

9380231/42

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add
C = Change
D = Delete

Amendment Number

DOCUMENT CODE

3

2. COUNTRY/ENTITY
Centrally-Funded

3. PROJECT NUMBER
938-0231

4. BUREAU/OFFICE
FVA/PVC

5. PROJECT TITLE (maximum 40 characters)
Matching Grant
Pan American Development Fdn. (PADF)

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY

7. ESTIMATED DATE OF OBLIGATION
(Under 'B' below, enter 1, 2, 3, or 4)

A. Initial FY 83 B. Quarter 2 C. Final FY 85

8. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
APD Appropriated Total						
(Grant)	()	()	(120)	()	()	(350)
(Loan)	()	()	(120)	()	()	(350)
Other U.S.						
1.						
2.						
Host Country						
Other Donor(s)						
TOTALS			120			350

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROXIMATE YEAR	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) SI	270	240		0		350		350	
(2)									
(3)									
(4)									
TOTALS				0		350		350	

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 PVOU
B. Amount 350

13. PROJECT PURPOSE (maximum 480 characters)

To help establish and/or strengthen up to eight National Development Foundations in the Latin American/Caribbean region.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page of a page PP Amendment)

This is a new project.

17. APPROVED BY

Signature
Thomas McKay, Director, FVA/PVC

Date Signed
MM DD YY
012 28 83

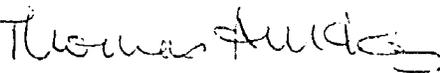
18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY

FEB 28 1983

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR, FVA

FROM: FVA/PVC, Thomas A. McKay



Problem: You are asked to approve a three-year, \$812,000 Matching Grant to the Pan American Development Foundation (PADF), to help PADF establish and strengthen National Development Foundations (NDFs) in up to eight Latin American/Caribbean nations. AID's grant share is \$350,000 (43%).

Discussion:

(A) Background: The Pan American Development Foundation was founded in 1962 by U.S. and Latin American business and government leaders to strengthen Latin/Caribbean micro-enterprises. PADF's model was the Centavo Foundation in Guatemala. This experiment had shown that very small-scale farms and businesses could be credit-worthy, but needed bridges to reach the commercial credit market. The bridge in the PADF plan is the national development foundation.

NDF's are non-profit entities founded under the sponsorship of local elites (bankers, professional people, government leaders). They offer credit and technical assistance to microenterprises not qualifying for regular commercial loans. Their goal is to make these very small businesses and farms more efficient, expanding income and employment opportunities at the lowest economic levels and eventually bringing the enterprises to a performance standard qualifying them for regular bank credit. Their repaid loan monies and interest payments are then reinvested in the simplest businesses in the informal sector once again. Typical clients are market vendors, small-holder farmers, and cottage industries.

Working with local sponsors, PADF helped establish sixteen NDF's in ten years. Their record of success was mixed, as not all institutions thrived. However, in 1972 fourteen of the original sixteen NDF's together formed a new entity - SOLIDARIOS - to provide central bank and technical assistance functions for themselves. This move divorced PADF from the central coordinating role it had previously held.

From 1972 until recently, there was mild animosity between SOLIDARIOS and PADF, (alluded to in the grant proposal) and PADF left the NDF field, concentrating instead on its Tools for Training and Health Services programs. In 1978, PADF restarted

its NDF work and sought an improved relationship with SOLIDARIOS. Management changes between 1978 and 1980 accelerated this process, and resulted in modest joint programs with SOLIDARIOS and in two NDF-OPGs, Haiti (\$990,000) and Jamaica (\$500,000).

From 1978 on, PADF regularly applied to PVC for grant funds. PADF was turned down for a DPG and two Matching Grants, due to reservations about the organization's track record, and to the contents of the proposed programs (the economic impact of the health equipment/tools donation programs was not proved). To help resolve the track record impasse, the LAC Bureau commissioned an evaluation of PADF, completed by Sal Pinzino in September 1982. Considered fair by both AID and PADF, this evaluation found both strengths and weaknesses in PADF. Overall, it recommended the award of a Matching Grant to PADF, to replace the string of OPGs that was developing.

In the Fall of 1982, PADF submitted its third Matching Grant proposal to PVC. This plan deleted all equipment/health donations from the program and proposed only work with national development foundations. The Matching Grant Review Committee recommended this proposal for further processing, although at financial/country levels much lower than those proposed by PADF. (Please see issues.)

(B) Proposed Matching Grant Program (as revised):

PADF plans to work with up to eight National Development Foundations located largely in the Central American/Caribbean area. Candidate countries are:

First level of priority (Initial 1983 assistance)

1. Barbados
2. St. Lucia
- 3.(a) Honduras: San Pedro Sula
- 3.(b) Honduras: Instituto para el Desarrollo Hondureno (IDH)

Second level of priority

4. Antigua
5. El Salvador

Third level of priority

6. Panama
7. Peru
8. St. Vincent

Depending on USAID policy decisions, Paraguay may be added at a later date.

Except for the IDH in Honduras, all NDI's proposed for the Matching Grant are at the "initial contacts" stage.

At the end of the three-year grant, PADF expects to have at least five new National Development Foundations established and operating on a sound basis. Minimum development time per program, in the PADF estimate, is two and one-half years, which means the proposed schedule is extremely tight.

PADF will contribute \$462,000 in privately-raised funds to AID's \$350,000 MG share. In addition PADF will allow the program access to \$60,000 of its revolving loan funds.

(C) Country Clearances

All Missions contacted about PADF activity in their countries responded positively. Belize City Mission asked that Belize be deleted as a Matching Grant participant since an OPG for the same purpose was being negotiated. However the USAID endorsed PADF's plans in general, and reserved the right to have Belize reinstated as a MG candidate if the OPG negotiations fell through.

(D) Issues:

1. Program size (dollars and number of countries): PADF's original proposal asked AID to provide \$747,000 to fund a three-year, \$1.6 million program for work in twelve countries, to be chosen from a field of fifteen.

The MG Committee found this program too ambitious. They noted that PADF was restarting a program dormant for eight years, and had sought three previous grants unsuccessfully. They felt that while the proposal had merit, care should be exercised not to commit either AID or PADF to unrealistic goals. They suggested that a carefully-monitored, moderate-sized Matching Grant be sent forward, subject to field and other approvals. Their specific recommendation was for a program no larger than \$350,000 over three years from AID, plus that amount or more from PADF.

In addition, the Committee deleted the following countries from the list proposed by PADF for NDF assistance:

Haiti	-	Already launched with OPG funds
Jamaica	-	
Bahamas	-	Not AID countries
Chile	-	
Dominica	-	IAF Funding the NDF
Turks and Caicos Islands	-	British dependency
Paraguay	-	Mission closing (This program may be reinstated, depending on USAID policy decisions).

These deletions, and the exemption of Belize noted earlier, reduced the approved PADF program to eight countries from fifteen.

In a letter dated January 26, PADF acceded to the Committee country deletions and budget revisions, leaving in place a program reduced 50% from its original level.

2. The Match: The review committee had serious doubts that PADF could make the originally-proposed match (\$885,000 in three years), based on on PADF's previous record of fund-raising:

1979	\$ 53,044	
1980	\$ 62,609	
1981	\$120,640	
	<u>\$236,293</u>	(Three year cash total)

While PADF had hired a fund-raising expert and was planning a greatly expanded search for private support, the challenge seemed too great. However, the Committee found the revised match level proposed by PADF - \$462,000 - acceptable.

3. Evaluation: The PADF evaluation plan, with its careful collection of data, was approved by the Committee. However, the recommendation of evaluator Pinzino that a "Lessons Learned" study be done to glean the instruction of the past was turned down. Pinzino saw this study as a major one, covering twenty years and involving the Inter-American Foundation,

Missions, SOLIDARIOS, and others. The committee was unwilling to commit funds on the scale recommended, suggesting instead that AID learn from a careful evaluation of the present moderate program, and from whatever the recent Haiti and Jamaica OPGs might show.

4. Length of PADF assistance to NDFs: Both the Committee and evaluator Pinzino were concerned about the long time and large amounts of money (including seed loan money) that an NDF needed to reach a point of maturity. In addition, some Committee members quoted Mission and PVC views that PADF tended to "hang around too long" after a young institution wished to be on its own, and was able to be.

The Committee therefore asked PADF to explain what it considered proper cut-off indicators for a program; i.e. the elements of maturity shown by an NDF which would cause PADF to withdraw, its work finished. These were outlined in PADF's January 26 letter to AID, attached at TAB A.

Additionally, telegrams to the field seeking Mission comments on the proposal informed USAIDs that Matching Grant funding, if approved, would not continue beyond the initial stages of founding an NDF (say to the point where the first full year of operations, including loans, was complete). The cable noted that any further funding might then fall to the field, the IAF, SOLIDARIOS, the Europeans, or others. All respondents approved the PADF work, despite PVC's caveat. However Panama Mission noted it would not fund either PADF or a local NDF after central funds ran out; and RDO/C stated that while it might fund a deserving indigenous NDF, it would be unlikely to pick up PADF costs in the future. PADF was informed of these responses in a letter (TAB B) and has accepted the conditions as part of a Matching Grant, if awarded.

5. LAC Support for PADF Efforts: During the review process, the LAC Bureau indicated its full support for the PADF proposal. This support was buttressed by unanimous field approval of the project. A letter of last-minute encouragement was sent by LAC/AA Otto Reich to you, but reached FVA two days after the Review Committee had come to its final positive decision and communicated its approval (plus various reservations) to PADF by telephone and letter. The LAC Bureau was regularly informed of the PADF proceedings. They attended the initial review meeting, and were sent copies of all documents. At the end of the reviews, they complemented PVC's conduct of the Matching Grant approval process.

Summary: After an arduous process of review and reduction, the Matching Grant Committee, the LAC Bureau, and PADF have fashioned a proposal acceptable to each participant. All Missions where PADF's reduced program may operate have endorsed the NDF concept. We feel that the program is manageable by PADF and monitorable by PVC. I therefore recommend that you approve the PADF Matching Grant proposal, as revised by our letter to PADF of January 14, 1983 and their reply dated January 26, 1983.

Recommendation: That you approve the award of a three-year, \$812,000 Matching Grant to the Pan American Development Foundation, and the provision of \$350,000 to cover AID's share of its costs, subject to the availability of funds.

Approved:



Disapproved:

Date:

March 1, 1983

Clearances:

- FVA/PVC:A.Heyman(Draft)Date:2/16/83
- FVA/PVC:S.Bergen(Draft)Date:2/16/83
- FVA/PPE:L.Stamberg(Draft)Date:2/22/83 278
- LAC/DP:P.Maguire(Draft)Date:2/23/83

AID/FVA/PVC:C Millikan:02/16/83:ses/pdf:#0001G