earnings on its portfolio. However, the project design does provide vitally needed assistance for recovery of productive sectors in the post-war recovery period; it contributes significantly to the institutional strengthening and diversification of the FUNDE cooperative system, and it develops a framework for increased support to FUNDE after 1982 by domestic and international donor communities.

b) Project Components

(1) Lending Capital

The demand analysis indicates a lending capital shortfall in the FUNDE system over the next six years as follows:

(\$000,000)

<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
1.9	2.4	2.8	2.6	3.3	3.7

AID will contribute to meeting the shortfall during the two phases of this project by providing \$1.9 million in Phase I and \$2.8 mil-

lion in Phase II. Given the limitations in AID grant funds and the need to provide incentives to solicit other funds, it is not the intention of this project to meet all of FUNDE's projected capital demands. As part of the technical assistance being provided under the project, a long-range development plan (including new demand analyses and identification of potential funding sources) will be developed. Given the anticipated growth in the FUNDE system, it is expected that the demand for credit in 1983-1985 could significantly exceed that projected here.

(a) Lending Policies, Criteria and Procedures to be Applied

i) Policy

According to FUNDE's "Reglamento de Crédito" the general policy of the organization is to utilize credit as a means of bringing about socially and economically beneficial impact amongst low-income groups who have no other access to sources of institutional credit. The philosophy is to promote self-help and to stimulate local resolution of community level problems. A strong emphasis is placed on increasing productivity and diversification. Additional objectives include increasing professional capacity in the community and stimulating the socially and economically productive involvement of the private sector in the development process.

ii) Criteria

At present FUNDE credit is available for working capital and fixed capital needs in the following categories of financing:

- . Commerce
- . Agricultural Production and Investment
- . Small Business and Industrial Production and Investment
- . Housing Improvement and Construction
- . Emergency Credit. (Both for personal emergencies and for situations such as those which arose from the war)

Under the project, credit will be made available for productive credit only. No AID funds will be used for housing or emergency credit. In addition, FUNDE will covenant that no more than 20% of its portfolio shall be in housing during the LOP, except as AID may otherwise agree.

AID credit funds will be lent to the cooperative at 8% to be on-lent at prevailing commercial rates, currently around 12%. The eight percent rate may be varied with AID's prior written approval. In no event will the rate be lower than that offered by the Nicaraguan government to similar borrowers. To be eligible under the credit program, individual cooperatives must have been accepted by FUNDE and have participated in its training programs; they must have legal status, solid administration including up-to-date financial statements, and have performed a demand analysis.

iii) Procedures

Under the project, FUNDE's existing credit procedures will be utilized. FUNDE conducts regional workshops at the beginning of each year for the financial programming of cooperative lending. Once the magnitude of funding is determined, the cooperative proceeds to formulate a written request which includes the amount, period, investment plan, financial condition of the borrower, social and economic objectives, and other key elements of information. If FUNDE finds that the coop has debt carrying capacity and a capable board of directors, the request is analyzed for compliance with FUNDE policy and financial and technical soundness. Upon completion, the credit committee approves or rejects the credit request and determines conditions precedent and other requirements to be completed during implementation and/or before submitting a new request. Once approved, the loan is authorized, a guarantee signed, and disbursements commenced.

(2) Technical Assistance

A major objective of the support for the FUNDE system is to strengthen FUNDE's ability to cover operating costs with income generated from lending and technical assistance operations. To contribute to the process, AID will provide technical assistance in the undertaking of (a) Data collection and Analysis, (b) Special Studies, (c) Overall Information Management and Processing, and (d) Planning.

(a) Data Collection and Analysis

Phase I: Base Line Data and Systems Development

As soon as possible after project commencement FUNDE will contract with a local or Central American organization or individuals to conduct a sample survey of a representative cross-section of its cooperative membership. The survey will develop a profile of basic parameters of the client group, including source of economic livelihood and income levels, present and potential productive enterprise, social conditions (health,

education, housing) need perceptions, and cultural biases and attitudes relative to participation in various existing and potential cooperative ventures. The survey data will then be analyzed to produce a profile, strategy, and planning recommendations for the type, level and location of credit and other services.

The contractor will also develop a plan for the establishment of an ongoing system of social and economic data collection to update the base line information developed from the survey. Maximum use will be made of existing data collection practices at the cooperative level. The plan will include the collection and updating of agricultural and other production data needed for the evaluation of current activities and the planning of future lending and technical assistance activities.

#### Phase II: Follow-up and Comparative Analysis

Although details of Phase II data collection and analysis activity will reflect the findings of the above effort, FUNDE's efforts in general are expected to encompass an ongoing program for annual updating of base line socio-economic data utilizing techniques developed by the consultants. This data gathering and analysis effort will be kept fairly simple so as to minimize the time and cost requirements.

#### (b) Special Studies

In accordance with a variety of specific planning and technical needs identified in the recent AID funded evaluation of FUNDE, a series of special studies will be undertaken during the life of the project.

#### Phase I: Development and Initiation of Studies

The R & D Center will be responsible for development of specific studies and their initiation during Phase I. These will include training, feasibility, financial and institutional development studies. Although detailed specific study plans and scopes of work remain to be developed, the following is an illustrative listing of what will be included in these studies:

Training. A special study is expected to be carried out to analyze organizational and technical training needs of the cooperative system as a whole as well as those of individual cooperatives. The study would identify training and curriculum development priorities and develop a plan for gearing the training more adequately to assessed needs. In addition, an ongoing

program of educational research and development might be prepared which, among other things, would include a program of follow-up surveys and analysis to measure the impact of training at member and cooperative levels. Finally the study could also determine and plan a program for FUNDE staff training and development over the medium term future.<sup>1/</sup>

Feasibility Studies. A series of specific feasibility studies will be carried out which focus on particular programs, cooperatives and projects where potential for productive innovation is evident relative to existing and potential FUNDE program operations. For example, FUNDE may study the feasibility of integrating the commercialization, agricultural marketing and supply activities within an inter-cooperative trading network.

Financial Studies. A financial analysis of the FUNDE system will be carried out near the end of life of the project to determine the current status of operations, projected credit and operational requirements beginning in 1983 and potential mechanisms for meeting financial needs after LOP.

Institutional Development. Because of increased lending activities and expansion of the FUNDE system, a general institutional development study will be undertaken by INCAE, the Central American Graduate School of Business Administration, to identify staffing requirements and other general areas of institutional support required. This study will be carried out prior to obligation of AID funds for Phase II and will further include an assessment of executive management training needs, possibilities for using sur-charges for capital generation, and financial projections and analyses.

Phase II: Completion of Studies

Phase II of the project will consist of the conclusion of studies designed and/or initiated in Phase I. (See Implementation Plan for a detailed listing of the anticipated scheduling of special studies in Phase II).

(c) Overall Information Management and Processing

Phase I: Analysis

<sup>1/</sup> Results from this study will be incorporated into FUNDE's on-going training activities.

During Phase I, an analysis will be carried out of FUNDE's total current and potential information processing requirements, including the potential use of computer analysis, storage and retrieval mechanisms. A detailed plan will be developed from this analysis which will include facilities and methodology for ongoing information processing requirements.

Phase II: Systems Improvement

Phase II will consist of implementation of the information management and processing plan developed in Phase I.

(d) Planning

Phase I: Initiation of Activity

FUNDE's Research and Development (R&D) Center will develop plans for programming resources through 1982 and initiate activities for the development of medium-to-long term resource programming.

Phase II: Three-year Development Plan

With support from short-term consultants, the R&D Center will design a three-year integrated development and operational plan for FUNDE. Involving a cross section of FUNDE, cooperative, and possibly other personnel, the plan will be developed to include inter alia, goals of the organization, targets, priorities, programming of institutional and financial resources consistent with system and cooperative needs, and an external donor resource mobilization schedule. This plan will then be used by FUNDE to provide overall direction to the system after completion of the project.

(3) Commodities <sup>1/</sup>

The final element of the project design addresses the specific commodity requirements as part of an overall institutional strengthening of the FUNDE cooperative system. These commodities are required to ensure the effective utilization of the FUNDE staff in carrying out its program. The two types of commodity support under the project are vehicles and equipment.

(a) Vehicles. Eleven four-wheel drive vehicles will be procured to augment the transportation requirements of the audit, technical assistance, CECOOP, CFER and housing departments of FUNDE. Six vehicles will be procured early in Phase I and five in Phase II.

(b) Equipment. Six electric typewriters will be provided to augment needs in 12 divisions. In addition, nine calculators and eight desks and

1/ See Annex seven for justifications.

eight chairs will be provided. With the exception of the calculators which will normally be used in field work, all equipment provided will be used at the FUNDE headquarters. All required equipment will be procured early in Phase I.

Financial Plan

TABLE I B.1  
(AID GRANT \$000)  
Summary Cost Estimates <sup>1/</sup>

	<u>Sub-Total</u>
I. Lending Capital	4,789
II. Technical Assistance/Training	96
III. Commodities	<u>115</u>
Total	5,000

TABLE II B.2  
LENDING CAPITAL, TECHNICAL ASSISTANCE, AND COMMODITY PLAN AND BUDGET

<u>COMPONENTS</u>	<u>PHASE I</u>		<u>PHASE II</u>		<u>TOTAL</u>	
	<u>P/M</u>	<u>\$000</u>	<u>P/M</u>	<u>\$000</u>	<u>P/M</u>	<u>\$000</u>
A. <u>Lending Capital</u>	N/A	1,908	N/A	2,881	N/A	4,789
B. <u>Technical Assistance</u>						
1. Baseline Data & Systems Dev.	3	10	3	10		
2. Special Studies						
a) Training	1	4	4	14		
b) Feasibility	1	4	2	7		
c) Financial	-	-	2	8		
d) Institutional Development	-	-	2	9		
3. Information Management and Processing Development	1	4	2	7		
4. Three-year Development Plan	-	-	3	19		
Sub-Total	6	<u>22</u>	17	<u>74</u>	23	<u>96</u>
C. <u>Commodities</u>						
1. Vehicles	N/A	54	N/A	45		
2. Equipment	N/A	16	-	-		
Sub-Total	N/A	<u>70</u>	N/A	<u>45</u>	N/A	<u>115</u>
Total	6	<u>2,000</u>	18	<u>3,000</u>	24	<u>5,000</u>

<sup>1/</sup> Financial plan details AID inputs to FUNDE through 1982. See Annex six for description of other donor support for this period.

### III. PROJECT ANALYSIS

#### A. INSTITUTIONAL ANALYSIS

##### 1. Evolution and Formation of FUNDE

FUNDE and its parent organization, the Nicaraguan Institute for National Development (INDE), are both outgrowths of Nicaraguan private sector initiatives. In 1969, INDE, with the help of the Pan American Development Foundation (PADF), established FUNDE as a non-profit Nicaraguan development foundation to facilitate resource mobilization, planning, and execution of social and economic development activities amongst low-income communities and groups throughout the country. Over the years FUNDE and its program passed through four principal stages as described below:

##### a) The Early Years (1969-1972)

FUNDE's initial focus was on small informal groups at the community level and on providing commercial credit for socially and economically productive activities, such as crafts, fishing, marketing and small business and industry in general. A strong emphasis was placed on self-help and popular participation in the resolution of community problems.

##### b) Transition and Incorporation of the Cooperative Model (1973-1974)

As the foundation grew in scope, it found that small informal groups, especially those at the lower end of the poverty scale, did not have the organizational cohesion, leadership and economic basis for sustained growth. It was clear that a new strategy was needed, and emphasis was shifted to an upgrading of organizational competence and a more technical orientation in the field.

In 1973, FUNDE for the first time began to form cooperatives (credit unions) among women working in public markets of the principal secondary cities. By the end of 1974, fourteen cooperatives with almost 3,500 members had been formed. The success during this period led to FUNDE's continuing focus on cooperatives.

It was also in this period (1973) that FUNDE's experimental rural family education program "Centros Familiares de Educación Rural" (CFER) was initiated with support from the Ministries of Agriculture and Education, the Land Reform Institute (IAN), and the French Mission. At the same time, primarily in response to the 1972 earthquake, FUNDE entered the housing field with modest programs in minimum shelter and model communities (Estelí and Granada) and in the formation and financing of potable water cooperatives.

c) The Maturing of FUNDE - Its Program, and Development of the Cooperative System (1975-1978)

The period from 1975-78 marked the coming of age of FUNDE and its cooperative system. The period was marked by sustained growth in terms of the organization itself, resources mobilized, cooperatives formed and strengthened, and diversification of services and activities (agriculture, housing, and community action). Its expansion during the period is illustrated by the following:

(Values in \$000)

<u>End of Year</u>	<u>1974</u>	<u>1978</u>
Cooperatives	14	42
Members	3,490	9,270
Capital	150	890
Portfolio of Member Coops	340	1,650

From 1974 to 1978 FUNDE's operations grew dramatically in terms of resources, beneficiaries, services offered and activities in general. By early 1979, the staff had grown to 56 full-time employees including approximately 30 professionals. By the end of 1978 the FUNDE and cooperative portfolios had grown to \$.7 million and \$1.7 million, respectively. Of the 42 cooperatives promoted and funded by FUNDE, 32 were credit unions<sup>1/</sup>, six were classified as agricultural, and two each were dedicated to housing and transport. Throughout the period, FUNDE concentrated on the cooperative program, and technical assistance, training and promotion activities were increased. Resources were drawn from growing donor support and domestic borrowing.

d) The Current Period: Civil War and the Aftermath (1979-June 1980)

Despite the severe and growing civil disturbances in Nicaragua during the period September 1978 through May 1979 and the full scale war in June-July, 1979, the FUNDE program proceeded with only minor interruptions. A number of new cooperatives were formed and lending operations continued to expand at a substantial rate, especially in response to the sharply increased need for emergency, rehabilitation and working capital financing after the widespread fighting of September, 1978.

The period from the end of the war to the present has seen a major development of the FUNDE's program. Almost immediately after the war ended, most of FUNDE's existing cooperatives opened and commenced operations. The

<sup>1/</sup> The cooperative model utilized throughout the period was that of the credit union. Most of the cooperatives now classified as agricultural and other types were originally credit unions which have diversified over time to include agricultural and "multi-service" functions.

FUNDE cooperatives were flooded with old and new members seeking credit and technical services and facilities for depositing savings. Table III A.1 below compares end of the 1979 year key indicators with those of a year earlier.

TABLE III A.1  
THE FUNDE COOPERATIVE SYSTEM  
GROWTH INDICATORS: 1978-1979

(Values in \$000)

	<u>1978</u>	<u>1979</u>	<u>% Growth</u>
Membership	9,270	17,700	91%
Affected Population	24,102	46,020	91%
Outstanding Loans to Members	1,650	3,340	100%
Outstanding Loans from FUNDE to coops	520	1,330	156%
Share Capital (Savings)	890	1,740	96%
Donations	150	410	173%
Total Assets	1,930	4,830	150%
Cooperatives	42	58	38%

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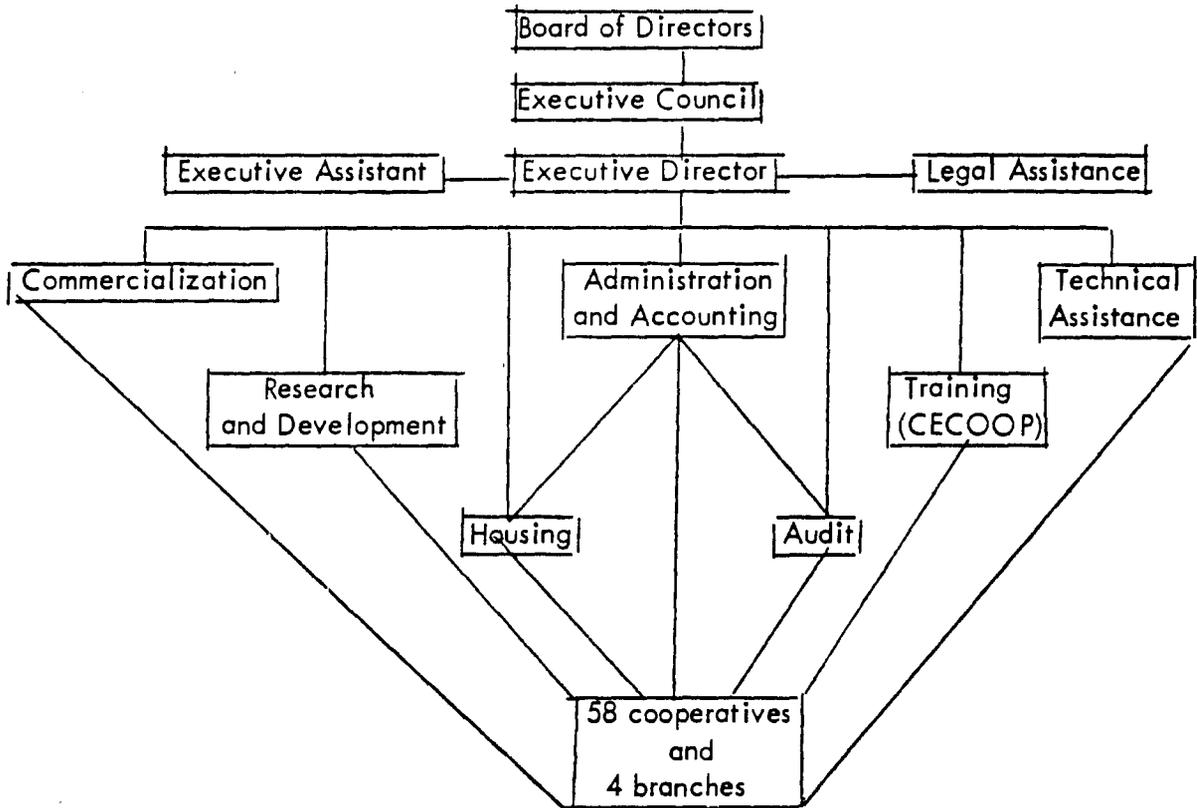
Source: FUNDE: Balances Consolidados

## 2. Current Organization

FUNDE is governed by a 16 member Superior Council (Consejo Superior) which sets policies and strategies for the organization. Council membership includes three representatives of the National Development Institute (INDE) and 13 members from the private sector at large elected on their merits. Under the Superior Council is an eight member Executive Council which meets twice a month for program review and required decision-making. The third layer is represented by the Executive Director, who is responsible for the daily operation and administration of the foundation. Below the Executive Director are the various divisions which operate the FUNDE programs. Seventy-five people work in these divisions.

TABLE III A.2

FUNDE's Current Organizational Structure



a) FUNDE Headquarters

Thirty-eight people are on staff in the FUNDE headquarters and thirty-seven are assigned field work at the cooperative level. The current annual budget for operations is \$819,000, of which nearly 82% is covered by domestic and donor assistance. As detailed in the financial analysis, this assistance will be provided throughout the life of project by the Inter-American Foundation (IAF), Private Agencies Collaborating Together (PACT), Appropriate Technology International (ATI), and AID.<sup>1/</sup>

Technical assistance and training activities to be carried out as part of this project will be coordinated by the Research and Development Division. Personnel in the division include the chief, a public accountant, a business administrator and a sociologist. Lending activities under the project will be coordinated by the Administrative Center which includes the chief, a legal counsel, three accountants, a portfolio manager and a secretary. Both divisions will draw upon other divisions as required to implement project activities.

b) Cooperative Level

FUNDE's 58 cooperatives represent a strong and essentially viable system. Although they are in varying degrees dependent on FUNDE for loan funds and technical assistance, they pay reasonable interest for the former and are now capable of sharing the costs of the latter. However, some continuing subsidies to the cooperatives for technical assistance will be required in the foreseeable future.

The quality of leadership in the cooperative system is high, and, by and large, cooperative board members are taking an aggressive role in their development. Membership totals 17,700, and inactive membership is less than 20%. All FUNDE cooperatives have full-time professional management, usually drawn from the local community. The managers are extensively trained by FUNDE in required systems, procedures and relevant skills.

There is a wide variety of capabilities in the FUNDE system. In general, financial management is good, primarily due to the very intense emphasis of FUNDE on audit, technical assistance and training programs. Budget, loan portfolio, delinquency and other financial controls are sound at the cooperative level.

3) Relationship of FUNDE to the GRN

Officially, the new government is in the process of sorting out

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<sup>1/</sup> Currently, \$173,200 of projected budget support is under negotiation with IAF and ATI. AID budget support to FUNDE is limited to the CFER program as provided for under an on-going OPG project.

and establishing a new policy on cooperatives. A new law is to be drafted, based on post-revolutionary objectives and experience. Until the new law is published, FUNDE's activities will continue to be governed by the 1971 law, as amended in 1975. The National Cooperative Directorate located in the Ministry of Labor is responsible, as before, for legal and regulatory functions of cooperative activities.

Faced with an unclear and evolving panorama of GRN attitudes and regulations, FUNDE will continue with its existing cooperative activities. This will be maintained until a consistent national policy on the role and functions of private cooperatives becomes clear. During this interim period FUNDE will endeavor to prove the case for its multi-service cooperative model, consolidate the existing program with only slight expansion, promote the precepts of the revolution, collaborate with GRN agencies when possible, and broaden participation in the organization to include greater public sector representation.

B. Financial Analysis

1. Existing Financial Condition

(a) FUNDE

Financial balance sheets and statements of revenues and expenditures for 1978 and 1979 are presented in Tables III B.1 and III B.2. Additional audited financial information is included in Annex Six.

Total revenues and expenditures of FUNDE for the last two years have increased substantially, primarily as a result of continued high levels of donor support. Donor assistance combined with other income for 1979 left a surplus after operating costs of \$500,000. This permitted a substantial increase in assets which have risen to approximately \$1.8 million.

Although FUNDE is financially solvent, it is heavily dependent upon external donor support. For the last two years over 75 % of the operating costs have been covered through donor resources. Interest income totalled only 7% of the operating costs in 1979. As indicated in Table II B.7 and as amplified in Section 2.b below, FUNDE has tentatively identified adequate sufficient other donor support to this project. However, to ensure adequate budget support for the project, as a condition precedent to disbursement to Phase II of the project, AID will require FUNDE to demonstrate financing for implementation of all activities related to the project.

1979 EARNINGS AND EXPENSES

TABLE III B.1  
(Amount in US\$ '000)

<u>Earnings</u>	<u>1978</u>	<u>1979</u>
Local donations	9	2
Foreign donations	599	1,108
Interests received	34	43
Other earnings	<u>2</u>	<u>16</u>
Total earnings	604	1,169
<u>Expenses</u>	<u>362</u>	<u>599</u>
Excess Capital	<u>242</u>	<u>570</u>

FUNDE BALANCE SHEET

TABLE III B.2  
(In US\$ 000)

<u>A. Assets</u>	<u>1978</u>	<u>1979</u>
Cash on hand	11	86
Loan portfolio - coops <sup>1/</sup>	633	1,499
Accounts receivable	43	50
Inventory on hand for coops	<u>--</u>	<u>10</u>
Liquid assets	687	1,645
Fixed assets	21	55
Construction in process	69	69
Other assets	5	15
	<hr/>	<hr/>
Total assets	782	1,784
	<hr/>	<hr/>
<u>B. Liabilities</u>		
<u>Short Term Loans</u>	377	395
Owed to national banks	<u>330</u>	<u>316</u>
Owed to international institutions	<u>47</u>	<u>79</u>
<u>Long Term Loans</u>	44	399
SOLIDARIOS	<u>44</u>	<u>399</u>
Total loans outstanding	<u>421</u>	<u>794</u>
Accounts payable	84	113
Total liabilities	<u>505</u>	<u>907</u>
	<hr/>	<hr/>
<u>C. Net Worth</u>	277	877
	<hr/>	<hr/>
<u>D. Total Liabilities and Net Worth</u>	782	1,784
	<hr/>	<hr/>
<u>Financial Coefficients:</u>		
Total loans/net worth	1.52	.91
Loan portfolio/Total loans	1.50	1.89
Foreign donations/Total earnings	.92	.95

Source: Financial Audited Status

(1) Taken from financial statements not audited.

(b) The Cooperatives

At the end of 1979, the 58 cooperatives in the FUNDE system had total assets of \$4.8 million. An outstanding loan portfolio of \$3.3 million to its 17,700 members constituted the major portion of these assets. Total savings from members came to \$1.7 million.<sup>1/</sup> This combined with the donations and the reserves which are required by law contributed to a net worth of \$2.1 million for the year. In four of the last seven years, the cooperative system has shown modest surpluses. During 1979, thirty-four of the 58 cooperatives <sup>2/</sup> produced modest net surpluses which totalled \$53,000.

Tables III B.3, B.4 and B.5 below provide a balance sheet and key indicators of the cooperative system. Overall, the cooperative system is viable. This is due to substantial grant inputs in the past, subsidized loans and free services. As seen in Table III B.4, and III B.5, some of the cooperatives are now in a position to share the financial burden of their own development. Given this and as part of FUNDE's plan to cover operational costs through 1985, cooperatives will have to pay an increasing amount for technical assistance and services supplied by FUNDE.

2. Future Viability: 1980-1985

FUNDE's plan for financial viability calls for overall development of the system based on the consolidation and donor support strategy embodied in this paper. AID is to provide the majority of the lending capital required during the period and other donors will be required to provide the required budget support.

(a) Lending Capital Shortfall

Although demand has risen, FUNDE's traditional sources of domestic and international lending capital have diminished considerably. Originally, \$1.0 million of IDB credits were approved for FUNDE lending, yet under direction of the GRN, these funds will bypass FUNDE altogether and be disbursed directly to the cooperatives. In its place, FUNDE will receive an annual margin of 1% on the outstanding balance of sub-loans made with IDB funds. In addition, as nationalized bank funds are being directed largely to public sector activities, FUNDE does not anticipate support from these banks in the immediate future. Finally, committed funds from SOLIDARIOS, FUNDE's only current source of

<sup>1/</sup> FUNDE cooperatives are currently paying 7% interest on deposits by members. This rate, as other interest rates, is determined by the government.

<sup>2/</sup> The surplus can be attributed almost entirely to the ten agricultural cooperatives.

COOPERATIVES BALANCE SHEET

TABLE III B.3  
(Value US\$ 000)

	<u>1977</u>	<u>1978</u>	<u>1979</u>
<b>A. <u>Assets</u></b>			
Cash on Hand	50	90	320
Loans to members	1,200	1,650	3,340
Accounts receivable	20	20	600
Inventory	--	10	40
	<hr/>	<hr/>	<hr/>
Total Liquid Assets	1,270	1,770	4,300
Land and building	30	30	100
Furniture and Office Equipment	30	40	30
Tractors and Vehicles	10	20	270
	<hr/>	<hr/>	<hr/>
Total Fixed Assets	70	90	400
Other Assets	60	70	130
	<hr/>	<hr/>	<hr/>
Total Assets	1,400	1,930	4,830
<b>B. <u>Liabilities</u></b>			
Loans from FUNDE	300	520	1,330
Loans from Banks	90	160	830
Accounts Payable	120	180	500
	<hr/>	<hr/>	<hr/>
Total Liabilities	510	860	2,260
<b>C. <u>Net Worth</u></b>			
Savings of Members	720	890	1,740
Donations	160	150	410
Reserve (req. by law)	10	30	20
	<hr/>	<hr/>	<hr/>
Total Net Worth	890	1,070	2,170
	<hr/>	<hr/>	<hr/>
<b>D. Total Liabilities and Net Worth</b>	1,400	1,930	4,830

SAMPLE OF MOST VIABLE COOPERATIVES

TABLE III B.4 to December 1979  
(Value in US\$ 000)

	La Moderna (multi-service)	Avances (Multi-service)	Juigalpa (commerce industry)	La Perla (coffee)	Jalapa (Ag.)
<b>A. <u>Assets</u></b>					
Cash on hand	9	16	4	3	1
Loans to members	96	127	41	137	31
Accounts receivable	-	29	-	-	3
Inventory	-	-	-	22	13
<b>Total Liquid Assets</b>	<b>105</b>	<b>172</b>	<b>45</b>	<b>162</b>	<b>48</b>
Fixed Assets	7	26	1	32	100
Other Assets	1	4	1	19	8
<b>Total Assets</b>	<b>113</b>	<b>202</b>	<b>47</b>	<b>213</b>	<b>156</b>
<b>B. <u>Liabilities</u></b>					
Loans from FUNDE	46	48	14	8	--
Loans from other Institutions	--	23	--	-	49
Other Obligations	18	27	11	37	15
<b>Total Liabilities</b>	<b>64</b>	<b>98</b>	<b>25</b>	<b>45</b>	<b>64</b>
<b>C. <u>Net Worth</u></b>					
Savings of members	46	96	19	58	9
Donations	--	4	1	92	100
Reserves and Excess	3	4	2	18	(17)
<b>Total Net Worth</b>	<b>49</b>	<b>104</b>	<b>22</b>	<b>168</b>	<b>92</b>
<b>D. <u>Liabilities + Net Worth</u></b>					
<b>Number of Members</b>	<b>289</b>	<b>587</b>	<b>279</b>	<b>280</b>	<b>179</b>
Interests Received	13	26	10	27	9
Excess Capital	3	3	2	34	10

FINANCIAL COMPARISON OF COOPERATIVE CATEGORIES

TABLE III B.5  
(Selected Indicators)  
December 31, 1979  
(Values in \$ 000)

	Ag.	Commerce Industry	Multi- Service	Transport	Housing
Total Assets	1,560	1,550	1,420	200	100
Portfolio	670	1,370	1,290	60	40
FUNDE Loans	380	410	460	10	70
Savings	270	750	640	80	10
Net Capital	480	840	700	120	30
Interest Income	708	116	148	-	1.6
Other Income	80	9	2.9	41.4	0.5
Excess (Loss)	58.7	(12.9)	14.4	(6.1)	(0.7)
<hr/>					
Coops	10	20	23	2	3
Members	2,570	8,153	6,231	428	323
<hr/>					

FUNDE LENDING CAPITAL REQUIREMENTS

TABLE III B.6 1980 - 1985  
(US\$ 000)

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
<b>A. <u>GENERAL LOANS</u></b>						
Balance at end of year	3,160	4,480	5,590	6,480	7,270	8,060
New Loans	2,600	3,120	3,570	3,960	4,340	4,750
Amortization received	<u>710</u>	<u>1,800</u>	<u>2,460</u>	<u>3,070</u>	<u>3,550</u>	<u>3,960</u>
New Required Resources	1,890	1,320	1,110	890	790	790
<b>B. <u>HOUSING LOANS</u></b>						
Balance at end of year	530	1,100	1,790	2,140	2,270	2,270
Loans Granted	530	590	740	420	220	100
Amortization received	<u>--</u>	<u>20</u>	<u>50</u>	<u>70</u>	<u>90</u>	<u>100</u>
New Required Resources	530	570	690	350	130	--
<b>C. New Required Resources (General + Housing)</b>	2,420	1,890	1,800	1,240	920	790
<b>D. <u>FUNDE AMORTIZATION</u></b>						
Present Credit	130	160	130	60	90	50
Future Credit	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>300</u>	<u>600</u>
Required Resources	130	160	130	60	390	650
<b>E. <u>CONTRACTED FINANCING</u></b>	650	--	--	--	--	--
Total Required Resources (C + D - E)	1,900	2,050	1,930	1,300	1,310	1,440
New Cooperatives	--	100	200	400	700	100
Inflation (15%)	<u>--</u>	<u>300</u>	<u>700</u>	<u>900</u>	<u>1,300</u>	<u>2,200</u>
Total Net Requirement	1,900	2,400	2,800	2,600	3,300	3,700

international loan financing, will terminate in 1980.

Table III B.6 illustrates lending capital requirements through 1985. Demand assumptions for these figures are contained in the economic analysis. Under the project, it is proposed that AID will provide through 1982 approximately \$4.8 million of the lending requirements. Additional lending sources of \$2.3 million will have to be developed to meet the remaining shortfalls through 1982. If other lending sources are not identified, FUNDE will be required to reduce its lending portfolio as appropriate to keep within the limits of available credit. Between 1983 and 1985, FUNDE will be required to obtain additional lending resources of approximately \$9.6 million if it is to service the projected demand. As part of projected lending resources for this period, FUNDE has identified SOLIDARIOS as a potential resource for additional lending credits.

(b) Budget Shortfall

The projected earnings and required expenses for the period 1980-1985 are shown in Table III B.7 and are amplified in Annex Six. Support through the life of project is based upon a mix of donor support, interest income, and service charges to cooperatives.

External donor contributions to FUNDE for budget support through LOP total \$1.6 million. Of this, FUNDE has currently contracted \$1.4 million, or 87%. The remaining 13% is under negotiation. Although sources have not yet been identified; donor assistance of \$300,000 is currently estimated to be necessary for the 1983-1984 period.

Interest income through the LOP totals \$639,000 and approximately \$2.1 million through 1985. This projected interest income is based on the lending activities estimated in Table III B.6. Should these lending activities increase or decrease during the period, the income from interest charges would vary upward or downward, accordingly.

Due to past growth and surpluses from operations, many of the cooperatives are in a position to assume higher service charges for FUNDE furnished services. FUNDE projects income for services to rise from \$49,000 in 1981 to \$428,000 in 1985. This is based on continued growth in membership and an expansion of the cooperative system to include 20 new cooperatives.

STATEMENT OF EARNINGS AND REQUIRED EXPENSES  
FOR OPERATIONS THROUGH 1982

TABLE III - B.7

(US\$ 000)

	1980	1981	1982	1983	1984	1985
<b>A. <u>SOURCES OF FUNDS</u></b>						
Cash	52	--	--	--	--	--
Interest to be received <u>1/</u>	84	223	332	436	519	578
Income IDB Loan Service to	--	10	10	10	10	10
Cooperatives <u>2/</u>	--	49	132	222	291	428
Donations <u>3/</u>	676	633	351	186	106	--
<b>Total Sources</b>	<b>812</b>	<b>915</b>	<b>825</b>	<b>854</b>	<b>925</b>	<b>1,016</b>
<b>B. <u>USE OF FUNDS</u></b>						
Interest payable <u>4/</u>	78	78	62	51	91	109
Operational Costs (non personnel) <u>5/</u>	330	266	296	297	317	342
Personnel Costs <u>6/</u>	411	432	458	481	505	531
<b>Total Uses</b>	<b>819</b>	<b>776</b>	<b>816</b>	<b>829</b>	<b>913</b>	<b>982</b>
<b>C. ANNUAL SURPLUS (A - B)</b>						
	(7)	139	9	25	13	34
<b>D. ACCUMULATED SURPLUS</b>						
	(7)	132	141	166	179	213

Notes 1-6, see Annex Six

### C. ECONOMIC ANALYSIS

This project is intended to increase the funds available for private sector investment activities. It is hoped that investments financed will yield significant benefits for low-income groups, particularly in terms of increased employment and income. The project's key economic issues pertain to (i) the existence of effective demand for the increased investment funds, (ii) the efficiency of the distribution system through which the funds will be channeled, and (iii) the potential impact on output, income, and employment.

#### 1. Effective Demand for Credit <sup>1/</sup>

Since its creation and throughout the war, FUNDE has demonstrated both ingenuity and flexibility in responding to ever increasing demands for credit. From 1975 up to the time of the war, FUNDE's operations quadrupled in terms of resources, number of beneficiaries, and services offered. Even during the severe civil disturbances, lending operations continued to expand in response to an increased need for emergency, rehabilitation, and working capital financing. Since the war, nationalization of the banking system and the GRN's interest in channeling resources on a priority basis to state-owned enterprises have impeded the flow of credit to independent farmers and cooperatives. As a result, the demand for FUNDE credit has increased dramatically in agriculture as well as in commerce and industry. FUNDE's projections of probable demand during the period 1980-85 are summarized below and disaggregated in Table six of the Financial Analysis.

#### FUNDE LENDING CAPITAL REQUIREMENTS, 1980-1985

(US\$ 000)

<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
1,900	2,400	2,800	2,600	3,300	3,700

These demand projections, which FUNDE believes are quite conservative, more than justify the proposed level of A.I.D. resources to be provided with this project. The figures are based on the effective demand realized during the current 1980 operating year, as well as projected needs of the cooperatives. Also taken into account are the potential effects of current economic, political, and social policies of the GRN. Key assumptions of the analysis are summarized below.

<sup>1/</sup> Demand projections included in this section are based on creation of twenty new cooperatives and the current lack of government provided credit resources. As detailed in the Financial Analysis, should either number of cooperatives created or supply of credit vary, the demand projections would change accordingly.

- Inflation will remain constant at 15% over the period.
- Twenty new cooperatives will be organized during the life of the project. Credit demand from new cooperatives will be minimal. (See Table III B.6, Financial Analysis)
- Technological innovation, spurred by the availability of credit and technical assistance, will continue in coffee and vegetable production, thus increasing the demand for additional credit.
- Current GRN programs promoting diet improvement through the consumption of pigs, poultry, and vegetables will be moderately successful, thus increasing the demand for credit to expand production in these areas.
- Alternative institutional sources of credit such as the national banking system will not alter their policies to significantly increase the availability of credit to FUNDE (independent) cooperatives.
- The GRN's agricultural and commercial sector policies will continue to permit independent farms and enterprises to earn sufficient return on investment so as to provide an incentive for continued operation.
- Economic and financial conditions in the country will gradually improve. In two or three years activities in the commercial, industrial, agricultural, and construction sectors will be normalized.

## 2. Cost-Efficiency of the FUNDE Delivery System

FUNDE's claim to efficiency is based upon its method of credit distribution, through cooperatives. Cooperative systems have demonstrated an ability to provide credit and technical assistance to borrowers at a lower cost per beneficiary than alternative systems which depend upon direct contact with each borrower. The major saving results from the ability of the technicians to work with groups and thereby expand the number of clients served. Additionally, working through cooperatives reduces the need for credit references and other banking procedures which are costly and which have traditionally discouraged many potential borrowers from exploiting available capital resources. Finally the provision of credit and technical assistance together increases the probability of high returns to these inputs, as the timely availability of credit permits beneficiaries to most effectively implement recommended technical plans.

FUNDE cooperatives have also demonstrated superior efficiency in collecting on loans. Delinquency rates on loan payments have been low, and despite the enormous economic disruptions of the past several years only 5.5% of

the loan portfolio was considered non-recoverable in 1980. "Peer pressure" is a partial explanation for this phenomenon. Experience suggests that the individual cooperative borrower is diligent in meeting loan payments because the welfare of other cooperative members is dependent upon his accepting that responsibility.

It should be noted that the project not only mobilizes local savings but also encourages new savings. Upon joining a cooperative, new members are required to save a small portion of their income on a pre-determined schedule before receiving their first loan. The purpose of this requirement is to challenge the future borrower to discipline himself to a savings routine. Also, loan requirements do not permit more than a 3:1 ratio of credit to capital contributed, which provides additional incentive to save.

Having successfully established a cooperative network, a working credit system, and a highly qualified and experienced staff, FUNDE now has the potential and need to expand its operations to take advantage of economies of scale. Overhead expenses for both credit and technical assistance activities can be spread over an increasing number of beneficiaries, and resulting savings can be committed to improving service and to covering normal operating expenses now funded by donor agencies.

### 3. Impact on Production, Incomes, and Employment

Small farmers have traditionally obtained credit at high interest rates from intermediaries who purchased their produce at a price substantially below what the market would bear. FUNDE estimates the cost of credit obtained from informal sources to be from five to twenty percent per month. In contrast, FUNDE lends to cooperatives at eight percent, and members borrow at twelve percent. Low delinquency and bad debt rates suggest that FUNDE loans at commercial interest rates are being used effectively, contributing to both increased production and incomes.

With FUNDE, cooperative organizations assume the role of intermediaries in marketing produce. They also provide the financial and technical resources which facilitate the introduction of productivity increasing innovations such as irrigation systems, pest control practices, improved seed, and fertilizer. Based on its experience, FUNDE estimates that the credit and technical assistance it channels to small farmers will increase their productivity by twenty percent in the first year and up to twenty-six percent in the second year. Taking into account the relatively little amount of credit required for a small farmer to more effectively use appropriate, relatively simple technologies, the estimated increases in productivity are likely to be conservative. The figures are, however, comparable to findings reported in a study commissioned by SOLIDARIOS in 1977 to evaluate the impact

of National Development Foundations (NDFs) engaged in activities similar to those carried out by FUNDE. 1/

The project will also yield a significant impact on small industry and commerce. As a result of the introduction of new credit, FUNDE estimates that small enterprises will acquire the materials and machines needed to improve productivity by as much as twenty-five percent. The above-mentioned SOLIDARIOS study found that within the commercial and industrial sectors, additional working capital allows expansion with marginal inputs of technical assistance, hence, with greater access to credit, the small entrepreneur is even more likely than the agriculturalist to increase his or her income.

The project is concerned not only with increasing productivity and incomes, but also with employment generation. Since the beneficiaries of FUNDE's credit distribution system are generally owners of small farms and enterprises using more labor intensive technologies, the provision of credit can be expected to intensify the use of these technologies, generating significant employment in the process. As employment generation is an important objective of this project, FUNDE has agreed that before financing loans with A.I.D. funds, cooperatives will be required to assess potential employment and income impacts, distinguishing between permanent jobs generated and person months of temporary employment. Projects with greater employment generation potential will receive higher priority in selection financing.

In conclusion, the analysis suggests that the project can have a significant impact on employment, productivity, and incomes of marginal groups. And the level of investment per beneficiary, estimated at US\$35, is very low for the potential benefits to be derived.

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1/ For example, the Dominican Development Foundation, lending a total of US\$2.3 million to 4,804 borrowers in the 1975-76 season (loans averaged US\$498 per family), assisted in increasing production of rice, onion, and cacahuete by 15%, 18%, and 25%, respectively. Even more impressively, the Ecuadorian Development Foundation based in Quito, financed small farmer credit for the purchase of fertilizer (all borrowers) and insecticides (60% of borrowers), which resulted in reported increases of potato, wheat, malt, and corn production of 41%, 16%, 31%, and 39%, respectively.

D. Social Soundness Analysis

1. The Client Population

While the programs of FUNDE have included activities in secondary cities and have attended to the interests of small and industry, their orientation is nonetheless eminently rural. FUNDE's clients, then, are drawn from the 65% of the national population which lives outside the 14 urbanized <sup>1/</sup> areas of Nicaragua and, in greater measure, from the 55% of the national population resident in rural communities of less than 1000 inhabitants.

Nicaragua's rural population is described by the same order of basic indicators that describe most rural populations in developing countries, but there are some aspects of the Nicaraguan rural profile to which the history and design of FUNDE's programs are particularly responsive. These key indicators include a high rural fertility rate (average number of children per mother, 8.2) which in turn produces a dependency rate of 117, as of 1972 the second highest in the world after Bangladesh. The largest and thus most needy families are found among agricultural producers, one of FUNDE's prime client groups. Furthermore, a number of cultural, economic, and even physiological phenomena (e.g., attitudes toward sexual responsibility, the necessities of temporary or permanent rural out-migration, and substantially higher female life-expectancy rates) conspire to produce great numbers of fragmented families and women-headed households, the latter estimated at around 20% in rural areas. Thus rural women are forced to be economically active in large numbers although national labor force participation figures do not reflect the full reality. At least 34% of campesinas are engaged in at least one activity for remuneration. Ten percent of all salaried agricultural day workers, 54% of non-agricultural day workers, 4% of farmers, 80% of non-agricultural producers, 16% of merchants, and 22% of those who have more than one job, are women. FUNDE's demonstrated concern for rural women and the family unit are well justified by the socio-economic facts.

Solid statistics are not available to determine the proportion of FUNDE's client population who might be classed as the poorest of the poor, but recent sampling of FUNDE loan files indicates that, with the exception of some of the coffee farmers, the institution is serving the portion

<sup>1/</sup> With populations of 10,000 or more.

of the rural population which falls well under the 1979 estimated per capita income figure for Nicaragua of US\$649 (see Table I). Since almost all the members of the agricultural cooperatives work from 1 to 10 manzanas, they are clearly small farmers.

TABLE I  
COOPERATIVE MEMBER INCOME LEVELS

	<u>C\$/Mo./Family</u>	<u>C\$/Mo./Person</u>	<u>C\$ /Yr./Person</u>	<u>US\$/Yr./Capita*</u>
Small Business	1,000-3,000	200-600	2,400-7,200	240-720
Small Industry	1,000-5,000	200-1,000	2,400-12,000	240-1,200
Small Farmers				
Coffee	4,000-10,000	800-2,000	9,600-24,000	960-2,400
Basic Grains	1,000-3,000	200-600	2,400-7,200	240-720

\* Conversion rate used is current official rate of ten cordobas (C\$) to US\$1.00, although current prevailing parallel market rate is running at around 17 to 1.

## 2. Benefit Incidence and Spread Effect

The number of FUNDE cooperatives has grown from 14 in 1974, to 42 in 1978, to 58 in 1979. Of the existing 58, a broad spectrum of clientele and clientele needs is served: there are 23 multiservice coops, 20 dedicated to small industry and commerce, 10 to agricultural production, 3 to low-cost housing, and 2 to transport.

Membership has grown corollarily, by 91% between 1974 and 1979 (see Table II). Present total direct beneficiary population is 17,700; the indirect beneficiary population numbers around 46,020. <sup>1/</sup> With the 61% increase estimated for this Project (based on a conservative minimum of 20 new coops and 10 new branches), membership by end-of-project

<sup>1/</sup> Not all FUNDE coop members are heads of household. This figure was derived by multiplying heads of household by 5 (a conservative family size estimate) and adding number of members not heads of household.

would be approximately 29,100, with an attendant indirect beneficiary population of 145,500. Estimated rural population for 1977 was about 1,100,000 (rounded). Accepting that population figure as relatively unchanged due to war casualties and migration, FUNDE programs are presently affecting 4.2% of the rural population. Under the project, that proportion could reach 12%, including a rough accounting for rural population growth.

TABLE II  
CURRENT AND PROJECTED FUNDE MEMBERSHIP AND ESTIMATED BENEFICIARY POPULATION

	<u>1974</u>	<u>1978</u>	<u>1979</u>	<u>% Growth</u>	<u>EOP 1/</u>	<u>% Growth</u>
Membership	3,490	9,270	17,700	91%	29,100	64%
Beneficiary Population <u>2/</u>	9,074	24,102	46,020	91%	145,500	216%

1/ End of Project

2/ Not all FUNDE members are heads of household. These figures were derived from multiplying heads of household by the conservative family-size figure of 5 and adding the number of members not heads of household.

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Savings (aportaciones) per member have also grown, from an average of 430 cordobas per member in 1974 to 983 cordobas in 1979, an increase of 129%.

In addition to the spread effect achieved by sheer growth, such effect and incidence of benefit are enhanced by multiplier effects deliberately incorporated into FUNDE sub-programs. The Center for Cooperative Training (CECOOP) includes in its student body educators (educadores) in each cooperative, whose mandate is to replicate the cooperative education received among coop members. The Rural Family Education Centers (CFERs) involve parents and students in a mutually reinforcing round of activity and learning. The new commercialization program of cooperative markets will lower costs of basic consumer goods to an as yet unestimated number of

clients, but stocks will be constructed so as not to compete with the market women who are also FUNDE members. Finally, there are, also uncalculated, the spinoffs from small-business and industry which, in Latin America, customarily display high rates of return and employment generation.

The distribution of benefits of FUNDE programs is guided by considerations of equity. Small-fanner families, which have characteristically lower income ranges and larger family sizes, receive preferential lending ratios of 6:1 (loan:shares). Small business and industry clients, with higher income ranges and lower family size, are permitted loan ratios of 3:1. Average loan sizes vary accordingly, averaging \$500-2,000 for agriculture and \$100-\$500 for small business and industry. For most rural residents, particularly women, FUNDE has represented their first access to non-usurious credit. Until its establishment, the principal form of savings was the family pig. The main sources of credit was local money-lenders (prestamistas) who charged 5 to 20% monthly interest for short-term loans, with long-term rates that could surpass 200% per year. Market women were especially vulnerable to this mode of exploitation, which explains both the establishment of the first market-women's cooperative in 1973 and the growth to 14 such coops by 1974 with a total membership of over 3,500. In addition to this straight-on benefit to women, FUNDE in its various programs has emphasized the teaching of non-traditional, income-generating skills for women and has included a substantial number of women in its managerial and outreach staff. Current female cooperative membership is estimated at about one-third.

### 3. Sociocultural Feasibility and Compatibility, and Social Impact

An examination of socialcultural feasibility was the first step in the establishment of the foundation and concerns for compatability have guided the growth of the FUNDE cooperative system. Member participation is encouraged in day-to-day management which is, in fact, drawn from the local community as much as possible. Feedback through the cooperative system is ongoing. Cooperatives have grown naturally and incrementally, rooted in member perceptions of need and demand, giving birth to sub-projects such as day-care centers, health facilities, housing projects, adult education, markets, road improvements, and other concrete evidence of ongoing social action. Current experiments in housing and CFER design are based on interdisciplinary work with indigenous materials. Even the frequent fiestas which mark FUNDE events fit Nicaraguan rural priorities.

Finally, there is the far less frivolous matter of sociopolitical compatibility. The principal themes of the new government's approach to the reconstruction of Nicaragua are austeriry, production, and equity, through the mechanisms of decentralization, growth of municipal government, and community level organizations.

#### IV. IMPLEMENTATION ARRANGEMENTS

##### A. Administrative Considerations

The project grantee and implementing organization will be the Fundación Nicaraguense de Desarrollo (FUNDE). The Executive Director or his designate will be responsible for overall direction, coordination and liaison with USAID/Nicaragua, external donors and consulting organizations or individuals as necessary to implement project activities. For lending activities, the Executive Director, the loan committee, managers of individual cooperatives and other personnel in FUNDE as required will be responsible for implementation of AID financed lending. For technical assistance, training, and commodity procurement activities, principal responsibility will be with the R&D division, drawing upon other divisions as necessary.

##### B. Disbursements

Obligations for financing activities under the project will be with Economic Support Fund (ESF) monies. The first obligation will be for not more than \$2.0 million in FY 1980 and the second and final obligation will be for not more than \$3.0 million in FY 1981.

###### (1) Lending Capital

Disbursement to FUNDE for lending capital will be made in quarterly advances. Due to the present critical capital requirements of FUNDE and the need to provide substantial assistance to rural recovery activities, the first advance will be made to FUNDE as soon as administratively possible after signing the project agreement.

###### (2) Technical Assistance and Commodities

Disbursements for technical assistance and commodities will be made as necessary into a revolving fund. After signing of the grant agreement, the fund will be established at a level sufficient for approximately three months requirements of technical assistance and commodities. FUNDE will submit periodic requests for reimbursement with the supporting documentation. The justification

##### C. Procurement

With the exception of procurement of vehicles, FUNDE procurement procedures will be utilized to the extent that they do not conflict with AID statutory restrictions. All goods and/or services financed under the project will have their source and origin in Central America or the United States. Vehicles will be procured in the U.S. utilizing standard AID procedures. The justification for local procurement is based on the availability of lower cost goods and services and on the need to place as much money as possible in productive lending activities. In addition, locally procured goods and services will best promote the overall objectives of the U.S. Government foreign assistance program for Nicaragua.

D. Implementation Plan

The project is planned for implementation over a two and one-half year period. Work will begin in August 1980 and be concluded in December 1982. The anticipated scheduling of major events in implementation of project activities is as follows:

Project Approved	July 1980
Grant Agreement Signed	August 1980
Initial CPs Met	August 1980
First Tranche Lending Capital	August 1980
Initial Vehicle and Equipment Procurement	September 1980
Initiation of Data Collection/Analysis	November 1980
Training and Feasibility Studies Initiated	December 1980
Information Management & Processing Analysis	February 1981
Institutional Development Study	March 1981
Final Vehicle Procurement	March 1981
Training Study Completed	April 1981
Feasibility Study Completed	May 1981
Second AID Authorization & Obligation	May 1981
Implementing of Data Processing System	July 1981
First AID Evaluation	July 1981
Development of Master Dev. Plan	October 1981
Financial Analysis	November 1981
Base-line Data Analysis	December 1981
Final AID Evaluation Completed	December 1982

E. Evaluation Plan

The first evaluation of the project will occur in July 1981. The evaluation will include (a) progress in lending and technical assistance activities, (b) growth and diversification of the cooperative system and (c) progress in strengthening FUNDE institutionally. A second and more inclusive evaluation is scheduled for December 1982. The evaluation will include analyses of (a) achievement of the project goal, purpose and EOPs, (b) the financial solvency of FUNDE, (c) the status of implementation of the various recommended improvements developed by the technical assistance provided under the project, and (d) projected growth patterns for the cooperative system. Both evaluations are to be financed by non-project funds and undertaken by an independent organization.

F. Conditions and Covenants

1. Conditions Precedent to Initial Disbursement

Prior to any disbursement, or the issuance of any commitment

documents under the Project Agreement, FUNDE shall furnish in form and substance satisfactory to AID.

a) A certified copy of the corporate charter and by-laws of FUNDE, duly authorized by the FUNDE Executive Board.

b) A certified copy of the operating policies, procedures, and standards of FUNDE, which shall include but not necessarily be limited to:

i) The procedures to be followed for the objective and comprehensive review of loan requests in order to assure that proposed activities are economically justified, technically sound, and will have the desired impact on the agreed upon target group of beneficiaries;

ii) Plan for periodic audit of sub-loans made by FUNDE;

iii) The standards and procedures to be followed in providing technical assistance to cooperatives;

c) The administrative, organizational executive training and staffing plan of FUNDE for the effective execution of the project.

d) The operating plan for Phase I of the project, including an implementation plan for capital lending to the member cooperatives.

## 2. Conditions Precedent to Disbursements for Phase II

Prior to any disbursement, or the issuance of any commitment documents for Phase II of the project, FUNDE shall furnish in form and substance satisfactory to AID.

a) The operating plan for Phase II of the project, including:

i) an implementation plan for capital lending to member cooperatives; and

ii) an implementation plan for all technical assistance and training activities to be provided to FUNDE and cooperatives;

b) Detailed external donor assistance covering all budget requirements of FUNDE for the remainder of the project.

## 3. Special Covenants

Except as AID shall otherwise agree in writing, FUNDE will covenant that:

(1) It will charge at least 8% interest on loans to participating cooperatives made with AID grant funds.

(2) No more than \$300,000 of AID grant funds will be distributed to any one participating cooperative.

(3) Any AID grant funds to be lent to cooperatives under the project shall be for on-lending for productive activities.

(4) During the life of the project no more than 20% of all FUNDE lending activities shall be directed to housing.

(5) FUNDE will submit a quarterly progress report, beginning the second quarter of the project period, detailing progress in implementing the project, including lending activities, technical assistance and training activities undertaken and any procurement of commodities related to project implementation.

(6) At least 3% of loan repayments by cooperatives will be used to further capitalize the lending portfolio.

(7) Self sufficiency of the institution by 1985 shall be a primary objective of FUNDE. All future solicitation and allocation of funds will, to the maximum extent possible, be directed to reaching this objective.

STATUTORY CHECKLIST

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? **Yes**  
 HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PRODUCT? **Yes**

A. GENERAL CRITERIA FOR PROJECT

1. FAA App. Act. Paragraphs; FAA Sec. 653 (b): (a) Describe how Committee's on the part of Senate and House have been or will be satisfied concerning the project; (b) if assistance within (Operational Year) of recipient country or international organization is being reported to Congress (or no. more than \$1 million over that figure)?
- Project was included in the ESF Supplemental Package for Nicaragua, FY-80 assistance is within OYB. An Advice of Program Change was presented July 14, 1980.
2. FAA Sec. 611(a)(1): Prior to obligation in excess of \$100,000, will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonable firm estimate of the cost to the U.S. of the assistance?
- Yes
3. FAA Sec. 611(a)(2): If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?
- No further legislative action is required.
4. FAA Sec. 611(a); FY 79 App. Act Sec. 101: If a project or sub-project related land resource construction, has project met the standards and criteria set per the Principles and Standards for Management Water and Related Land Resources dated October 25, 1973?
- Not applicable
5. FAA Sec. 611(e): If project is capital assistance (i.e., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?
- Not applicable
6. FAA Sec. 712: Is project susceptible of execution as part of regional or sub-regional project? If so why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.
- No

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7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

Project will directly foster private initiative through direct lending for productive purposes in the private sector. This is a cooperative development project. Technical assistance being provided will improve efficiency of private sector initiatives.

8. FAA Sec. 601(h). Information and conclusion on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

This project will use U.S. technical assistance and commodities as appropriate.

9. FAA Sec. 612(f); Sec. 536(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized to meet the cost of contractual and other services.

Not applicable

10. FAA Sec. 612(f). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

No

11. FAA Sec. 601(a). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes

12. FY 79 App. Act Sec. 609. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar, or competing commodity?

Not applicable

1. Project Criteria Solely for Economic Support Fund

a. FAA Sec. 531(a). Will this assistance support (or promote economic or political) stability? To the extent possible, does it reflect the policy directions of section 102?

b. FAA Sec. 533. Will assistance under this chapter be used for military, or paramilitary activities?

**Yes. Project will promote stability through fostering private sector initiatives. Project reflects policy directions of Section 102.**

**No**

STANDARD ITEM CHECKLIST

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of goods and services financed? **Yes**
2. FAA Sec. 604(a). Will all commodity procurement financed be from the U.S. except as otherwise determined by the President or under delegation from him? **Yes**
3. FAA Sec. 604(d). If the cooperating country discriminates against U.S. marine insurance companies, will agreement require that marine insurance be placed in the United States on commodities financed? **Yes**
4. FAA Sec. 604(e). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? **Not applicable**
5. FAA Sec. 608(a). Will U.S. Government excess personal property be utilized wherever practicable in lieu of the procurement of new items? **Yes**
6. FAA Sec. 603. (a) Compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates. **Yes**
7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis? If the **Yes**

A.7.

facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

8. International Air Transport. Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will provision be made that U.S.-flag carriers will be utilized to the extent such service is available?

Yes

9. FY 79 App. Act Sec. 105. Does the contract for procurement contain a provision authorizing the termination of such contract for the convenience of the United States?

Yes

B. Construction

1. FAA Sec. 601(d). If a capital (e.g., construction) project, are engineering and professional services of U.S. firms and their affiliates to be used to the maximum extent consistent with the national interest?

Not applicable

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

Not applicable

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the United States not exceed \$100 million?

Not applicable

C. Other Restrictions

1. FAA Sec. 122 (e). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter?

Not applicable

2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?

Not applicable

3. FAA Sec. 620(h). Do arrangements preclude promoting or assisting the foreign aid projects or activities of Communist-bloc countries, contrary to the best interests of the United States?

Yes

4. FAA Sec. 630(i). Is financing not permitted to be used, without waiver, for purchase, long-term lease, or exchange of motor vehicle manufactured outside the United States, or guaranty of such transaction?

Yes

C.

5. Will arrangements preclude use of financing:

- |  |     |
|--|-----|
| a. <u>FIA Sec. 104(f)</u> . To pay for performance of abortions or to motivate or coerce persons to practice abortions; to pay for performance of involuntary sterilization, or to coerce or provide financial incentive to any person to undergo sterilization? | Yes |
| b. <u>FIA Sec. 601(e)</u> . To compensate owners for expropriated nationalized property?   | Yes |
| c. <u>FIA Sec. 660</u> . To finance police training or other law enforcement assistance, except for narcotics programs?  | Yes |
| d. <u>FIA Sec. 662</u> . For CIA activities?   | Yes |
| e. <u>FY 79 App. Act Sec. 104</u> . To pay pensions, etc., for military personnel?   | Yes |
| f. <u>FY 79 App. Act Sec. 106</u> . To pay U.N. assessments?   | Yes |
| g. <u>FY 77 App. Act Sec. 107</u> . To carry out provisions of <u>FIA sections 209(d) and 251(h)</u> ? (Transfer of FIA funds to multilateral organizations for lending.)  | Yes |
| h. <u>FY 79 App. Act Sec. 112</u> . To finance the export of nuclear equipment, fuel, or technology or to train foreign nations in nuclear fields?   | Yes |
| i. <u>FY 79 App. Act Sec. 601</u> . To be used for public information propaganda purposes within United States not authorized by the Congress?   | Yes |

ANNEX 2

PROJECT AUTHORIZATION AND REQUEST FOR ALLOTMENT OF FUNDS

NAME OF ENTITY:	FUNDE
NAME OF PROJECT:	Reconstruction Grant/FUNDE Coop Development
NUMBER OF PROJECT:	524-0018

Pursuant to Part I, Chapter I, Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize a Grant to FUNDE, a private, non-profit foundation incorporated in Nicaragua, of not to exceed Two Million United States Dollars (\$2,000,000) (The "Authorized Grant Amount") to help in financing certain foreign exchange and local currency costs of goods and services required for the Project as described in the following paragraph.

The Project consists of (a) capitalizing the lending programs of FUNDE which currently support fifty-eight cooperatives included under the FUNDE cooperative system and (b) strengthening FUNDE institutionally to allow for an expansion of the current system to include an additional twenty cooperatives.

I approve the total level of A.I.D. appropriated funding for this Project of not to exceed Five Million United States Dollars (\$5,000,000), all of which will be Grant funded, including the funding authorized above, during the period FY-1980 through FY-1981. I approve further increments during that period of Grant funding up to Three Million United States Dollars (\$3,000,000) subject to the availability of funds in accordance with A.I.D. allotment procedures.

I hereby authorize the initiation of negotiation and execution of the Project Agreement by the offices to whom such authority has been delegated in accordance with A.I.D. regulations and Delegations of Authority, subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

A. Source and Origin of Goods and Services

Except for ocean shipping, goods and services financed by A.I.D. under the Project shall have their source and origin in Central American Countries or the U.S., except as A.I.D. may otherwise agree in writing. Ocean shipping financed under the Grant shall be procured in the United States.

B. Conditions Precedent to Initial Disbursement

Prior to any disbursement, or the issuance of any commitment document under the Project Agreement, FUNDE shall furnish in form and substance satisfactory to A.I.D.

a) A certified copy of the corporate charter and by-laws of FUNDE, duly authorized by the FUNDE Executive Board.

b) A certified copy of the operating policies, procedures, and standards of FUNDE, which shall include but not necessarily be limited to:

i) The procedures to be followed for the objective and comprehensive review of loan requests in order to assure that proposed activities are economically justified, technically sound, and will have the desired impact on the agreed upon target group of beneficiaries;

ii) Plan for periodic audit of sub-loans made by FUNDE;

iii) The standards and procedures to be followed in providing technical assistance to cooperatives;

c) The administrative, organizational and staffing plan of FUNDE for the effective execution of the project.

d) The operating plan for Phase I of the project, including an implementation plan for capital lending to the member cooperatives.

C. Conditions Precedent to Disbursements for Phase II

Prior to any disbursement, or the issuance of any commitment documents for Phase II of the project, FUNDE shall furnish in form and substance satisfactory to A.I.D.

- a) The operating plan for Phase II of the project, including:
  - i) an implementation plan for capital lending to member cooperatives; and
  - ii) an implementation plan for all technical assistance and training activities to be provided to FUNDE and cooperatives;
- b) Detailed external donor assistance covering all budget requirements of FUNDE for the remainder of the project.

D. Special Covenants

Except as A.I.D. shall otherwise agree in writing, FUNDE will covenant that:

- (1) It will charge at least 8% interest on loans to participating cooperatives made with A.I.D. grant funds.
- (2) No more than \$300,000 of A.I.D. grant funds will be distributed to any one participating cooperative.
- (3) Any A.I.D. grant funds to be lent to cooperatives under the project shall be for on-lending for productive activities.
- (4) During the life of the project no more than 20% of all FUNDE lending activities shall be directed to housing.
- (5) FUNDE will submit a quarterly progress report, beginning the second quarter of the project period, detailing progress in implementing the project, including lending activities, technical assistance and training activities undertaken and any procurement of commodities related to project implementation.
- (6) At least 3% of loan repayments by cooperatives will be used to further capitalize the lending portfolio of FUNDE.
- (7) Self sufficiency of the institution by 1985 shall be a primary objective of FUNDE. All future solicitation and allocation of funds will, to the maximum extent possible, be directed to reaching this objective.

Annex 3

Initial Environment Examination

Project Location: Nicaragua

Project Title: Reconstruction Grant/FUNDE COOP  
Development

Funding: FY80 \$ 2.0 million grant  
FY81 \$ 3.0 million grant

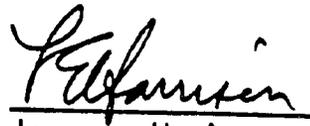
Life of Project: FY80 - FY82

IEE Prepared by: Arthur L. Warman, CPDO

Date: July 15, 1980

Environmental Action Recommended: This IEE has determined that no reasonable foreseeable significant adverse environmental impacts will result from the project's activities. Therefore, a negative determination is recommended.

Concurrence:

  
Lawrence Harrison  
Director, USAID/N

7/16/80  
Date

A. Description of the Project

The project focuses upon capitalizing the existing lending programs of FUNDE to increase the availability of working and fixed capital credit for productive sectors. In addition, the project provides minimal amounts of technical assistance and commodity support to permit FUNDE to expand its cooperative system and to enable FUNDE to better service the technical needs of its member cooperatives.

B. Consideration of Environmental Concerns

As part of the technical assistance being provided to the fifty-eight cooperatives and some 17,700 members, FUNDE is promoting awareness of environmental issues. For example, technical assistance for seed control, cropping patterns, and pesticide management are routinely provided to cooperative members.

In addition, awareness of environmental concerns will further improve as the commercialization and production programs of the cooperatives are further developed. Finally, included in the project are the attempts to increase the welfare of the country through revitalization of the rural productive sectors idled since the war of 1979.

C. Environmental Action Recommendation

A negative determination is recommended for this project.

# IMPACT IDENTIFICATION AND EVALUATION FORM

<u>Impact Areas and Sub-areas 1/</u>	<u>Impact Identification and Evaluation 2/</u>
<b>A. LAND USE</b>	
1. Changing the character of the land through:	
a. Increasing the population _____	N
b. Extracting natural resources _____	N
c. Land clearing _____	N
d. Changing soil character _____	N
2. Altering natural defenses _____	N
3. Foreclosing important uses _____	N
4. Jeopardizing man or his works _____	N
5. Other factors	
_____	N
_____	N
<b>B. WATER QUALITY</b>	
1. Physical state of water _____	N
2. Chemical and biological states _____	N
3. Ecological balance _____	N
4. Other factors	
_____	N
_____	N

1/ See Explanatory notes for this form.

2/ Definition of symbols:

N	-	<u>No</u> environmental impact
L	-	<u>Little</u> environmental impact
M	-	<u>Moderate</u> environmental impact
H	-	<u>High</u> environmental impact
U	-	<u>Unknown</u> environmental impact

IMPACT IDENTIFICATION AND EVALUATION FORM

C. ATMOSPHERIC

- 1. Air additives -----   N
- 2. Air pollution -----   N
- 3. Noise pollution -----   N
- 4. Other factors
- \_\_\_\_\_   N
- \_\_\_\_\_

D. NATURAL RESOURCES

- 1. Diversion, altered use of water -----   N
- 2. Irreversible, inefficient commitments -----   N
- 3. Other factors
- \_\_\_\_\_   N
- \_\_\_\_\_

E. CULTURAL

- 1. Altering physical symbols -----   N
- 2. Dilution of cultural traditions -----   N
- 3. Other factors
- \_\_\_\_\_   N
- \_\_\_\_\_

F. SOCIOECONOMIC

- 1. Changes in economic/employment patterns -----   N
- 2. Changes in population -----   N
- 3. Changes in cultural patterns -----   N
- 4. Other factors
- \_\_\_\_\_   N
- \_\_\_\_\_

IMPACT IDENTIFICATION AND EVALUATION FORM

G. HEALTH

- 1. Changing a natural environment \_\_\_\_\_   N
- 2. Eliminating an ecosystem element \_\_\_\_\_   N
- 3. Other factors  
\_\_\_\_\_   N    
\_\_\_\_\_

H. GENERAL

- 1. International impacts \_\_\_\_\_   N
- 2. Controversial impacts \_\_\_\_\_   N
- 3. Larger program impacts \_\_\_\_\_   N
- 4. Other factors  
\_\_\_\_\_   N    
\_\_\_\_\_

I. OTHER POSSIBLE IMPACTS (not listed above)

- \_\_\_\_\_   N
- \_\_\_\_\_
- \_\_\_\_\_

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

ANNEX 4  
Page 1 of 3

Life of Project: From FY 80 to FY 82  
Total US Funding: \$5,000,000  
Date Prepared: 7/80

Project Title and Number: Reconstruction Grant/FUNDE Coop Development (524-0148)

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions
<p style="text-align: center;"><u>GOAL</u></p> <p>To improve economic and social conditions of the rural poor</p>	<p>The data do not currently exist to quantify projected increases in income, production and productivity. As part of Phase I of the project baseline data will be developed, maintained and revised throughout LOP</p>	<ol style="list-style-type: none"> <li>1. Sample survey of co-operatives and co-operative members.</li> <li>2. Analysis of data collected as part of baseline data collection activities.</li> </ol>	<ol style="list-style-type: none"> <li>1. Reasonable good baseline data will be collected.</li> <li>2. The cooperative movement in the country and FUNDE will play a vital role in revitalization of productive sectors.</li> <li>3. FUNDE will continue to operate as an independent cooperative system and will continue to receive donor support.</li> </ol>
Purpose	Conditions Expected by the End of Project	Means of Verification	Assumption
<p>To strengthen, expand and diversify the FUNDE cooperative system to respond to the economic and potential membership</p>	<ol style="list-style-type: none"> <li>1. A higher degree of financial solvency at the FUNDE and cooperative levels.</li> <li>2. Strengthened management, analytical and planning systems at the FUNDE and cooperative levels.</li> </ol>	<ol style="list-style-type: none"> <li>1. a) FUNDE's annual and quarterly reports and financial analysis to be conducted</li> <li style="padding-left: 20px;">b) Sub-loan status reports from cooperatives</li> <li>2. AID evaluation to be conducted during and after LOP.</li> </ol>	<ol style="list-style-type: none"> <li>1. FUNDE will be able to secure and utilize required donor lending and budget support.</li> <li>2. FUNDE will place in operation recommended findings of TA provided as part of the Project.</li> </ol>

Purpose	Conditions Expected by the End of Project	Means of Verification	Assumptions
	3. Foundation of 20 new cooperatives	3. (a) FUNDE's annual and quarterly reports (b) AID final evaluation	3. Demand for new cooperative formation will continue.
	4. Overall increases in cooperative membership by 20%	4. Annual and quarterly reports of cooperatives	4. Demand for membership and services within the cooperative system will continue to rise
	5. Promotion of the "multi-service" cooperative model	5. Special studies to be undertaken as part of the Project and AID evaluations	5. Multi-service model will continue to service needs of cooperative members
Outputs	Verifiable Indicator	Means of Verification	Assumptions
1. Lending: Over the LOP FUNDE plans on lending approximately US\$4.78 million to its 58 co-operatives	1. Lending Targets by year 1980 \$1.9 million 1981 \$1.4 million 1982 \$1.4 million	1. FUNDE annual and quarterly reports	1. Demand projections estimated in financial analysis are correct. FUNDE will receive required donor support for its lending program
2. <u>Technical Assistance:</u> a) Managers and technicians trained b) Four special studies undertaken c) Information management processing system developed d) Social and economic surveys of coop e) Three-year master development plan prepared	2. a) Increased efficiency and economies of scale b) Published studies c) Installation of system d) Publications of data survey e) Published master plan	2. AID evaluations scheduled for Phase I and Phase II	2. FUNDE will be able to contract in a timely manner all TA required as part of the project design

Outputs	Verifiable Indicator	Means of Verification	Assumptions
<b>3. <u>Commodities</u></b>	3. a) Vehicle usage	3. FUNDE quarterly reports	3. FUNDE will continue to be required to supply technical assistance, training, and other services for cooperatives
a) Eleven vehicles procured	b) Equipment usage		
b) Other equipment procured			
Inputs	Verifiable Indicator	Means of Verification	Assumptions
<b>1. <u>Lending Capital</u></b>	1. a) Numbers of cooperatives receiving loans made to cooperatives	1. FUNDE Financial Statements and Annual Reports	1. FUNDE will establish a successful track record utilizing project resources
FY-80 \$1.9 million FY-81 \$2.8 million			
<b>2. <u>TA and Commodities</u></b>	2. a) Numbers of consultants hired	2. FUNDE Quarterly Reports and requests for reimbursement	2. FUNDE will need the amount and mix of TA & commodities proposed under the Project
FY-80 \$92,000 FY-81 \$119,000	b) Numbers of studies undertaken		
	c) Numbers and mix of commodities procured		

# FUNDE

## FUNDACION NICARAGUENSE DE DESARROLLO

APARTADO POSTAL 2598 TELEFONO: 23034 - 26170 COLONIA MANTICA, MANAGUA, NICARAGUA

Julio 14, 1980

Sr. Lawrence Harrison  
Director AID  
Embajada Americana  
Managua, D. N.



Estimado Señor Harrison:

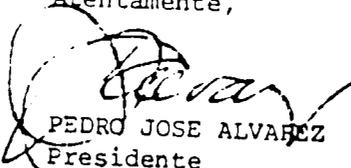
En base a la evaluación de FUNDE contratada por AID y de acuerdo a conversaciones sostenidas entre el personal de FUNDE y el staff de AID-Nicaragua, permítome por este medio solicitar a AID una donación de US\$5,000,000.00 (Cinco Millones de Dólares) para los Programas de FUNDE. De esta donación US\$4,800,000.00 (Cuatro Millones Ochocientos Mil Dólares) serán para el Programa de Crédito y US\$200,000.00 (Doscientos Mil Dólares) para Asistencia Técnica y para la adquisición de equipo de oficina y vehículos de trabajo.

La donación tendrá por objeto fortalecer, expandir y diversificar los Programas de FUNDE y de las Cooperativas en Nicaragua. Esto se hará a través de proporcionar créditos al sistema de Cooperativas que FUNDE ha promovido en todo el país; cooperativas que en los últimos años han mostrado ser instituciones viables y eficientemente administradas.

Los fondos servirán también para elevar la calidad de vida de los pequeños industriales, comerciantes y agricultores en las áreas rurales que se han organizado en Cooperativas.

En nombre del Consejo Ejecutivo de FUNDE, le agradezco de antemano el apoyo que usted le dé a esta solicitud, la cual tendrá un impacto considerable en la reconstrucción de Nicaragua, tarea en que estamos involucrados todos los nicaraguenses que amamos esta Patria.

Atentamente,

  
PEDRO JOSE ALVAREZ  
Presidente

**RWATH & HORWATH**

AUTHORIZED PUBLIC ACCOUNTANTS

Posques de Bolon  
CALLE HORWATH  
MANAGUA, NICARAGUA 618

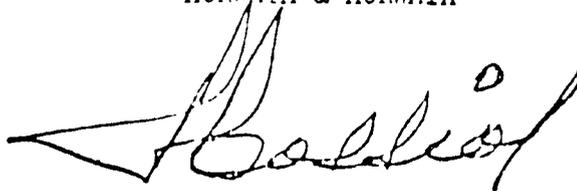
A MEMBER OF  
HORWATH & HORWATH INTERNATIONAL  
WITH AFFILIATED OFFICES WORLDWIDE

Al Consejo de Administración de  
Fundación Nicaraguense de Desarrollo (FUNDE)  
(Institución de Desarrollo sin fines de lucro  
del Sector Privado)

Hemos examinado los balances generales de FUNDACION NICARAGUENSE DE DESARROLLO (FUNDE) (Institución de Desarrollo sin fines de lucro del Sector Privado) al 31 de Diciembre de 1979 y 1978 y los correspondientes estados de ingresos y gastos, excedentes acumulados y cambios en la situación financiera por los años terminados en esas fechas. Nuestro examen fue practicado de acuerdo con normas de auditoría generalmente aceptadas y, en consecuencia, incluyó pruebas de los registros de contabilidad y otros procedimientos de auditoría que consideramos necesarios en las circunstancias.

En nuestra opinión, los estados financieros antes mencionados, presentan razonablemente la situación financiera de FUNDACION NICARAGUENSE DE DESARROLLO (FUNDE) (Institución de Desarrollo sin fines de lucro del Sector Privado) al 31 de Diciembre de 1979 y 1978 y los resultados de sus operaciones y cambios en la situación financiera por los años terminados en esas fechas de conformidad con principios de contabilidad generalmente aceptados, aplicados sobre bases consistentes.

HORWATH & HORWATH



Federico Cossio F.  
Contador Público Autorizado



15 de Mayo de 1980

ESTADO FINANCIERO DEL BANCO MUNDIAL  
AL 31 DE DICIEMBRE DE 1979 Y 1978

A C T I V O S

	<u>1979</u>	<u>1978</u>
Activo en caja y bancos	C\$ 862.850	C\$ 112.904
Préstamos y cuentas por cobrar:		
Préstamos por cobrar (Deducidos C\$4.735 a concepto de intereses documentados por devengar) Notas II y III)	14.532.601	6.326.312
Cuentas por cobrar	1.238.551	757.612
	15.821.152	7.083.924
Menos: Estimación para préstamos y cuen- tas de cobro dudoso	333.061	306.421
	15.488.091	6.753.003
Inventario en tránsito	105.560	-
Construcciones de viviendas en proceso (Notas II y IV)	687.373	685.504
Mobiliario y equipo (Nota II):		
Mobiliario y equipo de oficina	234.219	124.206
Equipo rodante	564.464	244.282
	798.683	368.488
Menos: Depreciación acumulada	251.332	173.372
	547.351	207.716
Otros activos	145.331	56.390
	17.836.576	7.820.613

PASIVOS Y PATRIMONIO DISPONIBLE

Préstamos por pagar (Anexo I)	7.933.317	4.204.473
Fondos en custodia (Nota V)	280.231	280.231
Documentos y cuentas por pagar:		
Documentos por pagar	-	24.722
Cuentas por pagar	183.430	291.274
	183.430	107.000
Intereses acumulados por pagar	207.765	231.411
Gastos acumulados por pagar	372.133	229.052
Patrimonio disponible:		
Excedentes acumulados (Véanse los estados adjuntos)	3.763.700	2.765.475
	C\$17.836.576	C\$ 7.820.613

FUNDACION NICARAGUENSE DE DESARROLLO  
(FINES)  
(INSTITUTO NICARAGUENSE SIN FINES  
DE TRABAJO DEL SECTOR PRIVADO)  
ESTADOS DE EXCELENTES A CUMPLIDOS  
POR LOS AÑOS TERMINADOS AL 31 DE DICIEMBRE DE 1979 Y 1978

	<u>1979</u>	<u>1978</u>
Saldo inicial	C\$ 2.765.475	C\$ 340.724
Más: Exceles netos del ejercicio (Véanse los estados de ingresos y gastos)	5.699.195	2.424.751
	-----	-----
Más: Ajuste a períodos anteriores	8.164.670	2.765.475
	299.030	-
	-----	-----
Saldo final (Véanse los balances generales)	C\$ 8.763.700	C\$ 2.765.475
	=====	=====

Las notas adjuntas son parte integrante de los estados financieros

ESTADOS FINANCIEROS DE LA EMPRESA  
INSTITUTO NACIONAL DE INCUBACIÓN EN FIDEOS  
DEL MINISTERIO DE ECONOMÍA Y FINANZAS  
ESTADOS FINANCIEROS DE LA EMPRESA INCUBADORA  
POR LOS AÑOS TERMINADOS AL 31 DE DICIEMBRE DE 1977 Y 1978

	<u>1977</u>	<u>1978</u>
Efectivo al comienzo del año	C\$ 112.904	C\$ 302.619
Efectivo al final del año	802.850	112.904
	-----	-----
Aumento (Disminución) del efectivo	749.946	( 189.715)
	=====	=====
Fondos provenientes de:		
Ingresos netos del año	5.699.195	2.424.751
Más: Cargos a los gastos de desembolsos que no requirieran erogaciones de efectivo:		
Depreciación del año	77.960	63.970
Utilidad en venta de mobiliario y equipo	-	( 5.000)
	-----	-----
Total de las operaciones	5.777.155	2.483.721
Ajustes de períodos anteriores	299.029	-
Recursos provenientes de la venta de equipo	-	12.555
Disminución en construcciones en proceso	-	21.290
Aumento en préstamos y cuentas por pagar	3.834.096	-
Aumento en gastos acumulados	205.435	-
	-----	-----
Total de fondos provistos	10.115.715	2.524.366
	-----	-----
Fondos aplicados en:		
Aplicación de activos fijos	417.595	7.677
Aumento en construcciones en proceso	1.799	-
Aumento en cuentas y préstamos por cobrar	8.730.082	1.984.441
Aumento en otros activos	88.941	3.477
Disminución en cuentas y documentos por pagar	21.792	62.580
Disminución en fondos en administración y custodia-Programa de capitalización de pequeños comerciantes	-	369.480
Disminución en préstamos por pagar	-	240.547
Disminución en gastos acumulados	-	45.577
Aumento en inventario en tránsito	105.500	-
	-----	-----
Total fondos aplicados	9.365.769	2.714.211
	-----	-----
Aumento (Disminución) del efectivo	C\$ 749.946	C\$( 189.715)
	=====	=====

Las notas adjuntas son parte integrante de los estados financieros

SECRETARÍA DE ECONOMÍA  
(ESTADOS FINANCIEROS CONSOLIDADOS)  
DEL INSTITUTO VENEZOLANO DE INVESTIGACIONES Y ESTADÍSTICAS  
BALANCE GENERAL POR FONDOS  
AL 31 DE DICIEMBRE DE 1979

PASIVOS Y SALDOS DE LOS FONDOS.

	FONDO AD- MISTRACION	FONDO DINEROS CICLO (LID)	FONDO AD- MINISTRACION FONDA (LID)	FONDO CASA	FONDO VENTURAS (PACT)	FONDO SOCIA- LIZACION (AID)	FONDO AID ESPECIAL	FONDO DINEROS CICLO (LID)	
Préstamos por pagar (Anexo I)	C\$ 4.338.317	C\$ -	C\$ -	C\$ -	C\$ -	C\$ 3.660.000	C\$ -	C\$ -	33.751.107
Préstamos en garantía	280.231	-	-	-	-	-	-	-	570.121
Cuentas por pagar	131.783	63.610	525	572	2.510	-	-	-	1.441
Ingresos acumulados por pagar	275.706	-	-	-	-	11.569	-	-	17.100
Costos acumulados por pagar	215.698	27.596	1.225	35.337	34.277	-	-	-	375.233
<b>Saldo al 1º de enero:</b>									
Saldo al inicio del año	2.704.935	-	-	223.570	-	-	-	-	3.252.075
Ingresos (menos) netos del año (véase estado de ingresos y gastos)	(2.433.356)	746.991	139.694	69.077	(142.149)	( 19.216)	4.971.563	2.751.301	3.252.075
	326.239	746.991	139.694	362.9-7	(142.149)	( 19.216)	4.971.563	2.751.301	3.252.075
<b>C\$ 5.592.014</b>	<b>C\$ 2.07.597</b>	<b>C\$ 141.144</b>	<b>C\$ 424.856</b>	<b>C\$ (125.331)</b>	<b>C\$ 3.592.723</b>	<b>C\$ 4.971.362</b>	<b>C\$ 2.751.301</b>	<b>C\$ 3.251.011</b>	<b>3.252.075</b>

REPUBLICA VENEZOLANA DE GUAYANA  
(MINISTERIO NACIONAL DE DESARROLLO SOCIAL)  
SECRETARÍA DE DESARROLLO SOCIAL  
COSTA CAROLINA, GUAYANA FRANCESA, FRENCH GUYANA  
POR EL AÑO TERMINADO AL 31 DE DICIEMBRE DE 1979

	FONDO AD- MINISTRACION	FONDO DIVERSIFICA- CION (IAF)	FONDO ASIS- TENIA TEC- NICA (ATI)	FONDO CFEA	FONDO VIVIENDAS (FACT)	FONDO SOLIDA- RIO (AID)	FONDO AID ESPECIFICA	FONDO DIVERSIFI- CADO-AID	
<b>Intereses:</b>									
Intereses empresa privada	C\$ 23.400	C\$ -	C\$ -	C\$ 1.000	C\$ -	C\$ -	C\$ -	C\$ -	C\$ 24.400
Intereses extranjeras	644.663	1.637.160	212.500	1.036.696	196.330	-	5.000.000	2.349.937	11.076.686
Intereses ganados sobre préstamos varios	344.863	-	-	-	-	46.367	36.394	-	427.653
	150.929	3.450	-	-	-	-	-	-	152.379
	1.171.855	1.640.610	212.500	1.037.696	196.330	46.367	5.036.394	2.351.937	11.693.113
<b>Personal:</b>									
Salario personal permanente	1.076.001	576.069	67.848	331.005	206.254	-	-	-	2.257.177
Salario personal contratado	13.505	-	-	-	-	-	-	-	13.505
Salario Central	61.113	-	-	42.633	22.209	-	-	-	126.355
Indemnizaciones	60.659	-	1.224	36.185	20.942	-	-	-	129.010
Salarios y empujones	72.440	114.342	3.734	49.009	33.171	-	-	-	272.696
Indemnizaciones y gastos de oficina	22.474	-	-	-	-	-	-	-	22.474
Salarios y honorarios	53.790	938	-	6.128	4.782	-	-	-	65.738
Salarios de viajes internos	49.150	-	-	-	-	-	-	-	49.150
Salarios de viajes externos	93.259	151.558	-	114.693	23.863	-	-	-	373.373
Indemnizaciones	54.744	-	-	-	-	-	-	-	54.744
Indemnizaciones	29.513	-	-	232	-	-	-	-	29.745
Indemnizaciones	12.002	-	-	660	-	-	-	-	12.662
Indemnizaciones de revistas	61.800	-	-	5.100	-	-	-	-	66.900
Indemnizaciones	21.226	-	-	-	-	-	-	-	21.226
Indemnizaciones	115.516	-	-	231	-	-	-	-	115.747
Indemnizaciones	17.615	-	-	-	-	-	-	-	17.615
Indemnizaciones	9.837	-	-	-	-	-	-	-	9.837
Indemnizaciones	37.422	-	-	920	-	-	-	-	38.342
Indemnizaciones	57.242	-	-	-	-	-	-	-	57.242
Indemnizaciones	65.021	11.938	-	-	5.000	-	-	-	81.959
Indemnizaciones	30.000	-	-	-	-	-	-	-	30.000
Indemnizaciones	100	-	-	600	-	-	-	-	700
Indemnizaciones	50.107	-	-	1.162	2.771	-	-	-	54.040
Indemnizaciones	25.742	-	-	-	-	-	-	-	25.742
Indemnizaciones	10.150	-	-	11.583	-	-	-	-	21.733
Indemnizaciones	626.697	-	-	-	-	65.613	-	-	692.310
Indemnizaciones	18.034	-	-	-	5.446	-	-	-	23.480
Indemnizaciones	390.000	-	-	-	-	-	-	-	390.000
Indemnizaciones	400	-	-	-	-	-	-	-	400
Indemnizaciones	2.806	-	-	-	-	-	-	-	2.806
Indemnizaciones	24.451	-	-	-	-	-	-	-	24.451
Indemnizaciones	369.451	-	-	-	-	-	-	-	369.451
Indemnizaciones	43.763	-	-	309	-	-	-	-	44.072
Indemnizaciones	-	38.774	-	141.705	2.040	-	65.032	-	255.551
<b>Indemnizaciones del año (Número de días)</b>	3.609.681	323.619	72.806	943.619	233.478	65.613	65.032	-	5.254.218
<b>Total</b>	23.041.341	C\$ 740.121	C\$ 133.674	C\$ 1.037.696	2.142.103	C\$ 113.980	C\$ 4.971.362	C\$ 21.1.331	C\$ 23.041.341

FUNDACION CARACQUEÑA DE DESARROLLO  
(FUNDE)  
(INSTITUCION DE DESARROLLO SIN FINES  
DE DUEÑO DEL SECTOR PRIVADO)  
ESTADO DE INGRESOS Y GASTOS POR FONDOS  
POR EL AÑO TERMINADO AL 31 DE DICIEMBRE DE 1979

	<u>FONDOS DEL CFER</u>			
	<u>IAS</u>	<u>AID</u>	<u>FUNDE</u>	<u>TOTAL</u>
<b>Ingresos:</b>				
Donación empresa privada	C\$ -	C\$ -	C\$ 1.000	C\$ 1.000
Donaciones extranjeras	370.000	651.567	15.129	1.036.696
	<u>370.000</u>	<u>651.567</u>	<u>15.129</u>	<u>1.036.696</u>
<b>Gastos:</b>				
Sueldo personal permanente		143.826	327.805	521.004
Seguro Social		-	42.923	42.923
Vacaciones		-	-	-
Apoyo y bonificaciones		-	36.135	36.135
Papelaría y útiles de oficina	1.065	-	47.964	49.029
Gastos de viajes internos	-	-	6.173	6.173
Comunicaciones	2.800	51.677	60.216	114.693
Atenciones sociales	-	-	232	232
Alquileres	-	-	600	600
Publicaciones	-	-	5.100	5.100
Mantenimiento de vehículos	-	-	231	231
Transporte servicio público	-	-	950	950
Combustible de vehículos	-	-	600	600
Entrenamiento de personal	-	-	1.162	1.162
Varios	3.200	7.783	-	11.533
Material y equipo	54.773	77.948	300	133.021
	<u>205.264</u>	<u>503.197</u>	<u>234.153</u>	<u>942.614</u>
<b>Ingresos (gastos) netos del año</b>	<u>C\$ 163.736</u>	<u>C\$ 143.370</u>	<u>C\$ (216.029)</u>	<u>C\$ 99.077</u>

ESTADO GENERAL DE CUENTAS DE LOS DEPOSITOS  
 (CONTINUA)  
 RESUMEN DE PRESTAMOS POR PAGAR  
 AL 31 DE DICIEMBRE DE 1977

CONDICIONES ACORDADAS Y FORMA DE PAGO

Préstamo a largo plazo

Pagos a su vencimiento y hasta por el monto total de los mismos los tres primeros préstamos; y el tercero correspondiente a un préstamo transitorio

PRESTAMO No.	TASA % DE INTERES ANUAL	VENCIMIENTOS	PARCIALES	TOTAL	P L A Z O	
					CORCO	LAPO
24851	14%	Abril 16, 1980	C\$ 112.930	C\$ 344.432	C\$ 344.432	C\$ -
2152	16%	Mayo 20, 1980	613.250			
S/N	-	-	112.252			
			-----			
615-1-79	13%	Noviembre 13, 1979	150.000	672.353	672.353	-
851-1-78	13%	Diciembre 2, 1979	500.000			
S/N	13%	Diciembre 31, 1977	23.353			
			-----			
433-79	14%	Junio 23, 1980	277.504	277.504	277.504	-
299-5	13%	Enero 1, 1981	420.469	420.469	420.469	-
			-----			
				C\$ 2.223.753	C\$ 2.223.83	-

P A S A R

V I E N E N

C\$ 2.223.763    C\$ 2.223.76

Compañía de Fomento y Asesoría del Sur (Cofa)

Relacionados a su vencimiento y resta por el monto total de los préstamos con nueve primeras prepagos, y el de como corresponde a un préstamo transitorio.

67-153	12%	Julio	21, 1977	C\$	50.000	438.143	438.14
67-224	14%	Octubre	29, 1979		75.000		
67-209	14%	Noviembre	29, 1979		75.000		
67-134	14%	Octubre	21, 1979		50.000		
67-130	14%	Agosto	20, 1979		50.000		
67-171	14%	Abril	25, 1979		50.000		
67-038	12%	Junio	15, 1979		11.472		
67-039	12%	Julio	18, 1979		25.000		
67-231	14%	Octubre	20, 1979		50.000		
S/N	-				1.671		
						-----	

Banco de Guayaquil (Banco Nacional de Desarrollo)

Relacionados a su vencimiento y resta por el monto total de los préstamos.

16-7-77	16%	Julio	15, 1977		55.737	155.737	155.737
19-11-77	16%	Noviembre	19, 1977		160.000		
						-----	

Compañía Nacional de Comercio S. A.

Relacionados a su vencimiento y resta por el total del préstamo.

S/N	14%	Enero	21, 1978		34.836	34.836	34.836
						-----	

Compañía Nacional de Comercio S. A.

Relacionados a su vencimiento y resta por el monto total de los préstamos.

S/N	9%	Abril	6, 1979		50.000	100.000	100.000
S/N	9%	Abril	9, 1979		50.000		
						-----	

Compañía Nacional de Comercio S. A. (INDOSA)

Relacionados a su vencimiento, principal y los intereses

01-1978-12-163	14%	Enero	5, 1978		112.450	112.450	112.450
						-----	

Banco Comercial Internacional (BIC)

Relacionados a su vencimiento, principal y los intereses

16-79	10%	Febrero	12, 1979		50.000	93.383	93.383
17-79	10%	Agosto	12, 1979		43.383		
						-----	

P A S A R

-----  
C\$ 3.153.317    C\$ 3.153.317

V I E H E N

PAN-AMERICAN DEVELOPMENT FOUNDATION (P.A.D.F.)

Cuotas niveladas anuales incluyendo principal mas intereses, de US\$4.341.00 siendo pagadera la primera el 12 de Julio de 1977 y la última el 12 de Julio de 1991 en el primer, y en el segundo cuotas niveladas de principal mas intereses de US\$4.007, siendo pagadera la primera cuota el 30 de Septiembre de 1976 y la última el 30 de Junio de 1978.

					C\$ 3.163.317	C\$ 3.163.317	C\$
S/N	3.5%	Julio	12.1991	500.000			
S/N	6%	Junio	30.1978	300.000	800.000	409.220	390.750
				-----			

CONSEJO DE FUNDACIONES AMERICANAS DE DESARROLLO

El préstamo de US\$3.000.000 será pagado cada 6 meses, los días 30 de Junio y 31 de Diciembre, en cuotas iguales comenzando el primer pago el 30 de Junio de 1979 y el último el 31 de Diciembre de 1986; el principal, y los intereses cada seis meses los días 30 de Junio y 31 de Diciembre, el primer pago de interés se hará a más tardar el 30 de Junio de 1979 y el US\$308.410/01 el principal será pagado cada 6 meses, los días 30 de Junio y 31 de Diciembre, en cuotas iguales comenzando el primer pago el 31 de Diciembre de 1981 y el último el 30 de Junio de 1989; y los intereses cada seis meses los días 30 de Junio y 31 de Diciembre. El primer pago de interés, se hará a más tardar el 31 de Diciembre de 1979. Los pagos deberán efectuarse en dólares de los Estados Unidos de América.

005	3%	Diciembre	31.1980	375.000	3.975.000	375.000	3.600.000
008-AID/01	5%	Junio	30.1989	3.600.000			
				-----			
					C\$ 7.938.317	C\$ 3.047.577	C\$ 3.215.750
					-----	-----	-----

GARANTIA: Todos los préstamos detallados, excepto por los cuatro últimos que corresponden a Pan-American Development Foundation (P.A.D.F.) y del Consejo de Fundaciones Americanas de Desarrollo (Solidarios) los cuales no tienen garantía específica, están garantizados mediante firma solidaria del Prestatario de la Institución en representación de la misma.

NOTES TO TABLE III B.7

1. Interest Income

This is calculated on the basis of the same portfolio projection shown under the Lending Capital Section. The interest rate is 8% on the outstanding balance.

	( \$ 000)					
	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Regular Portfolio	83.5	192.0	267.5	330.1	392.7	443.4
Housing		31.1	64.5	105.8	126.4	134.7
TOTAL	83.5	223.1	332.0	435.9	519.1	578.1

2. Expected Income from Service Charges to Cooperatives

	( \$ 000)					
	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Personnel Costs	411	432	458	481	505	531
% of Reimbursement	-	12	29	46	58	81
INCOME		49.9	132.0	221.8	291.1	428.1

3. Donor Support<sup>1/</sup>

( \$ 000)

	D O N A T I O N S		
	1980	1981	1982
IAF (Diversification)	330.8	330.8	167.1
PACT (Housing)	86.2	86.2	86.2
ATI (Research & Development)	65.0	65.0*	65.0*
AID (CFER)	102.0	75.9	18.6
IAF (CFER)	38.1	53.2	13.6
IAF (Commercialization)	21.6*	21.6*	-
DEWOS (Housing)	31.5	-	-
<b>T O T A L</b>	<b>676.2</b>	<b>632.7</b>	<b>350.5</b>

\* Donations currently under negotiation

<sup>1/</sup> Table III B.7 projects donor support of approximately \$ 200,000 for the period of 1983-1984. Although this figure is based on projected needs for donor support, no sources have been contracted for the period.

4. Interest Payments by FUNDE

(\$ 000)

<u>Source</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
(a) Balance carried forward						
(b) <u>Foreign Banks</u>	17	9	2	-	-	-
Bank of America	2	-	-	-	-	-
First Nat'l City Bank	5	-	-	-	-	-
Bank of London	3	-	-	-	-	-
(c) <u>Domestic Banks</u>	9	7	2	-	-	-
Banco de América	2	2	-	-	-	-
Calley Dagnall	11	9	3	-	-	-
Banco Nicaraguense	-	-	-	-	-	-
(d) <u>Other Institutions</u>						
INDESA	2	1	1	-	-	-
FIA	2	1	-	-	-	-
Insurance Companies	1	1	-	-	-	-
PADF	5	5	4	4	3	3
SOLIDARIOS	19	43	50	47	88*	106*
TOTAL	78	78	62	51	91	109

\* Includes projected borrowing of an additional \$3.0 million from SOLIDARIOS

5. Operating Costs (Non-Personnel) - (Non-Inflated)

(\$ 000)

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Rent	4.2	4.2	4.2	4.2	4.2	4.2
Subscriptions	.6	.7	.7	.8	.8	.9
Light/Water/ Cleaning	7.2	7.8	8.4	9.0	9.6	10.2
Paper/Off. Supplies	18.0	19.8	21.6	23.4	25.2	27.0
Communications	4.2	4.8	5.4	6.0	6.6	7.2
Publicity Promotion	10.2	11.4	12.6	13.8	15.0	16.2
Life Insurance	3.0	3.2	3.3	3.5	3.6	3.8
Other Insurance	1.0	1.1	1.2	1.3	1.4	1.5
Office Equipment Maintenance	3.1	3.1	3.1	3.1	3.1	3.1
Office Maintenance	4.3	2.0	2.0	2.0	2.0	2.0
Veh. Maintenance	14.4	15.6	16.8	18.0	19.2	20.4
Fuel	12.0	13.2	14.4	15.6	16.8	18.0
Travel Expenses	85.0	86.5	96.0	97.5	107.0	109.0
Social Payments	21.0	22.8	24.6	26.4	28.2	30.0
Legal & Audit	4.5	5.0	5.5	6.0	6.5	7.0
Courses	24.0	27.0	30.0	33.0	36.0	39.0
Material & Equip. Program	7.3	-	-	-	-	-
Evaluation	10.0		10.0			10.0
Literacy	10.0	5.0	5.0	5.0	5.0	5.0
Miscellaneous	14.8	9.8	9.8	9.8	9.8	9.8
Accounts Payable	539.1	10.9	10.8	11.5	12.1	12.7
Increase in Assets	172.8	12.1	10.4	6.7	4.9	5.2
<b>TOTAL EXPENSES</b>	<b>330</b>	<b>265.9</b> <sup>1/</sup>	<b>295.8</b>	<b>296.5</b>	<b>317.1</b>	<b>341.7</b>

<sup>1/</sup> Drop in expenses in 1981 due to unusually large 1980 accounts payable amount pending from 1979.

6. Personnel Costs

(\$ 000)

<u>Current Staff</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Training	48.9	51.4	53.9	56.5	59.4	62.4
Audit	65.4	68.6	72.1	75.5	79.5	83.5
T.A.	41.0	43.1	49.5	52.0	54.6	57.3
C.F.E.R.	72.1	75.6	79.4	83.5	87.7	92.0
Administration	81.8	85.9	90.3	94.7	99.3	104.3
Direction	56.2	59.1	62.0	65.1	68.4	71.8
Housing	46.4	48.6	51.1	53.6	56.3	59.3
TOTAL	411.8	432.3	458.3	481.2	505.2	530.6

1980 DEMAND FOR LENDING CAPITAL

Regular Portfolio (No Housing) Existing System

The demand shown by the cooperatives below was developed on the on the basis of existing loan requests and financial programming seminars early this year.

<u>Cooperatives</u>	<u>1980</u>
1. La Armonía R.L.	554,645
2. Esquipulas R. L.	1,245,000
3. Ciudad Darío R. L.	600,000
4. La Hermandad R. L.	1,570,000
5. Agrícola Regional Jalapa R. L.	5,613,270
6. Servicios Múltiples Telica R. L.	180,000
7. La Paz Centro R. L.	130,000
8. Santo Domingo R. L.	900,000
9. Malpaisillo R. L.	100,000
10. San Dionisio R. L.	600,000
11. Río Blanco R. L.	250,000
12. IAGUEI R. L.	150,000
13. Comerciantes El Viejo R.L.	150,000
14. Nagarote R. L.	180,000
15. Siete de Diciembre R. L.	200,000
16. Somotillo R. L.	200,000
17. Tipitapa R. L.	150,000
18. CACPIC R.L.	150,000
19. El Sauce R. L.	120,000
20. Candelaria R. L.	200,000
21. La Confianza R. L.	150,000
22. Unión R. L.	360,000
23. San Carlos R. L.	350,000
24. Muy Muy R. L.	130,000
25. La Fraternidad R. L.	100,000
26. Nindirí R. L.	150,000
27. Masatepe R. L.	150,000
28. San Marcos R. L.	180,000
29. Niquinohomo R.L.	150,000
30. Unión Progresista R. L.	320,000
31. Las Américas R. L.	150,000
32. Nandasmo R. L.	70,000
33. El Periférico R. L.	120,000
34. Monseñor Obando y Bravo R. L.	180,000

<u>Cooperatives</u>		<u>1980</u>
35.	La Fuente R. L.	100,000
36.	Unión y Esfuerzo R. L.	120,000
37.	San Rafael del Sur R. L.	140,000
38.	Fuerzas Unidas R. L.	100,000
39.	San Jerónimo R. L.	200,000
40.	Catarina R. L.	110,000
41.	Avances R. L.	1,800,000
42.	Juigalpa R. L.	300,000
43.	Raúl Barrios R. L.	180,000
44.	El Socorro R. L.	600,000
45.	La Trinidad R. L.	120,000
46.	San Antonio R. L.	120,000
47.	Yalí R. L.	900,000
48.	San Juan del Río Coco R. L.	3,000,000
49.	La Esperanza R. L.	150,000
50.	La Perla R. L.	500,000
51.	La Moderna R. L.	500,000
52.	Ciudad Sandino R. L.	200,000
53.	Flor de Pino R. L.	170,000
54.	Héroes y Mártires de la Paz Centro R. L.	180,000
55.	Linda Vista R. L.	90,000
56.	Taxeros de Managua R. L.	200,000
57.	Coosetrama R. L.	150,000
58.	Industrial del Vestido La Libertad R. L.	100,000
59.	Pedro J. Chamorro R. L. (Transp.)	200,000
60.	La Paz de Carazo	---

TOTALS . . . . . C\$ 26,032,915 <sup>1/</sup>

<sup>1/</sup> C\$ 10.00 = \$ 1.00

## TECHNICAL ASSISTANCE AND COMMODITIES

### A. Technical Assistance

The technical assistance included within the project design is based on the requirements for assistance identified in the AID financed evaluation and those identified during project development. Assistance not available locally has been kept at a minimum to provide as much capital as possible to the productive lending activities.

U.S. technical assistance will be required for the financial analysis and for the development of the three-year development plan. Accordingly, budget figures for these activities reflect higher costs. Assistance from INCAE, the Central American Graduate School of Business Administration, will be provided under an on-going arrangement between FUNDE and INCAE which allows FUNDE to receive assistance at a much lower cost than normally charged.

### B. Commodities

#### i) Vehicles

FUNDE has identified needs for twenty-two 4-wheel type vehicles. This is based on a variety of factors, including (a) numbers of cooperatives serviced, (b) numbers of divisions providing assistance to cooperatives, (c) distances between FUNDE and cooperatives, (d) numbers of visits required weekly, etc.

Currently, FUNDE has six 4-wheel type vehicles, and has requested an additional eleven, leaving a shortfall of six vehicles. The Project Committee and FUNDE have determined that by limiting the usage of vehicles to Centers A-F of the attached chart, FUNDE can reduce its vehicle requirements while at the same time provide the required servicing of its cooperatives. Therefore, the project design includes the provision of eleven vehicles over the two phases of the project.

#### ii) Office equipment

Because of the rapid growth occurring and projected for the FUNDE cooperative system, FUNDE will have increasing administrative burdens due to the lack of equipment required to process the workload. Presently, twelve of the divisions in FUNDE are in need of additional desks, chairs, calculators, and typewriters.

The desks and chairs included under the project are to be used principally in the training division of FUNDE. It is expected that with increased membership and numbers of cooperatives this division will need to be permanently situated rather than continue to use vacant conference rooms, as it currently now does.

FUNDE has estimated that it needs an additional sixteen portable calculators and nine desk calculators to meet the needs of the field staff in the cooperatives and staff working out of FUNDE. Under the project, AID will contribute to meeting the needs of the staff located at the FUNDE headquarters by providing the calculators needed.

The electric typewriters being provided under the project are to be used in those divisions undertaking project activities. FUNDE has calculated that it needs nine new electric typewriters for the staff in the headquarters and seventeen portable typewriters for the field staff servicing the cooperatives. The cooperatives are being asked to provide the portable typewriters, and AID is to provide nine additional electric typewriters.

TECHNICAL ASSISTANCE

Man Months/Time/\$Cost

ACTIVITY	PHASE I July 1980/March 1981	PHASE II April 1981/December 1982
A. Base line data and systems development	3 November 1980/January 1981 (\$10,000)	
B. Continuation of data collection and analysis		3 December 1981/February 1982 (\$10,000)
C. Information Management and Processing Development	1 February 1981 (\$4,000)	2 July/August 1981 (\$7,000)
D. <u>Special Studies</u>		
1. Training	1 December 1980 (\$4,000)	4 April/May 1980 (\$14,000)
2. Feasibility	1 December 1980 (\$4,000)	2 May/June 1981 (\$7,000)
3. Financial *		2 November/December 1981 (\$8,000)
4. Institutional Development**		2 June/July 1981 (\$9,000)
E. Three year Dev. Plan *		3 October 1981/December 1981 (\$18,000)
Sub-Total \$96,000	6 \$22,000	17 \$74,000
Total (PHASE I & II)		

\* U.S. supplied technical assistance

\*\* Technical assistance supplied by INCAE

Assumptions

Salary	\$50.00/day for locally available TA
Salary	\$150.00/day for U.S. Technical Assistance
Perdiem	\$60.00/day
Transportation	\$300.00/man

Type, Number, and \$Cost of Commodities

TYPE	PHASE I	PHASE II
<b>A. <u>Vehicles</u></b> 4-wheel drive vehicles. (Each vehicle estimated at \$9,000)	6 \$54,000	5 \$45,000
<b>B. <u>Office Equipment</u></b> 1. Electric typewriter (estimated at \$1,000 a piece)  2. Desk calculator (estimated at \$500 a piece)  3. Desks (estimated at \$500 a piece)  4. Desk chairs (estimated at \$200 a piece)	6 \$6,000  9 \$4,500  8 \$4,000  8 \$1,600	
<b>Sub-Totals</b>	\$70,000	\$45,000
<b>Total (Phase I&amp;II)</b>	\$115,100	

FUNDE  
VEHICLES - REQUIREMENTS

RESPONSIBLE CENTER	VEHICLES	FIELD PERSONNEL	PERSONS/VEHICLE	COOPERATIVES VISITED WEEKLY	WEEKS TO VISIT 63 COOPERATIVES
A. AUDITING	5	8	2/3	5	13
B. TECHNICAL ASSISTANCE	5	7	2/2 2/2 3/3	2 Members 6	31
C. CECOOP	3	6	2	13	5
D. CFER	2	2	1/1	CFER 1	6
E. HOUSING	3	5	2/2 1/1	2	4
F. DID	2	5	3/1 2/1	2	31
G. COMMERCIALIZATION	1	1	1/1	2	4
H. ADMINISTRATION	1	2	-	-	-
I. DIRECTOR	1	1	-	-	-
	22	37	2/15 1/7		

FUNDEGEOGRAPHIC DISTANCE OF COOPERATIVES

COOPERATIVES	%	AVERAGE- ROUND TRIP	TOTAL KILOMETERS	ESTIMATED AVERAGE- ROUND TRIP
(a) 3	.05	450	1,350	23
(b) 9	.14	350	3,150	49
(c) 8	.13	200	1,600	26
(d) 12	.19	200	2,400	38
(e) 6	.10	200	1,200	20
(f) 25	.39	60	1,500	23
63	100		11,200	179

LIMIT OF HOURS/TRIP:

Maximum: 15      Average: 6      Minimum: 2

- a) : Somotillo; San Juan Río Coco; Jalapa.
- b) : Malpaisillo; El Sauce; Yalf; San Rafael del Norte; La Perla; Matiguás; San Antonio; Avances; Santo Domingo.
- c) : Pacífico Norte. (Managua, León, Chinandega).
- d) : Central Norte. (Matagalpa, Jinotega, Estelí, Nueva Segovia).
- e) : Central Sur. (Chontales, Boaco).
- f) : Pacífico Sur. (Granada, Masaya, Carazo, Rivas).