

Project Assistance Completion Report (PACR)

**Microbusiness Promotion Project  
520-0377**

Background

Late in 1985 ACCION International visited Guatemala to determine the Mission and the LPVOs' interest in carrying out a microbusiness promotion activity throughout the country. After the corresponding studies, discussions and negotiations, in August 1987, USAID/Guatemala signed a Handbook 13 Grant Agreement with ACCION International to provide credit, technical assistance and training to micro entrepreneurs around the country.

ACCION signed sub-agreements with two local PVO's, FUNTEC (Fundacion Tecnologica), based in Guatemala City., and FUNDAP (Fundacion para el Desarrollo Integral de Programas Socioeconomicos), based in Quetzaltenango. These two LPVOs respectively created GENESIS Empresarial (Genesis) and PROSEM (Promocion y Servicios Empresariales) to implement project activities.

ACCION provided technical assistance and training to FUNTEC and FUNDAP to strenghten their institutional capacity to deliver and collect loans, and train and provide technical assistance to microentrepreneurs in industry and trade.

Originally the project's budget was approved for a three-year period for a total amount of Dols. \$ 1,850,000. Two amendments were later authorized which extended PACD two years to September 30, 1992 and increased the budget by \$200,000 and subsequently another \$42,400, for a total AID project budget of \$2,092,400, broken down as follows:

Funds for Credits.....	\$1,214,626.71	(58.0%)
Equipment.....	202,567.77	(10.0%)
Operating Expenses.....	655,426.94	(31.0%)
Overhead.....	15,833.63	( 0.8%)
Balance of funds not utilized....	3,944.95	( 0.2%)

Total approved budget .....\$2,092,400.00

Additionally, AID contributed with a grant in Quetzales from the ESF local currency trust fund for a total amount of Q 5,755,507.00, for the following purposes:

Funds for credits.....	Q4,111,784.57	(71.4%)
Equipment.....	263,727.42	( 4.6%)
Operating Expenses.....	1,374,324.63	(23.9%)
Balance of funds not utilized....	5,670.38	( 0.1%)

Total approved Quetzales budget... Q5,755,507.00

### Counterpart Contribution

The agreement required a counterpart contribution of US\$1,003,626. During the life of the project the actual counterpart contribution amounted to Q5,370,679.00 equivalent to US\$ 1,135,885.

The source of these funds include: a) funds generated by the project as a result of charges made for credit and training activities, and b) funds obtained from other sources (private banks, local foundations, etc.)

### Project purpose/objectives

The project's purpose of increasing incomes of the urban poor through technical assistance, training and credit to microentrepreneurs has been achieved.

The major project objectives or elements were:

- a) Create new employment and improve the existing ones.
- b) Generate additional income among direct beneficiaries and their families.
- c) Provide training to beneficiaries in simple business administration techniques to allow for expansion of their business.
- d) Educate project beneficiaries in credit management to be able to incorporate them into the formal credit system.
- e) Strengthen local institutions to increase their capacity to handle larger numbers of low income beneficiaries.
- f) Promote solidarity among beneficiaries to solve their own problems.

These objectives were successfully completed, and the results include:

- Incorporation of a large number of low income microentrepreneurs (16,921) in the program, providing them with credit, training and managerial assistance. This assistance has allowed the users to improve their socio-economic condition.
- The program generated 8,990 new job opportunities, and an additional 16,921 entrepreneurs had their productive capacity significantly widened.
- 33,261 credits for a total amount of Q94,704,586 were provided to 16,921 microentrepreneurs, of whom 5,828 or 34.4% were women.

- Additional earnings were generated which help the users to improve their standard of living and of their families.
- 41,440 people received training and managerial assistance which allowed them to expand and to have a better control over their business.
- Sales by micro-entrepreneurs were increased by an average of 25%
- Training in credit administration was provided for all users. Also, direct relations (linkages) were established with the formal credit system for 2,940 "graduates" from the program.
- Support committees were organized which allow participants to obtain additional services and to help solve their business problems.
- Prompt payment of credits by the users permitted the program's rapid expansion.
- The project is currently covering all Departments of the country.
- The project reached self-sufficiency 19 months after the activity was initiated. Self-sufficiency by PACD was 156%.
- The default rate was relatively low throughout the project's life. By the PACD rate was 3.7%

**Outputs (Projected and Achieved)**

<u>Description</u>	<u>O U T P U T S</u>	
	<u>Projected</u>	<u>Achieved</u>
No. of Branch offices	14	24
<b>Total number of beneficiaries</b>	<b>10,578</b>	<b>16,921</b>
No. of beneficiaries with individual loans	3,618	6,747
No. of beneficiaries with group loans	6,960	10,174
<b>Total number of loans</b>	<b>22,824</b>	<b>33,261</b>
Total number of Individual loans	14,472	19,504
Total number of Group loans	8,352	13,757
<b>Amount of credit funds provided</b>	<b>Q28,917,367</b>	<b>Q94,704,586</b>
Amount in individual credits	Q 9,342,430	Q34,184,116
Amount in group credits	Q 3,699,642	Q12,933,974
Monthly operating self-sufficiency	32%	156.5%
Cost of lending each Quetzal	0.06	0.06
<b>Number of jobs created</b>	<b>2,334</b>	<b>8,990</b>
Number of Jobs strenghten	16,522	16,921
Number of beneficiaries trained	10,578	41,440

Given the institutional support, correct application of ACCION'S methodology, adequate training, seminars and workshops, and exchange of experiences at international level with programs affiliated to the ACCION's network, all projected outputs were reached and surpassed, as shown above.

All of these have permitted Guatemala to currently have two national institutions (FUNDAP and FUNTEC) which:

- Know about, and can utilize by themselves a successful and proven methodology for attending the microenterprise sector.
- Are among the most technical institutions in the microenterprise field.
- Have obtained more than Q5 million from the Guatemala's private banking system for their credit fund.
- Are lending more than Q5.5 million a month.
- Have experts among their staff.
- Have as members of their Board of Directors, successful and large entrepreneurs who actively work for the development of the micro entrepreneurial sector
- Are private institutions integrated into a solid international microbusiness information network.
- Have flexible programs capable of adjusting their operations depending upon the volume of their activities.
- Have the capacity and are strong candidates to receive international financial support for their credit programs.
- Have branch offices throughout the country.

#### Post-project usage of commodities

Commodities purchased with AID funds included office equipment, personal computers, vehicles and motorcycles which continue to be used by the two organizations (Genesis and PROSEM) for the same activities generated under the project.

#### Summary of Lessons learned

- Motivation and training of the project personnel contribute tremendously to the success of the project.
- The establishment of adequate and effective budget and control systems are some of the most important elements to achieve success.

---To obtain self-sufficiency rapidly in this type of programs it is necessary to:

- a) Make a rational use of the funds available.
- b) Provide mostly short term loans to obtain a rapid rotation of the funds.
- c) Carry out a good selection of credit users that will make their payments on time.

---The principal factors which contribute to maintain a low default rate are:

- a) Correct application of the methodology.
- b) Adequate placement of credits.
- c) Efficient training of credit users.
- d) Management training to users at their work sites and constant follow-up.
- e) Correct selection of geographic areas of work.
- f) Concentration of users in nearby areas.
- g) Emphasize among credit users their responsibility and importance of their timely payments.
- h) Efficient and rapid provision of credits specially for those who are good clients and make their payments promptly.
- i) Good reputation of the Institution and credibility in the services it renders.

To obtain/maintain the collaboration of the public and private sectors it is necessary to maintain their confidence in the institution through adequate accounting and financial control systems, periodic implementation and financial reports, annual reports of activities and other related information. Additionally, it is of utmost importance to have as members of the Board of Directors honorable, knowledgeable, active and successful entrepreneurs.