

PD - ABM-259

998-02

FINCA - A.I. D. MATCHING GRANT I:

FINAL REPORT

In Fullfillment of Cooperative Agreement
No. PDC-0158-A-00-1105-00

CONTENTS

| | | |
|------------|--|----|
| I. | Executive Summary | 3 |
| II. | Background: FINCA's Institutional Evolution | 4 |
| III. | Program Methodology | 6 |
| IV. | Headquarters Activity | 9 |
| | A. Organizational Development | 9 |
| | Affiliation Agreements | 10 |
| | Annual Conference and the Consultative Committee | 10 |
| | Resource Mobilization | 11 |
| | Board Development | 12 |
| | B. Management Systems | 13 |
| | Standard Procedures and Internal Controls | 13 |
| | Budgeting | 14 |
| | Planning | 14 |
| | C. Field Support Services | 15 |
| | The Village Bank Manual: Beyond Inauguration | 15 |
| | Accounting and Disbursement | 16 |
| | Cash Management | 16 |
| V. | Monitoring & Evaluation | 17 |
| | A. Program Performance | 17 |
| | B. Beneficiary Survey | 18 |
| VI. | Country Reviews | 20 |
| | A. Costa Rica | 20 |
| | B. Guatemala | 21 |
| | C. Honduras | 23 |
| | D. Haiti | 24 |
| Appendices | | |
| | A. Financial Report | 27 |
| | B. The Village Banking Methodology | 31 |
| | C. FINCA Affiliation Agreement (Sample) | 39 |
| | D. Contents of the Administrative Manual | 51 |
| | E. Reporting Forms | 55 |
| | F. Beneficiary Survey | 67 |

I. Executive Summary

In September of 1992, FINCA and USAID signed into effect a three year matching grant program (Matching Grant I, or MG-1). The program was valued at \$2.1 million, comprising a \$1.1 million contribution from FINCA and \$1 million from USAID. The purpose of the program has been to strengthen FINCA International's capability to provide sustainable financial and technical support services to its local NGO affiliates. The program consisted of two components: (1) the development of FINCA headquarters' systems for program management and financial sustainability, and (2) the design and implementation of an institutional development model for FINCA affiliates in order to improve the impact, scale and sustainability of their village banking programs. While all of FINCA's affiliates have benefited from the increase in FINCA International's support capacity, the matching grant program has focused specifically on the institutional development of FINCA partners in Honduras, Guatemala, Costa Rica and Haiti.

MG-1 provided vital resources to solidify FINCA's institutional growth during the three year period. FINCA stabilized its relationship with its affiliates through the establishment of an NGO affiliate management system, and it developed financial models and methods for achieving scale and sustainability in its lending operations. In the process, FINCA was able to surpass many of the targets set forth in the detailed implementation plan (DIP). For example, the DIP set a target of increasing FINCA's outreach from 11,000 to 25,000 borrowers during the three year grant period. By the end of the period, however, FINCA borrowers had increased to over 50,000. This rapid growth was achieved without seriously compromising the quality of FINCA's portfolio, which maintained its repayment rate at 95% (1 point below the DIP target). FINCA also met its \$1.1 million cash matching commitment.

In this process, small, scattered programs -- such as the ones in Honduras and Guatemala -- have consolidated and achieved new levels of scale and productivity. FINCA/Honduras, for example, has exceeded 7,000 borrowers and, by virtue of its achievement, is the first FINCA affiliate to have a representative on the Board of Directors of FINCA International. Guatemala is undergoing a radical transformation from a small seed program to a large-scale, sustainable program, and will be the site for the establishment of the regional Technical Assistance Hub under Matching Grant II.

As these programs grew, FINCA International needed to stabilize and formalize its relationship with its affiliates. Prior to the matching grant, the nature of FINCA's relationship with its NGO partners was undefined and varied from country to country. One of the most important achievements of the past few years was the establishment of the FINCA affiliation system, and the negotiation of affiliation agreements with each of its NGO partners. The agreement articulates the rights and responsibilities of an affiliate and specifies which technical support services and funding from FINCA International it will receive in return. An important but difficult step in the sustainability of FINCA International was achieved with the inclusion of an affiliation fee in the standard agreement.

Also, to keep up with the high-paced growth and consolidation in its field programs, FINCA's administrative structure and institutional capacity underwent dramatic changes. The senior management structure of FINCA was clarified with the appointment of an Executive Director. The creation of separate Departments of International Programs, Development, Finance, Policy and Research have resulted in a more efficient division of labor. FINCA's private resource mobilization also more than doubled each year. FINCA now has an Internal Auditor, and a Financial Controller, who oversee a carefully designed system of reporting,

budgeting and disbursement. The full implementation of these systems will standardize FINCA's accounting, budgeting, disbursement, financial information and reporting systems. While these improvements were originally undertaken on behalf of the matching grant countries (Costa Rica, Guatemala, Honduras and Haiti), their benefits extend to all of the affiliates in the FINCA network.

At the same time, these improvements have been extended into the field through training and technical assistance by the Department of International Programs. An increase in staffing in this department, improvements in their methods and a better infrastructure have significantly improved FINCA International's capacity to deliver technical services to its affiliates and to ensure the quality of its lending portfolio. Their operational methods have evolved through the development of technical assistance packages, which focus on improving the accounting, administrative, monitoring, budgeting, and cash management capacity of affiliates. At the same time, a new Village Banking Manual (for promoters and field personnel) and an Administrative Manual (for country programs) are near completion.

The process of consolidating FINCA International is, however, far from complete. FINCA must build upon its progress under Matching Grant I and further develop some key organizational areas such as its technical assistance model, training, affiliate internal controls, operations research and overall organizational planning. And it must pass from the design stage into a full-scale implementation of many of its new systems and products.

During Matching Grant II, which is to be implemented from September 1994-August 1999, FINCA will augment its staff with specialized skills in a variety of organizational areas and close some of the institutional gaps. A key component of Matching Grant II will be the establishment of a regional technical assistance office in Guatemala or "Technical Assistance Hub". The Hub will be charged with systematically honing FINCA's technical assistance services to its affiliates so that they are able to sustain their growth while maintaining program quality.

The following report outlines the major achievements of Matching Grant I. It does not attempt to chart a course for future efforts, nor to identify the key areas for improvement, as this exercise is to be completed with the Detailed Implementation Plan of Matching Grant II. Additional analysis is available in the external evaluation of the program conducted by AID/FVA/PVC. (*Building Intermediaries for Poverty Lending: An Evaluation of FINCA's First Matching Grant and Diagnosis of Future Development Needs*, 1993, by Cheryl A. Lassen).

II. Background: FINCA's Institutional Evolution

At the time of the grant's design, FINCA had reached an important juncture in its institutional history. Throughout the 1980s, FINCA had proven the success of its village banking model in delivering loans to extremely poor women. The program's success was grounded in a simple, easily replicable model. (A summary of the Village Banking Methodology appears as Appendix B.) By building upon the social ties of their members, village banks had achieved high on-time repayment rates. Program sustainability and expansion were made possible by these high repayment rates, the banks' ability to mobilize the savings of the poor, and by cost-recovery through interest charged on loans.

In the 1980s, FINCA worked through a network of seven local FINCA NGOs in Latin America. Despite their success at the village level, these seed programs were understaffed and under financed. Few offices, for example, owned vehicles, while most managed their entire extension program using public transportation. These limitations constrained their growth, and therefore prevented them from achieving economies of scale in their operations. The total number of borrowers in the FINCA system was less than 11,000. On average, each program reached under 1,000 people. The majority of borrowers was concentrated in a few countries (eg. Costa Rica), with the rest scattered in smaller, weaker programs (e.g. Guatemala, El Salvador). For FINCA to consolidate, it was necessary to support and strengthen many of its tiny seed programs.

The "barebones" character of FINCA's field programs was reflected in the slim structure of the Headquarters office, which barely possessed the capacity to service its existing programs. Prior to 1990, FINCA International had received no U.S. government grants. Its operations were financed by small private contributions. FINCA International's headquarters was staffed by only three professionals and its organizational relationship with the FINCA NGOs was not yet defined. Once it became clear that the FINCA model possessed the capacity for large-scale expansion, and as demands for FINCA's assistance began to grow, FINCA headquarters needed to "catch-up" with its growth in the field in order to supply them with more and better quality services.

The urgency of this need became apparent in August of 1990, when AID/El Salvador awarded FINCA a \$10 million grant to establish a village banking program of national coverage. The award, FINCA's first government grant, presented FINCA with the daunting task of transforming its lean organization into a solid PVO capable of managing a massive operation. FINCA deployed its President and founder to El Salvador to oversee the management of the program. It increased its headquarters staff to seven professionals. The AID/El Salvador grant financed a large portion of this transition.

At the same time, other FINCA NGOs were "coming of age," and beginning to expand their portfolios. The growth of these other affiliates became another source of demand for increased technical assistance and financing. But FINCA did not have a donor to finance the hiring of enough programming staff to support its other field programs. This situation placed stress on FINCA International's relationship with the FINCA NGOs. It also reduced FINCA's fundraising capacity because the programming information systems could not adequately fulfill donor reporting requirements.

When the matching grant program began in September 1991, FINCA International needed to balance its organizational capacity (which had grown to administer large scale AID grants) with the programmatic capacity to strengthen other FINCA NGOs and expand its network. To achieve this balance, FINCA needed resources and a strategy based on consensus. The matching grant, as will be discussed in the remainder of this report, provided FINCA with the resources to implement its planning strategy and fortify its organizational growth.

In the last months of the matching grant, FINCA experienced a serious setback to its growth. The CAM/El Salvador (*Centro de Apoyo a la Microempresa*), FINCA's largest program, suffered a defalcation of nearly \$1 million. It should be noted that, even while the defalcation was occurring, the CAM passed external audits according to OMB's circular A-133. The CAM staff of the San Miguel regional office -- who are not employees of FINCA International -- colluded in a wide-scale scam which eluded outside detection. While the

external auditors concluded that detecting such collusion on multiple levels of management is extremely difficult, this event has focused FINCA's attention on increasing the rigor of its affiliates' internal control systems, while slowing the pace at which they expand their portfolios.

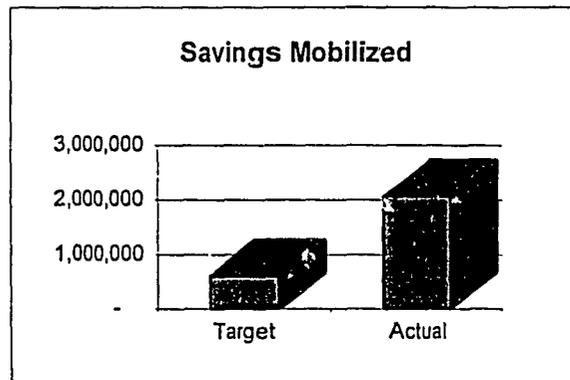
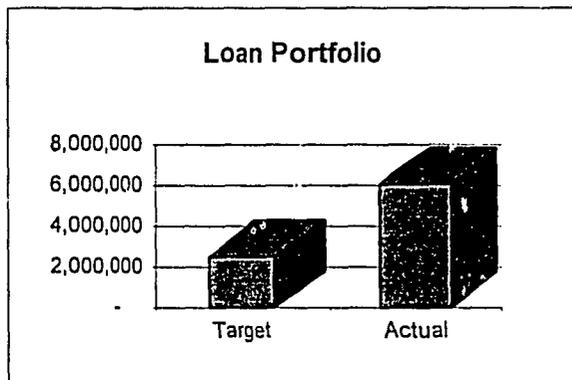
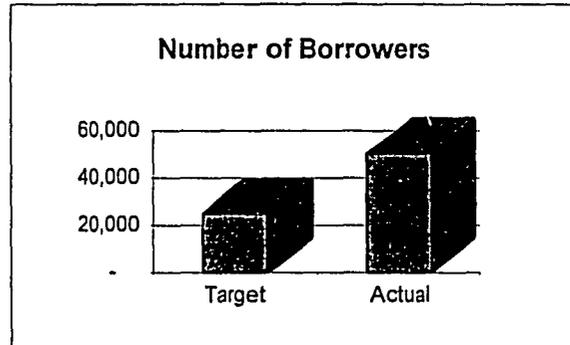
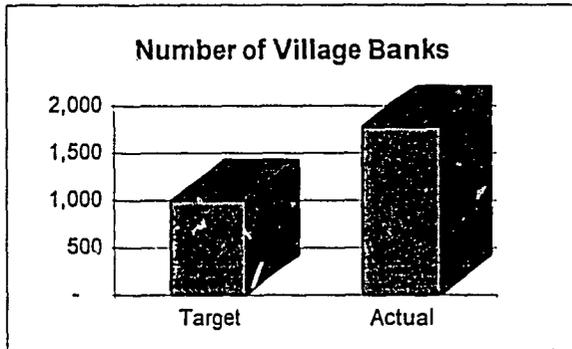
The defalcation in El Salvador, however, does not nullify FINCA's solid gains under Matching Grant I, both in its own institutional development and in the extension of its poverty lending services worldwide. Despite the setback that it suffered, the CAM/El Salvador exceeded its matching grant targets. Moreover, FINCA/Honduras and FINCA/Costa Rica are also managing sizable portfolios (membership over 5,000 in each), which have reached operational self-sufficiency. As the charts ("Matching Grant I: Targets and FINCA Performance") on the following page illustrate, FINCA has far exceeded all of the global targets set at the beginning of the matching grant, for all of the indicators shown: the number of village banks, number of borrowers, the size of its loan portfolio and, especially, in savings mobilized. In most areas, FINCA's performance surpassed the target values by at least 200 percent. FINCA must now consolidate the progress it has made throughout the matching grant and secure a solid institutional foundation from which it can begin its expansion into Africa, Asia and South America.

III. Program Methodology

The overarching objective of Matching Grant I was to strengthen FINCA International as an apex institution providing loans and technical assistance to severely poor women through its network of affiliates. By the end of the grant, FINCA was to have fortified its organizational capacity and to have laid the foundation for sustainable expansion of its worldwide portfolio. In order to achieve this goal, FINCA headquarters had to accomplish several tasks. First, it had to develop the technical assistance capacity to serve its affiliates, in order to influence the local agencies, exercise quality control, and move them on the path to financial sustainability. Secondly, it had to develop a business model for its own sustainability. This end required that the institution learn how to acquire and manage large amounts of borrowed capital and that it find a way to recover costs from providing services to its affiliates. Finally, FINCA had to develop a strategic plan for consolidating programs in Latin America, stabilizing its relationships with its affiliates, and managing institutional growth.

At the outset of the matching grant, an external institutional assessment was conducted which identified several key weaknesses in FINCA International's operational and managerial structure. Different visions of FINCA's growth agenda competed within the organization, which possessed a weak administrative structure for fulfilling even the routine tasks of managing a large grant. These weaknesses were not inherent in FINCA's approach, nor did they suggest any particular flaw in its institutional dynamics; rather, they were the marks of a nascent organization which grew up from the grassroots. FINCA had spent the decade prior to the matching grant sowing and nurturing seed programs; it was natural that, at this time, FINCA's attention turn toward consolidating its program, strengthening its institutional ties, and fortifying the parent agency.

Matching Grant I:
Targets and FINCA Performance



To complete these tasks the institutional assessment outlined a plan of action which included the following:

- (1) Achieve a complimentary understanding among program, administrative and fundraising staff of FINCA international.
- (2) Establish program support and administrative systems to facilitate the timely flow of information, services and resources between field programs and headquarters.
- (3) Increase private fundraising.
- (4) Clarify and consolidate FINCA's top decision-making structure.
- (5) Develop FINCA's Board of Directors.
- (6) Define clearer policies, methods and a vision for growth.

The design of the matching grant was tailored to help FINCA address the needs identified in the external institutional assessment. Activities undertaken with the grant's support fell into three broad categories: organizational development, management systems, and field support services. The following paragraphs are drawn from the Detailed Implementation Plan (DIP) to describe FINCA's plan for realizing its objectives in each of these areas.

Organizational Development

It is critical that FINCA headquarters establish regular fora for developing consensus among all the levels of the organization on its vision and strategic direction. The matching grant will promote this through annual field conferences and regular senior management meetings. FINCA headquarters will also develop a three year business plan...[to] outline the following: a codification of the business relationship between FINCA International and FINCA affiliates, a resource mobilization strategy, guidelines for new contract development, mechanisms for improving the financial sustainability of FINCA International, growth policies and targets for overall organizational performance...It will also promote improved communication with and between field programs through regularly scheduled meetings and technical exchange visits...The development of the FINCA International Board of Directors will also be an emphasis of the matching grant. Headquarters staff will develop a plan to educate Board members about program operations...

Management Systems

Management systems at FINCA headquarters will be a key output of the matching grant. Systems will be strengthened to improve planning, scheduling, budgeting and accountability procedures at all levels of the organization. The matching grant will provide FINCA with the opportunity to develop its information systems to track program performance, beneficiary impact, and financial sustainability...to improve its public service documentation and its donor accountability and reporting systems.

Field Support Services

FINCA International will develop a [sic] framework for determining whether to establish an affiliate in a new country based on whether it has the resources and capability to adequately support the program. [It] will also develop and negotiate affiliation agreements

with each country program outlining the rights and responsibilities of the FINCA affiliate....FINCA will develop a technical package in the areas of program management (portfolio management, extension techniques, loan collection, monitoring and evaluation, village banking methodology), financial management (accounting systems, cash-flow management, budgeting, sustainability management systems), organizational development (strategic planning, staff management, board development) and resource mobilization (negotiation skills, proposal writing, private business/small donor support model).

Many improvements at headquarters -- such as the adoption of standardized auditing systems -- would require corresponding changes in the field, so four target countries were selected to serve as testing grounds for the development of new procedures and methods. Technical assistance under the matching grant was focused on the institutional development of FINCA affiliates in Honduras, Guatemala, Costa Rica and Haiti.¹ At that time, the programs in Honduras and Costa Rica were the most advanced of the matching grant countries and offered the greatest potential for expansion and financial sustainability. (This assumption proved to be correct -- both of these countries exhibit the highest rates of internal self-sufficiency. The program in Honduras has surpassed 7,000 borrowers the FINCA affiliate in that country now sends a representative to the Board of Directors of FINCA International.) FINCA/Guatemala was still in the early stages of growth, so the matching grant offered it the possibility to consolidate and expand its relatively small portfolio. Country-level issues are examined in greater detail in section VI.

IV. Headquarters Activity

A. Organizational Development

At the inception of the matching grant, an external evaluation determined that FINCA must deploy a substantial portion of its energies to improve its own organizational development.² Though FINCA had achieved notable successes at the local level, it had to develop the basic apex infrastructure to strengthen its programs, to support its growing portfolio and to stabilize its relationship with the affiliate programs.

The biggest impact of the matching grant has been to enable FINCA International to be fully staffed with the specialized professionals necessary to operate a poverty-lending program of massive scale. In September of 1990, FINCA International's staff consisted of a business manager, a half-time program manager, an accountant, and a general assistant. Now the FINCA headquarters has acquired specialized departments of Finance, International Programs, Development, Administration, and Policy and Research. This professional staff has enabled FINCA to design and establish standardized administrative and financial management systems and undertake technical assistance that is moving local programs toward self-sufficiency. Staff expansion, however, raises challenges and problems of its own, and FINCA must now undergo a process of assimilation and adaptation in order to fully exploit the potential of its new staff members.

¹ The embargo of U.S. Government economic aid required FINCA to suspend its matching grant activities in Haiti on May 31, 1992.

²Lassen (1991). See reference in text on page 3.

Affiliation Agreements

Throughout its early years, the headquarters office was a barebones operation unable to provide many services to its NGO counterparts in Central America and the Caribbean. Consequently, many country programs grew independently of FINCA International, which provided them with a successful poverty lending methodology but minimal technical support. Some programs, like the one in Costa Rica, expanded successfully, while others foundered. As programs multiplied, the uneven pattern of growth called attention to the need for a clear framework to define the relationship between FINCA International and its counterparts in the developing world. It became necessary to articulate what FINCA would provide to its affiliates, and what it expected in return.

A standard contract between FINCA International and its affiliates was designed to establish clear standards for mutual accountability between the signing parties, to establish some control over the dissemination of FINCA's methodology, and to reinforce the common identity of FINCA's many counterparts. Matching grant funds were used to develop the basic framework for this relationship and to implement it throughout the FINCA network.

Like any contract, FINCA Affiliation Agreements provide a standard format for defining the rights and responsibilities of FINCA and its country programs. An example of a standard agreement can be found in Appendix C. The agreement is automatically renewed each year. Annexes to the agreement specify what funding and technical assistance FINCA will provide over the course of a year, and are renegotiated annually. In exchange, affiliates promise to provide resources for their programs, to pay for technical assistance, and to abide by FINCA's performance and ethical standards. In the words of FINCA's Executive Director, the agreement's objective is to establish "a partnership between equals."

A 1% surcharge on all loans, to defray the costs of technical assistance, was included in the standard agreement. The 1% surcharge expresses the seriousness of FINCA's relationship with its affiliates and establishes a basis for affiliates to hold the parent organization accountable for the quality of the services which it provides.

Annual Conference and the Consultative Committee

As the FINCA network expanded from a network of 703 to 1,775 village banks (see Tables in Section II), it was necessary to strengthen the ties which bound these scattered banks into a unified program with a common agenda. Maintaining effective communication between such a rapidly growing number of affiliates and the headquarters, and ensuring their mutual commitment to a shared vision are continuing challenges for any organization which experiences growth at FINCA's pace.

In this context, the Annual Conference, which was supported by the matching grant, plays an increasingly important role in holding the FINCA network together. The annual conference gives affiliates an opportunity to share experiences, discuss innovations in the Village Banking methodology, and reaffirm their commitment to the mission of FINCA. It also serves as the forum for selecting their representatives on the Consultative Committee.

The primary objectives of the FINCA International Consultative Committee are to improve the communication between FINCA headquarters and the affiliate programs, to create a mechanism for discussing and analyzing changes in the Village Banking methodology, and to encourage the participation of country Directors in the formulation of FINCA-wide policies. (For example, the Consultative Committee was a primary forum for airing and discussing the drafts of the standard affiliation agreement.) It consists of a representative from Headquarters and the Executive Directors of two affiliate programs, selected during the Annual Conference, and it meets once every three months. Committee meetings serve as a forum in which concerns, problems or proposals from the affiliates are discussed. Meeting minutes are sent to all the affiliates and to the Board of Directors of FINCA International, along with any comments and recommendations of the Committee.

Resource Mobilization

In addition to those improvements in FINCA which are directly attributable to USAID support, there were also a number of enduring "spillover" (or secondary) benefits. The agreement with USAID presented FINCA with the challenge of raising 1.1 million dollars in order to qualify for the matching grant. Meeting this short-term challenge coincided with a long-term need, according to the institutional assessment performed at the beginning of the grant, to define a business plan for mobilizing private lending capital for a rapidly expanding client base. At the grant's inception, FINCA possessed a very successful lending methodology, but in order to meet the growing demand for FINCA loans, it had to develop tools to access private capital on a wider and more predictable basis.

To meet this challenge, FINCA had to professionalize its fundraising capacity. A full-time Development Director was hired, who brought to FINCA twelve years' experience in fundraising. The new Development Department is dedicated to widening FINCA's access to private resources, through the creation of fundraising tools such as the Village Bank Sponsorship Program, whereby private donors lend working capital to specific village banks for three years. These working capital loans provide village banks with the resources to see them through 9 lending cycles -- enough to place them firmly on the path to financial sustainability. In two years, the program has raised \$460,000 in loan capital from Rotary clubs and Rotary International. The sponsorship program has strengthened FINCA's ties to private donors, and provided it with a powerful tool to leverage private resources for the capitalization of its beneficiaries.

The success of the Development Department at FINCA is reflected in the trends in FINCA's private resource mobilization under Matching Grant 1, as shown in the table below. FINCA's resource base has more than doubled in the past three years.

FINCA's Private Resource Mobilization under MG-1

| 1992 | 1993 | 1994 |
|-----------|-----------|-------------|
| \$475,389 | \$699,558 | \$1,190,010 |

One outstanding challenge for the Development Department is gaining access to unrestricted funds. Most corporate sponsors and foundations will supply only loan capital, without allowing FINCA to charge any overhead to the donor to cover the costs of delivering

the loans. This problem could severely hamper FINCA's ability to ensure the quality of its loan portfolio, and can lead it down a lopsided development path, wherein the number of village banks grows more quickly than FINCA's ability to manage them. The 1% surcharge charged to affiliates on the value of the loans they receive is an important step in securing a reliable source of unrestricted funds.

Some matching grant funds were used directly to provide technical assistance and training to teach basic fundraising skills to its FINCA affiliates. Such assistance strengthens FINCA's role as an intermediary. In their quest for self-sufficiency, affiliates are eager to learn such techniques as how to identify and approach potential donors, and how to write and administer grant proposals. Matching grant funds were used to provide training to FINCA affiliates in Costa Rica, Nicaragua, Mexico and Honduras. At annual meetings, affiliates themselves have voiced a growing interest in such training, and it stands out as one area in which FINCA could expand its services to affiliates in the future.

Board Development

In its current phase of dynamic growth, FINCA has also taken strides to develop its Board of Directors and to strengthen their commitment to FINCA's mission. Since the inception of the matching grant, the Board of Directors has grown from seven members to eleven (with another candidate pending). New Board members include Dr. Mohammed Yunus, whose success in the field of micro-credit is embodied in the world's best-known poverty-lending institution, the Grameen Bank of Bangladesh. Other new Board members include Marshall Saunders, whose efforts have strengthened FINCA's ties with Rotary International, and Bill Clapp, who is raising 1.7 million dollars in Seattle to support FINCA's program in Guatemala (a matching grant country). FINCA's Board development strategy continues to be guided by the principle of voluntarism (i.e., there are no sitting fees paid to members) to ensure that new members are committed to FINCA's mission.

The addition of Bill Nierhorster to FINCA International's Board of Directors represents a milestone in FINCA's growth. Mr. Nierhorster is the first Board member to represent a fully-grown affiliate -- FINCA Honduras (also a matching grant country). FINCA's affiliation agreement provides that an affiliate shall be represented on the Board of Directors of FINCA International once the affiliate program has grown to 7,000 borrowers.

Matching grant resources also supported the provision of "technical assistance" to affiliate Boards in developing countries. A representative from FINCA International sits on the Boards of each affiliate and attends three to four meetings a year, advising them on a wide range of matters and guiding them toward their proper roles in their respective organization. FINCA promotes a model wherein affiliate Boards assume policy and fundraising functions rather than running country programs from above. They are advised on the mechanics of Board operations, including Board protocol and the importance of regular meetings, written records and external audits. The Nominations committee of FINCA International's Board screens new Board members and retains the power to remove members who are found to be using their position on the Affiliate's Board for personal gain.

B. Management Systems

An institutional assessment before the matching grant found that FINCA was weak administratively and that FINCA International would have to develop the specialized personnel and management systems to administer large government contracts if it was to manage its ambitious growth agenda. The accounting and financial management systems needed improvement. Overseas FINCA programs received little or no technical assistance from headquarters, and that which they received was often driven by crisis-management. There was also poor accountability and reporting among field programs. Establishing a standardized program and administrative system for FINCA field programs and headquarters was among the top priorities for institutional strengthening.

The matching grant provided FINCA with the resources to undertake a major initiative to improve its administrative systems and procedures, and FINCA is a dramatically different institution than before the grant. A centralized Internal Auditor oversaw the design of common systems for financial reporting, budgeting, fund disbursement and other key functions. FINCA is now in the process of implementing these systems throughout its network of affiliates. The goal of these reforms is to stabilize field programs by creating a predictable, orderly flow of resources toward them while receiving an orderly flow of information in return. The information received from the field allows for better internal control, planning, and budgeting. By supplying headquarters with timely information from the field, the monthly reporting system has increased the accountability between FINCA and its affiliates and enables it to achieve greater cost-effectiveness in administering its loan portfolio. As demonstrated by recent events, a strong administrative system can also serve as an important tool to combat fraud.

The improved system not only benefits headquarters, but also serves to strengthen the overseas affiliates by supplying them with tools for effective management. The implementation of the new system has required cooperation between Headquarters, local programs, and village bank promoters. Besides developing standard procedures, FINCA International has supplied training and technical assistance to affiliates in order to secure their cooperation and to train them in the correct implementation of the new procedures.

Standard Procedures and Internal Controls

A recently developed administrative manual outlines a uniform set of policies and procedures to be practiced throughout the FINCA network. (The Table of Contents from the manual is included as Appendix D.) These policies supply the internal "checks and balances" which guard against theft, safeguard member savings, and ensure that money is handled in a responsible fashion. The manual outlines procedures for cash management, requisition of funds, procurement of goods and services, salary advances, work expenses, processing of checks, petty cash, payroll, cash receipts, and monthly account balances. For example, the cash management policy ensures that field agents do not have access to members' savings and loan payments. Instead, the bank members themselves (usually the treasurer) deposit their bank's money in a local checking account.

The administrative manual also articulates standard personnel and administrative policies. It offers guidelines for recruitment (to avoid nepotism in hiring and supervision), selection of candidates, compensation, working conditions, and termination of employment. Local conditions govern some aspects of employment (such as vacation and benefits), though it

is FINCA's policy to offer competitive salary and benefits in accord with the labor market conditions of each country. Standard job descriptions for the positions of Accountant, Promoter and Accountant are also provided. In these areas, the manual is not intended to institute a rigid set of policies; rather, it offers information and guidance which draws upon FINCA's experience in many countries and summarizes the "best practices" which have proven to be effective in a variety of settings.

Each country is at a different stage in implementing the manual, and substantial effort is still necessary to render it operational. But significant progress has been made in Honduras, Costa Rica and Guatemala -- the grant's original target countries. The agreement between FINCA and its affiliates specifies that affiliates agree to abide by the procedures outlined in the administrative manual, and failure to do so can result in loss of accreditation or affiliate status.

Budgeting

Under MG-1, FINCA also developed standard budgeting and accounting processes. The administrative manual guides country programs through the preparation of a budget which takes into account all sources of revenue, including the share from FINCA International, and spending for basic operations. The Executive Director and Board of each affiliate discuss the budget with headquarters staff, which then refers it to the Development Department. Pending the availability of funds, a budget is approved, and the Finance Department at headquarters prepares monthly checks which are distributed by the Technical Support Manager assigned to the country.

Because of the need to implement control systems throughout the network, the Technical Support Manager will not release a country's funds until it has complied with all reporting requirements. This includes both the program performance information described under Chapter VI (Monitoring and Evaluation), but also a liquidation of the previous month's spending, a request for additional funds if they are needed and a request for disbursement of credit funds. All of the content, forms and procedures for this integrated systems have been defined under the matching grant.

Planning

Operational planning for effective management is one area in which the FINCA Headquarters is still weak, though most of the current problems will be addressed in the second matching grant. As a result, some tasks (such as the implementation of the administrative manual) are put on hold as their principal implementors are drawn into other, more pressing activities. The past year has been a critical one for FINCA, and resolving the defalcation in El Salvador was a compelling task. But FINCA needs to become an institution which can respond to crises without compromising its management of routine operations.

FINCA is aware that further growth in its programs must build upon a strong administrative foundation to support them. And a strong foundation requires balance in a variety of respects. Fundraising, for example, must achieve the correct balance of public to private funds and a reasonable ratio of dedicated funds to non-restricted funds. Program growth, however, should not just be driven by the availability of funds, but by strategic decisions which take into account the Programming Department's readiness to expand and the Administrative Department's ability to manage a larger staff.

FINCA is currently implementing a centralized institutional planning system to coordinate the activities of the various departments and to correct some existing imbalances. The centralized system will pull together the work plans of every individual at Headquarters into an aggregate model, which will be displayed in a "Management Visibility Center." This process will enable FINCA to achieve better complementarity between the tasks and objectives of each department, and will also strengthen each person's awareness of how he or she "fits into" the overall structure of the organization. Most importantly, a centralized planning system will force each department to define clear goals for itself, and enable it to be held accountable for its progress toward the expressed objectives. Eventually, the planning process will be comprised of a comprehensive multi-year strategic plan, annual operational plans and an integrated scheduling system for measuring progress towards objectives. Most of these activities will be undertaken under the second matching grant.

C. Field Support Services

In practice, all of the activities described in the preceding section (B) were intended to strengthen FINCA's field support services. In order for FINCA headquarters to adopt more sophisticated management practices, the field programs had to be strengthened. The monitoring and administration systems at headquarters can only produce high-quality results if the affiliates are able to supply accurate information in a standard format.

Virtually all of the new management and auditing practices had to be taken out into the field for testing and eventual implementation. In the process, the affiliates themselves acquired new and better management techniques. The double nature of these benefits (i.e., their usefulness at Headquarters and in the field) applies not only to the management initiatives described above, but especially to those described in Section V, Monitoring and Evaluation. And the experience FINCA acquired in working with the matching grant countries will provide a solid foundation for extending the benefits of the improved methods throughout its network of affiliates.

The biggest improvement in FINCA's ability to render services to its affiliates is due to the growth of its programming staff. The International Programs Department, which was the primary implementor of matching grant activities, was able to recruit specialized personnel with strong financial and banking skills to design new products and oversee their implementation in the field. The Matching Grant made possible the hiring of the current Director of International Programs, the work of two Technical Support Managers and a two program officers was made possible by matching grant funds. Other activities undertaken by the Programming staff to support village banks and FINCA affiliates are described below.

The Village Bank Manual: Beyond Inauguration

Matching grant resources supported the development of a new Village Bank Manual, which is the basic guide for the creation and operation of a village bank.¹ The existing manual

¹ The Village Bank manual complements the administrative manual. The Village Bank manual explains how to run a village bank, while the administrative manual explains how to run a village banking program consisting of many banks.

has been in use almost since the creation of village banking, and was in serious need of revision. The earlier manual explains how to start a village bank, but not how to manage it or make it grow. The new manual, which will be finalized in the coming months, contains new chapters to guide promoters beyond bank inauguration. It explains, in detail, the management, monitoring, controlling, and auditing of a village bank. In the management section, topics such as voting and encouraging participation are included to fortify the banks' democratic decision making processes.

Accounting and Disbursement

Under the matching grant, FINCA has undertaken to assist its affiliates in establishing standardized accounting and office administrative procedures. For smaller, less organized affiliates, this task included helping set up books and organizing financial documentation. All of these systems are now explained in the administrative manual, but extensive efforts were (and still are) required to assist the weaker programs in implementing the manual.

Using matching grant funds, FINCA developed a system to manage its disbursements to field programs and to track financial performance of their banks. The FIN-B and its Annex (copies in Appendix E), which are provided and explained in the administrative manual, are used for these purposes. The FIN-B monitors a program's reported expenses and is used for requesting monthly budgeted funds from FINCA International, to cover operating costs or for recapitalization. Disbursements are measured against amounts that were budgeted, and explanations are required for excess expenditures. While FIN-B itself is primarily a means to control spending, the Annex to FIN-B, which contains information on individual banks, serves both to control disbursements for new banks (by the Finance Department) and as a monitoring tool (by the International Programs Department).

Cash Management

FINCA International has considerably improved the cash management systems of some affiliates through the provision of technical assistance in this area. Previously, loan payments (from banks to affiliates) were held by the affiliate until the bank was ready to be re-capitalized and enter a new loan cycle. This system imposed a serious obstacle for efficient cash-flow management and, as a result, incurred significant opportunity costs. Capital which could have been earning high interest through village bank lending, was left to languish in an account in the central office. By restraining capital flows at the affiliate level, this system also placed an external constraint on the creation of new banks.

The design of a more fluid capital flow mechanism now allows some affiliates to use one bank's loan payments as start-up capital for new banks. This possibility releases one major capital constraint on bank creation, and reduces the opportunity costs of loan interest forgone by the affiliate. While this system facilitates program expansion, it also promotes sustainability by increasing the interest income earned by affiliates.

As with any improvement, the new system creates new risks, the main one being that program expansion could occur too rapidly. This risk is mitigated through better strategic planning, stricter cost controls, and more reliable information management. It also requires

modifications in the reporting format to FINCA International. The Headquarters office has supported those affiliates who are moving to the new system through the provision of technical assistance in each of these areas.

V. Monitoring and Evaluation

Information is a crucial input for the functioning of any lending organization, whether its goal is to reduce poverty or maximize profits. Recognizing the importance of effective information management, and its deficiencies in that respect at the beginning of the matching grant, FINCA deployed a large share of AID resources in the development of monitoring and evaluation systems. These systems have provided FINCA with powerful management tools which boost its administrative capacity while promoting cost-efficiency. The adoption of computerized monitoring systems enables FINCA to handle a larger volume of loans in countries across the world. These changes promote cost efficiency in two ways. First, the increase in volume allows FINCA to capture economies of scale. Secondly, the monitoring output allows FINCA to identify weak performers and the factors which explain their poor performance. With such information in hand, FINCA is able to deploy more effectively its training and technical assistance resources.

The monitoring and evaluation systems will eventually operate at all levels of FINCA. Forms and systems have been designed to enable field promoters to monitor their banks, for supervisors to evaluate their promoters, for affiliates to track all components of their country's operations, and for FINCA to manage its network of affiliates from headquarters. The exchange of information, however, is not restricted between tiers. Headquarters, for example, receives microdata from the field, allowing it to track field performance very precisely, just as it supplies field workers with information and analysis that it gathers from across the FINCA network.

In most respects, the design and implementation of monitoring and evaluation systems has followed the same path as the design and implementation of the administrative procedures described in the previous section. That is, they involved a lot of time at headquarters in the design stage, followed by extensive field work during the implementation phase. All monitoring systems have been revised based on the results of field tests, and headquarters has taken care to ensure that its monitoring systems are not overly cumbersome for promoters or affiliates, since the aim is to cut costs, not add to them. The Programming Department at FINCA views the implementation of monitoring and evaluation as an integral part of its mission to assist affiliates in achieving their goals. It sees its role as one of *product development* -- not one of "policing" the affiliates. This client-oriented approach is evident at all levels of the Department, and it has resulted in a package of monitoring products and services designed to ensure the success of village banking at all levels.

Program Performance

Under the matching grant FINCA was able to develop its capacity to monitor program performance, through the design of several interlinking tracking systems. Promoters, their supervisors and Country Directors, supply information to FINCA International. A computer system is being set-up to analyze the collected data, and feedback will be shared with the affiliates. Eventually, the goal is for affiliates themselves to possess the capacity to perform as

much analysis as possible in-country. At this stage, however, even some of the basic reporting forms are being refined. The disbursement of monthly funds (including salaries) can be delayed if a country fails to comply with all of its reporting requirements.

The most basic tools for monitoring consist of reporting forms for use by field promoters, their supervisors, and affiliate directors. These include the monthly progress report for promoters (IMS), a monthly progress report for affiliates (PRO A), and the quarterly donor reporting form (DRF). Copies of each of these forms are included in Appendix E. Key performance indicators include not only the size of individual banks and programs (number of banks, number of beneficiaries), but also measures of their sustainability, such as default rates, savings mobilization, and internal capitalization rates. Through its tracking system, which is in the preliminary stages of implementation, FINCA will be able to evaluate the performance of country programs on a monthly basis and thereby detect areas for technical intervention in a proactive manner.

The monitoring system begins with the IMS, or Informe Mensual de Seguimiento, by which a promoter is able to track the performance of each of her banks. The IMS documents the number of bank members, dropout rates, disbursements, internal and external accounts, savings, and self-sufficiency at the bank-level. A second part of the IMS allows the promoter to monitor her own performance on a monthly basis. IMS forms are returned to the promoter's supervisor, who passes them along to Country Directors for aggregation and analysis. Aggregate data is sent to FINCA in the PRO-A, which is analyzed and used to direct the delivery of technical assistance.

Beneficiary Survey

As a poverty-focused organization, it is important for FINCA to monitor the impact of its programs on the poor, who are its clients. From the viewpoint of rigorous statistical analysis, this issue poses methodological problems which are by no means unique to FINCA or poverty analysis in general. The data requirements are extensive, and data is costly. Sampling issues also arise, if FINCA only collects information from its clients without establishing a control group of non-participants. Finally, it is very difficult to definitively attribute improvements in the lives of its bankers to their participation in a village bank, given the myriad of other factors which intervene in the lives of the poor.

For this reason, the key indicator for measuring FINCA's impact on the lives of the poor is their *willingness to pay-back loans with interest*. FINCA does not give loans for free -- it charges interest to cover the costs of loan delivery. In addition, participation in FINCA programs entails other costs -- time to attend meetings, for example (which can be valued at the average wage, for statistical purposes). In effect, FINCA borrowers are purchasing a service from FINCA. The surest indicator that FINCA's services are useful to its clients is their willingness to pay the costs of their participation. High repayment rates and, more importantly, cost-recovery are the best indicators of beneficiary impact. The usefulness of this indicator is even stronger when the interest rate charged on loans *fully* covers the costs of making those loans.

As one of the few programs with a massive borrower base in a large number of countries, FINCA can play an important role in supplying donors with information and performing beneficiary analysis. Measurements of program impact can also serve in evaluating

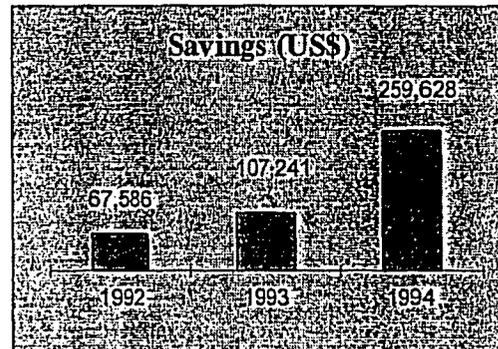
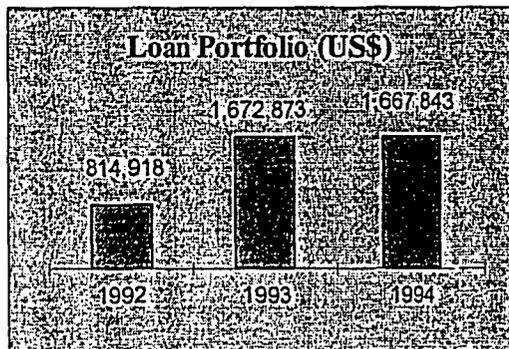
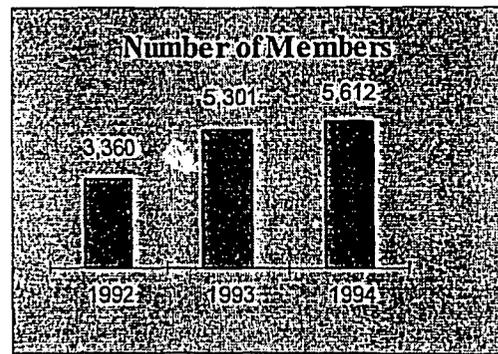
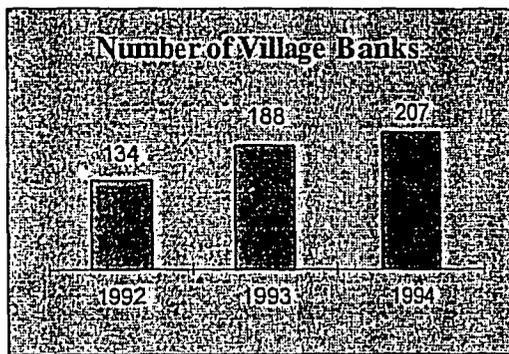
the program methodology, and identifying ways to better serve its clients' needs. To this end, FINCA used matching grant resources to develop a beneficiary survey to document the socioeconomic situation and business experience of village bank members at the time they enter a village bank, and to measure changes in their situation over time. Data is collected via baseline and annual follow-up surveys with a random sample of village bank members.

In January and February of 1994, the baseline survey instrument was field tested in four countries (Mexico, Guatemala, Costa Rica and Nicaragua). Modifications were made and the final survey instrument was introduced in all countries in September. A computerized system for analyzing the data and producing reports is now being developed for use in each country. Copies of the survey questionnaires are available in Appendix F. Major findings from the baseline survey of 254 village bank members are contained in Table 5.1.

Table 5.1: Findings from Baseline Survey of FINCA Borrowers

| Personal and Household Profile of Village Bankers | | |
|--|-----------------------------|-----|
| Education | 6th Grade or Lower | 61% |
| Age | Between 25 and 44 | 64% |
| Other Income | none | 31% |
| Family Budget | US \$177 | |
| Dependents | 3 (average) | |
| Business Characteristics | | |
| Type of Business | Small-scale Commerce | 52% |
| | Non-agricultural Production | 32% |
| Origin | Started with FINCA Loan | 76% |
| Employment | Owner Alone | 76% |
| Earnings/Family Budget | 1/2 of Family Budget | 33% |
| | 3/4 of Family Budget | 22% |
| Program Impact | | |
| Savings Prior to FINCA Loan | none | 77% |
| Income Impact | Increases in Sales | 76% |
| Jobs Created | 87 jobs in 84 Businesses | |

Source: FINCA Baseline Survey (Appendix F)



(Costa Rica)

VI. Country Reviews

A. Costa Rica

FINCA/Costa Rica differs from FINCA's other programs because its village banks are mostly comprised of farmers in poor, isolated, rural communities. Over 63% of borrowers are male, loan sizes tend to be larger (about \$297 on average, but as high as \$1,000), and loan cycles can be longer. Some banks have stayed together for over six years and branched into producer-marketing groups, tractor cooperatives, and other collective businesses.

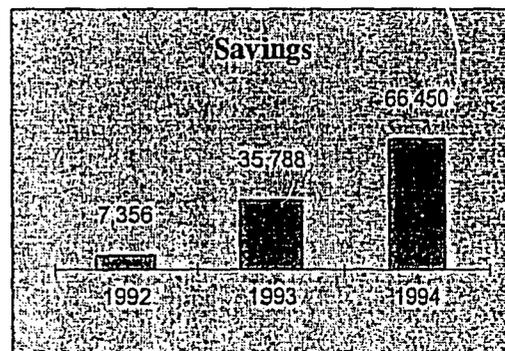
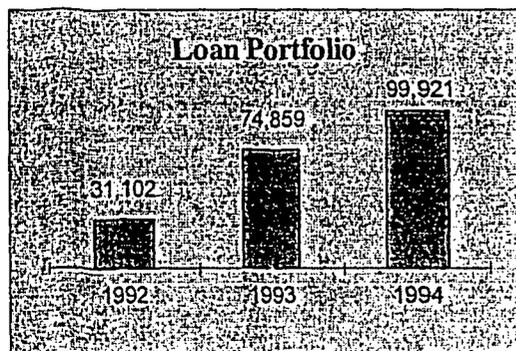
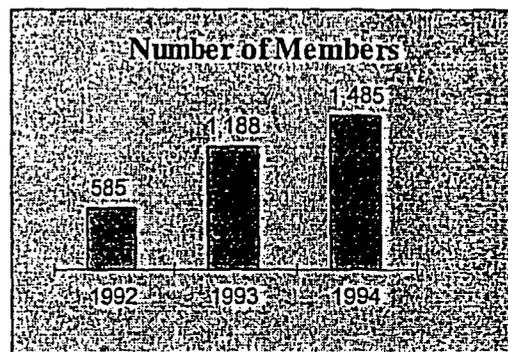
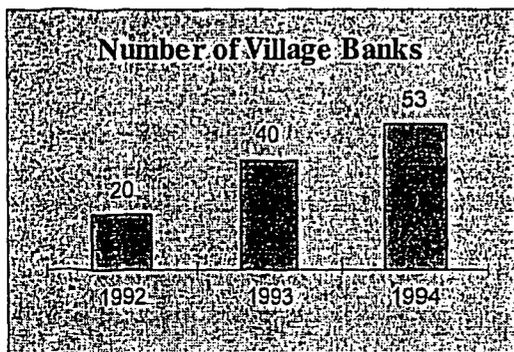
The FINCA program in Costa Rica is in its tenth year of operation, and is one of the more mature programs in the FINCA network. This fact is reflected in its growth pattern over the last three years. The expansion rate, while still significant, has slowed somewhat. At the same time, other changes in its portfolio suggest that FINCA/CR has become a stronger and more consolidated program.

In the three years of the Matching Grant, FINCA/CR has greatly increased the number of Village Banks from 134 to 207. The lending portfolio has experienced growth of similar proportions -- from roughly \$815,000 to \$1,668,000. FINCA/CR's greatest achievement during this period, however, is in the area of savings, which grew over three hundred percent from roughly \$68,000 to nearly \$260,000. The growth in savings -- an important indicator of

sustainability -- is particularly notable. Since 1993, FINCA/CR has virtually covered its administrative expenses with interest income. In May 1994, the program reported 99.45% self-sufficiency.

FINCA International's support of FINCA Costa Rica is focused on strengthening the financial capacity of its affiliate. Recently, negotiations were completed for a \$270,000 line of credit with the *Banco Popular*, backed by a \$67,000 guarantee from FINCA International. A proposal is being submitted to PROFUND for a \$250,000 to \$500,000 loan for a two-year guarantee fund to support a larger line of credit. FINCA International also has been working to raise funds from commercial institutions and foundations to support the project's growth. FINCA/CR recently received \$20,000 from Citibank and \$20,000 from Rotary Clubs to open new village banks. Other steady donors have included CODESPA, the Inter-American Development Bank, and the Inter-American Foundation.

B. Guatemala



After three years of relatively modest growth, FINCA Guatemala is presently in the process of a major program expansion. Currently, the program comprises 1,485 village bank members -- almost three times its 1992 level. It has mobilized \$66,450 in savings (nine times its 1992 levels), and manages a loan portfolio of almost \$100,000. As originally intended under the matching grant, it is making the transition from a small-scale project into a solid institution which is able to mobilize local and international resources. The program is currently 38% self-financing from interest income, and plans to be fully self-sustaining by the end of 1995.

Expansion and consolidation have been made possible, in part, through successful fundraising by the local affiliate. It has obtained resources from Catholic Relief Services, The Inter-American Foundation, the Mormon Church, the Rotary Club and private donors.

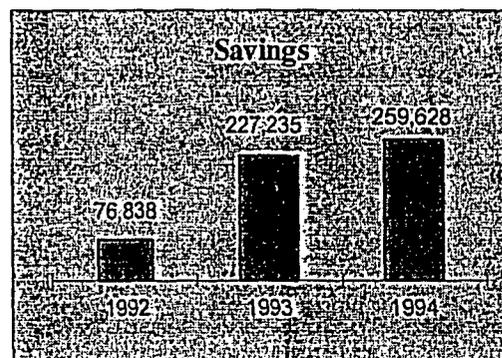
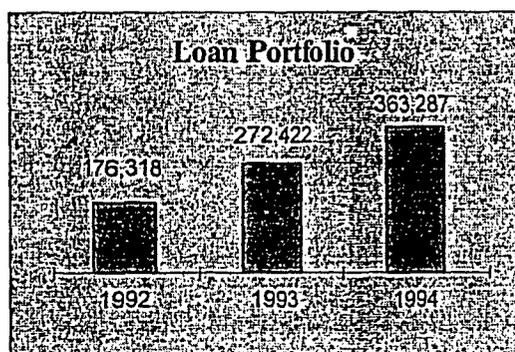
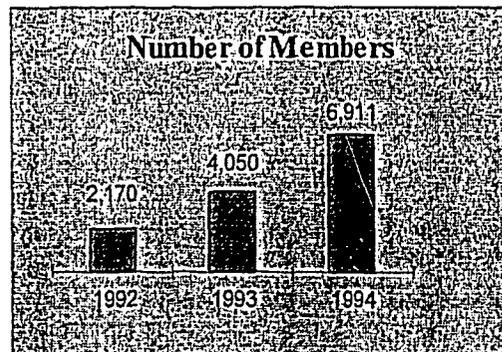
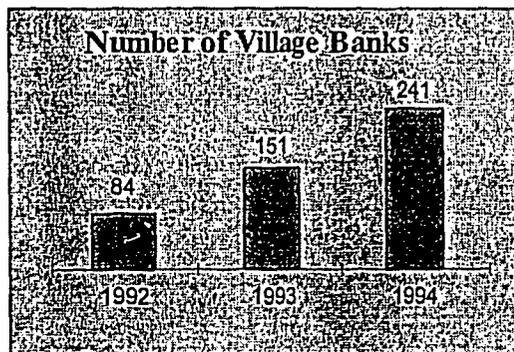
In the last months of the matching grant, FINCA International and the Business Alliance Against Poverty (BAAP) signed a contract under which BAAP committed to provide \$1.7 million over the next four years to fund FINCA Guatemala, enabling it to reach 35,000 borrowers by the end of the four year period. The majority of the new village banks will be opened in urban areas, because of borrowers' demand for higher levels of capital. This approach will enable FINCA to increase its average loan size (above the current \$67), thereby achieving self-sufficiency more quickly. Self-sufficiency is a critical element in the projected expansion, since the goal is to create a large-scale, sustainable program that can obtain funds from commercial credit sources.

In the course of its expansion, the FINCA Program in Guatemala has developed two distinct program methodologies -- one rural and one urban. Urban village banks are encouraged to open accounts in commercial banks, for better cash control and security. The rural portfolio is characterized by more intensive use of the internal account (for re-lending).

As the loan portfolio has grown, its infrastructure has solidified. The program occupies a new office, complete with standard equipment (a total of six computers -- four purchased and two donated -- a copying machine, printers, desks, storage cabinets, etc.), and it has purchased two vehicles. With these changes, its accounting and portfolio control systems have been fully computerized. The hiring of office and field staff, augmented by two advisors (in the areas of finance and MIS) have strengthened its human resources considerably. In addition, the institution has adopted an incentive program for field staff.

John Hatch, FINCA's founder, is serving as Chief of Party and will remain in Guatemala during the first two years of the project. The new financial administrator will install and upgrade the program's financial, credit, and information systems to make them capable of handling the volume of transactions generated by a large-scale banking program. In addition, Guatemala will be the site for the establishment of the regional Technical Assistance Hub, which will be charged with providing technical assistance to FINCA affiliates in Latin America.

C. Honduras



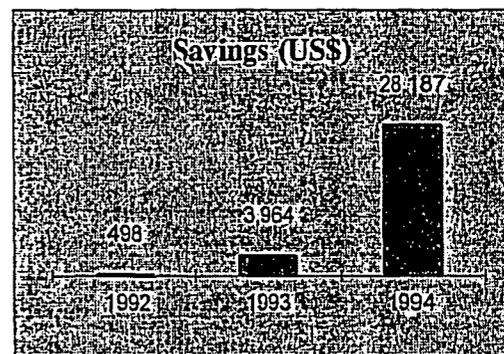
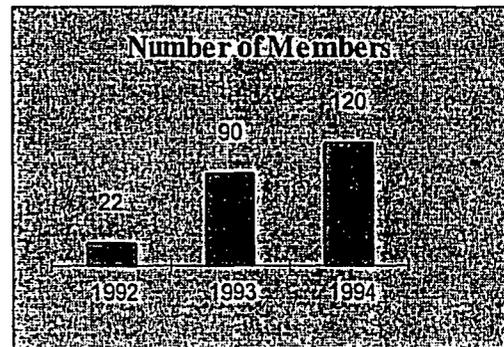
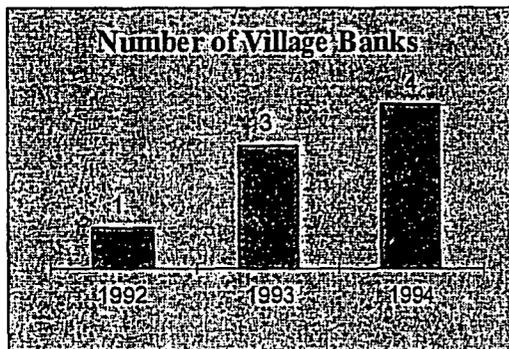
FINCA/Honduras exhibits the fastest growth of any program in the matching grant countries. Between 1992 and 1994, the number of village banks in Honduras rose from 84 to 241, with a membership that grew from 2,170 to 6,911 (an increase of over 300 percent). Following these trends, the program's loan portfolio grew from 176,318 to 363,287. Most impressive among the achievements in Honduras, however, is its success in mobilizing the savings of the poor. In 1992, the program had saved \$76,838; by the end of the matching grant, that figure had grown by 338 percent to \$259,628. As the program has grown, many organizational functions have been devolved to the field through the creation of field offices in Sihuatepeque, Copán, Choluteca, and San Pedro Sula.

FINCA's expansion in Honduras has been achieved without seriously compromising the quality of its program, despite the extremely difficult economic environment in Honduras. The country experienced a severe crisis in the last years of the grant, and credit deliverers of all levels were affected by inflation and the pressure of rising interest rates. In the last few months of the grant, FINCA/Honduras experienced a marked decrease in its recovery rate. A complete audit of the program's field operations was conducted, and technical assistance was delivered to strengthen its follow-up and monitoring procedures. Despite these problems, however, the program has achieved a high rate of self-sufficiency (loan interest as a percentage of operating costs) overall, rising from 34.8% in July of 1992 to 93%, as reported by the program's Chief of Finance. The ability to handle a larger volume of loans through the adoption of computerized management information systems (financed, in part, through matching grant funds) has proven critical in allowing the program to capture economies of scale and lower costs.

This growth is reflected in a much stronger central structure which oversees the program. During the years of the matching grant, the local affiliate has acquired a number of vehicles (two cars and six motorcycles) for use by field personnel. It has also installed a management information system to facilitate the routine tasks of accounting, portfolio tracking, and statistical reporting.

The program has also been successful in tapping into local resources for program expansion and institutional strengthening. With some assistance from FINCA International, the local affiliate has been able to secure funding from private and public foundations and the Interamerican Development Bank. These resources have enabled it to widen its coverage dramatically and to introduce some innovations in the village banking methodology, especially in the area of business and "social" training (covering such topics as nutrition, the environment, and gender). At the same time, they have strengthened the institutional viability of FINCA Honduras by enabling it to acquire vehicles, computers, and specialists in training, finance and information management.

D. Haiti



Throughout the past few tumultuous years in Haiti, FINCA has endeavored to maintain a presence in the country through its tiny seed program consisting of four banks. Despite an annual inflation rate of 40%, the banks have maintained a repayment rate of 85% since January 1994. The U.S. economic embargo made it very difficult for FINCA headquarters to carry out routine supervisory tasks -- such as monitoring and the disbursal of funds, and all matching grant activities in Haiti were suspended by USAID in October of 1993. Other difficulties in instituting a village banking program in Haiti include the high illiteracy rate of the population, which significantly narrows the field of potential community leaders and which renders routine tasks such as bookkeeping and basic accounting extremely difficult.

FINCA International continues to believe that Haiti is a fertile ground for the dissemination of Village Banking. This belief is reinforced by the outstanding portfolio growth in Haiti despite the many obstacles facing the FINCA program there. Once the current program has been stabilized, FINCA contemplates an expansionary thrust over the next two years. In the meanwhile, it will focus its attention on nurturing its seed program through the provision of technical assistance to strengthen its accounting, monitoring systems and evaluation plans.

Appendix A:
Financial Report

| COST ELEMENT | YEAR 1 | | | YEAR 2 | | | YEAR 3 | | | TOTAL | | |
|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|------------------|------------------|------------------|------------------|
| | AID | FINCA | TOTAL | AID | FINCA | TOTAL | AID | FINCA | TOTAL | AID | FINCA | TOTAL |
| Program Costs | | | | | | | | | | | | |
| Salaries/Fringe | 99,593 | 86,783 | 186,376 | 220,695 | 58,884 | 279,579 | 226,203 | 96,422 | 322,625 | 546,491 | 242,089 | 788,580 |
| Travel | 16,957 | 177,397 | 194,354 | 33,829 | 141,892 | 175,721 | 27,902 | 401,527 | 429,429 | 78,688 | 720,816 | 799,504 |
| Other | 11,186 | 2,996 | 14,182 | 16,188 | 2,519 | 18,707 | 35,808 | 117,866 | 153,674 | 63,182 | 123,381 | 186,563 |
| Subtotal | 127,736 | 267,176 | 394,912 | 270,712 | 203,295 | 474,007 | 289,913 | 615,815 | 905,728 | 688,361 | 1,086,286 | 1,774,647 |
| Procurement | | | | | | | | | | | | |
| Supplies | 0 | 18,677 | 18,677 | 0 | 10,000 | 10,000 | 0 | 0 | 0 | 0 | 28,677 | 28,677 |
| Services | 2,448 | 0 | 2,448 | 25,505 | 0 | 25,505 | 0 | 0 | 0 | 27,953 | 0 | 27,953 |
| Subtotal | 2,448 | 18,677 | 21,125 | 25,505 | 10,000 | 35,505 | 0 | 0 | 0 | 27,953 | 28,677 | 56,630 |
| Subtotal | 130,184 | 285,853 | 416,037 | 296,217 | 213,295 | 509,512 | 289,913 | 615,815 | 905,728 | 716,314 | 1,114,963 | 1,831,277 |
| Indirect Costs | 51,081 | 0 | 51,081 | 75,500 | 0 | 75,500 | 95,406 | 0 | 95,406 | 221,987 | 0 | 221,987 |
| 1992 Ind. Cost Adjust. | 0 | 0 | 0 | 7,969 | 0 | 7,969 | 1,263 | 0 | 1,263 | 9,232 | 0 | 9,232 |
| 1993 Ind. Cost Adjust. | 0 | 0 | 0 | 0 | 0 | 0 | 34,998 | 0 | 34,998 | 34,998 | 0 | 34,998 |
| 1994 Ind. Cost Adjust. | 0 | 0 | 0 | 0 | 0 | 0 | 17,469 | 0 | 17,469 | 17,469 | 0 | 17,469 |
| Subtotal | 51,081 | 0 | 51,081 | 83,469 | 0 | 83,469 | 149,136 | 0 | 149,136 | 283,686 | 0 | 283,686 |
| Interest Income | 0 | (10,841) | (10,841) | 0 | (10,841) | (10,841) |
| Interest Income | 0 | (3,144) | (3,144) | 0 | (3,144) | (3,144) |
| Total Amount | 181,265 | 285,853 | 467,118 | 379,686 | 213,295 | 592,981 | 439,049 | 601,830 | 1,040,879 | 1,000,000 | 1,100,978 | 2,100,978 |

20

Appendix B:
The Village Banking Methodology

THE VILLAGE BANKING METHODOLOGY

A. GENERAL DESCRIPTION AND PRINCIPLES

A community bank is an informal support group of about 20 to 50 men and women of extremely low income. Although the model has been adapted in several ways in different countries, all the village bank programs have ten characteristics, or principles in common:

1. Poorest community approach -- The common denominator among all the FINCA programs is that they try to target the poorest families: generally, those who have a per capita income below 50 percent of the country's population. In reality, the poorer the borrower the better the methodology works because they do not have any other alternatives.
2. Loans not Donations -- Lending to a poor person shows confidence in his capacity for self enhancement through his own effort. On the contrary, to give again and again means to have pity toward that person; in other words, it is a way of destroying their dignity and work ethic, creating a permanent dependency. For this reason, FINCA does not give gifts.
3. Loans to Groups, not Individuals -- FINCA gives the loan to the village bank, which in turn gives loans to the members. In this way, the bank is responsible for each member's payment. This allows for escalating savings in administrative costs, and also creates a community pressure for each member to meet his financial obligations.
4. Autonomy in Selection of Members -- The group, not FINCA, decides who can become a member. This allows for a group to be formed of only neighbors who are known to be responsible and eliminates those who are not.
5. Autonomy in Selection of Investments -- The individual, not FINCA, decides how to invest the loan. The purpose is that the person knows the local economy better thus is more capable of deciding which investment would be most profitable.
6. Initial Small Loans -- Although the amount varies between countries, the majority of the initial loans are for \$50 per borrower. The purpose is to exhibit to the members who can or cannot manage a loan. If some members do not pay, the bank can cover the deficit with its savings.
7. Obligatory Savings -- The model requires that all members save at least 20 percent of the total loan. The increase in the line of credit for each member is linked to the amount of savings. The goal being, at the end of the third year each member has

saved his own capital for operating the business, without a need for external capital. The savings could be withdrawn but are generally kept in the bank as a part of the "internal account" (See "Variations on this Subject").

8. One-Hundred Percent Recovery per Cycle -- To qualify for a new loan, the bank has to repay 100 percent of the previous loan, plus interest. This creates pressure on members whose payments are in default, as it implies that none of the bank members will be able to obtain more credit until the first loan is paid back in full.

9. Positive Interest Rate -- The interest charged to the bank varies according to the economic conditions of each country. This covers capital costs, inflation, and administrative costs. The experience demonstrates that to pay a commercial interest is a genuine bargain for the subjects of credit, because they are used to paying higher interest rates to the usurers.

10. Democratic Control, Self-Management, Self-Supervision -- The bank democratically elects a Board of Directors, or Credit Committee, responsible for executing all the functions of the credit cycle: analysis and approval of applications, disbursements, supervision, recovery, and bank records. FINCA trains the committee in all these functions, but does not intervene in committee decisions, unless it is against the loan agreement. This reduces the program's administrative costs, and allows for the possibility of self-management of the bank, independent of FINCA's support or the sponsoring organization.

B. VILLAGE BANK RESULTS

In the impact evaluations conducted to date, the following changes have been found in the life of the beneficiaries:

1. Increase in their Cash Income -- Because the initial loans are small, many of the beneficiaries easily generate net incomes equivalent to 100 percent of the amount invested. In Honduras, an AID study found net returns (deducting family labor costs paid in kind) above 200 percent. Particularly in the countries with high unemployment, where the "opportunity cost" of labor is practically zero, and the cash capital very scarce, the small loans could mean a unique opportunity to generate additional cash income.

2. Own Capital Creation -- Besides the cash savings that the members have in the bank, the more successful members create additional capital in their business, or make improvements to their houses or farms financed with their earnings.

3. "Empowerment" -- Perhaps the most notable change in all the program participants is a psychological one; they start to believe that they can overcome poverty by their own efforts. This is due to their business success being related to their own efforts, with minimal external support from FINCA. Once the pessimistic, fatalistic

community is crucial (I am poor, my father was poor, my children will be poor), the participants start to experiment with more ambitious projects, and a development process, at an individual irreversible level, starts.

C. VARIATIONS ON THIS SUBJECT

Although there are certain "non-waivering" principles that guide the village bank programs, the methodology in itself is not static, but has experienced substantial changes in many aspects since the beginning. Some of the main variations are described below.

1. The Beneficiaries

a. Female, Masculine, and Mixed Banks

In the majority of the programs, although the men are not excluded as beneficiaries, the women are given higher priority. The argument to focus on women is that: (1) they are more responsible than men in making their payments, (2) invest their profits in their family, and (3) in general, the women are excluded from the traditional credit programs.

Some programs have the policy that in the first loan cycle, the bank members have to be 100 percent female, to guarantee that they will have control of the Board of Directors. The men, then, will be able to join starting in the second cycle, or through loans made from the "internal account".

In other programs, such as Costa Rica, the majority of the beneficiaries are men. Although the belief is that men are more risky than women, the high recovery rate in the Costa Rican program shows that men can also be honest and responsible with credit, if the rules of the game are well designed.

In summary, the methodology has functioned well with women, men or mixed groups. It is a matter of emphasizing on social and economic objectives.

b. Existent Microentrepreneurs or Those Establishing Their First Business

The majority of the programs take care of both existent microentrepreneurs, and people who are willing to start a new activity for generating income. One of the most substantial contributions of the FINCA methodology has been to prove that even the poorest people, with no assets, can start with a borrowed capital.

2. Agricultural Credit vs. Credit for Microenterprises

The methodology has functioned well as a channel for agricultural credit, as well as for microenterprise credit. The basic variations are described below.

a. The Agricultural Model

The agricultural model was originally designed in Bolivia, Peru, and then in Costa Rica, and has been "exported", so far, to Colombia, Nicaragua, and El Salvador. Following are its basic characteristics:

- Mixed term loans, from four months to three years. The average is 18 months.
- The activities and investments financed are, primarily, farming activities.
- The loan payments are made in monthly fees or at the time the loan matures.
- The savings are voluntary and not related to the loan amount.
- Because the owner of the land is generally a man, the majority of the borrowers are men.

b. The Microenterprise Model

The microenterprise model was designed, originally, in Northern Mexico, and it is actually being applied in Mexico, El Salvador, Honduras, Guatemala, Nicaragua, Peru, Chile, the Dominican Republic, Haiti, and Uganda. Following are its basic characteristics:

- The loan term is generally four months and when the amounts are higher they are sometimes extended to six months.
- The primary activities are commercial, production of handicrafts, and services.
- The capital, interest, and savings payments are paid on a weekly basis.
- The savings are obligatory, with a 20 percent of the loan amount per cycle rule. There is also a voluntary savings option.
- The majority of the beneficiaries are women.

3. The Internal Account

Another optional variation is the "internal account", consisting of savings, and sometimes, capital and interest repayments in the bank before the end of the cycle. In

the members weekly payments) to be able to use the internal account, even their own savings. In other programs, they can only manage their savings, and not the FINCA capital and interests.

4. Community Projects

Another variation is to do community projects, with FINCA's external capital or savings. In Costa Rica and Northern Mexico, some banks have set up very efficient and impressive community projects. Generally, these projects function better when the banks have operated for several years and the group has "purged" the irresponsible.

5. Graduation

After three (3) years of operation, each bank has the option to "graduate", this is, pass to another level of service. It depends, however, of the national program capacity to support it. In Costa Rica and El Salvador, there are two levels "A" and "B", each one with its own credit policy and loan amounts. In other countries with fewer resources, to graduate means perhaps to receive additional support in technical assistance or marketing services according to the capacity of the program. The basic rule is: if the bank wants to continue to receive FINCA's support, they can. None of the banks are "forced to leave the nest". However, we support the idea of the "Three Year Plan" because it establishes goals for each group and beneficiary in terms of savings and self-management of the bank.

6. Prison Banks

In Northern Mexico, the program has initiated the innovation of a "Prison Bank", with the prisoners of a penitentiary. Within the requirements stipulated for becoming a member is "to serve a minimum sentence over a one-year period". This is, they only want serious prisoners and not "aves de paso".

Appendix C:

**The FINCA Affiliation Agreement
(Sample)**

AFFILIATION AGREEMENT
BETWEEN
FINCA INTERNATIONAL
AND
FINCA BLANTYRE

I. PURPOSE

The purpose of this agreement is the following:

To define the understanding, including the rights, services, responsibilities and obligations between the undersigned of FINCA Blantyre with headquarters in Blantyre, Malawi, to be referred to as "Affiliate", as a member of the Foundation for International Community Assistance (FINCA International) Network, with headquarters in Alexandria, Virginia, to be referred to as "FINCA International".

This agreement is entered into in order to support the Village Banking movement worldwide and strengthen the Affiliates who support the movement.

II. RIGHTS OF THE AFFILIATE

A. Accreditation: Use of the name, "FINCA", and the "tree" logo

Upon signature of this agreement, and maintaining the FINCA International standards (see section IV B), the signer will become an accredited Affiliate of the FINCA International Network, and as such will enjoy the exclusive right (except as to FINCA International) within the designated territory of this agreement¹ to use the name "FINCA", and the logo of the FINCA International tree. (See Exhibit A)

B. Use of the Village Bank Methodology

The accredited Affiliate will have the exclusive right (except as to FINCA International) to use the FINCA International Village Bank methodology², and any technological advances developed by the FINCA International Network in the future, within the designated territory. Affiliate shall not at any time during or after termination of this agreement make such methodology or any documentation thereof available to any other

¹ The designated territory is Malawi.

² The village banking methodology as referenced in this document is described in Annex B.

party without the prior written consent of FINCA International.

C. Participation on the Advisory Committee of FINCA International

The accredited Affiliate in good standing will have the right to participate on the advisory committee of FINCA International, via the representatives named during the annual conference. The functions and responsibilities of the Advisory Committee are described in Exhibit C.

D. Participation in the Board of Directors of FINCA International

The accredited Affiliate will have the right to participate, with voice and vote, in the quarterly meetings of the Board of Directors of FINCA International at the point when the Affiliate reaches 7,000 active members, has been conducting loan operations for a minimum of three (3) years, and is in full compliance with the terms of this agreement, including its reporting and financial contributions.³ This participation will be via a representative chosen by the Affiliate, subject to the approval of the FINCA International Board of Directors. Until the Affiliate reaches 7,000 active members, it will be represented through the Advisory Committee. In addition, annually, one special FINCA International Director shall be selected by the FINCA International Board from among the Boards of Directors of those Affiliates which have not yet reached the 7,000 member size. Such special FINCA International Director shall have a term of one year. Affiliate shall not be represented by such special director for successive terms. Selection of the country from which the special director will be chosen will take place at the Annual Conference (See E below).

E. Participation in the Annual Conference of FINCA International

Subject to the availability of funding, the Affiliate will have the right to send a representative to participate in the annual conference of the FINCA International Network. This conference is an annual meeting of one representative from each FINCA Affiliate together with FINCA International program staff for the purpose of sharing the latest technological breakthroughs, successes and expansion techniques.

³ In the event that the board of FINCA International is fully subscribed (all fifteen seats are filled), the affiliates will share representation on the board on a rotating basis.

III. SERVICES PROVIDED TO THE AFFILIATE

A. Training

The Affiliate will receive training from FINCA International in all operational aspects of the program and methodology, including: promotion, organization, supervision, and evaluation of village banks; implementation and execution of all administrative systems (information, accounting, strategic planning; personnel, etc.) financial analysis, leadership and other areas, as per the training plan attached as Exhibit D.

B. Technical Assistance

The Affiliate will receive technical assistance from FINCA International, as follow-up to the training described in Exhibit D. See the terms of reference in Exhibit E.

C. Financial Support by FINCA International

The accredited Affiliate in good standing will receive financial support by FINCA International, consisting of loans and donated capital, as per the budget attached in Exhibit F as amended and approved each year by FINCA International. It is understood that this budget will represent the minimum financial assistance objective to be provided to the affiliate during the year, and that this support can be increased, in accordance with the success of the fundraising program of FINCA International.

D. International Fundraising Assistance

FINCA International agrees to serve as the fundraising agent for the Affiliate with all U.S. based foundations, corporations, churches, individuals, government agencies, commercial banks, and multi-lateral and regional development banks. In addition, Finca International will assist the Affiliate with it's in-country fundraising campaign, including a) assistance in the formulation of an Annual Fundraising Plan (see Exhibit G), which will include proposals to donors and financial institutions, and b) provision of a list of international organizations, with names of local contacts, which have financed FINCA International programs in other countries.

E. Protection and Exclusivity of the FINCA International name and logo.

FINCA International will assume all expenses associated with the initial registration and future defense of the Affiliates' right to make use of the FINCA International trademarks and logos. Furthermore, these proprietary rights extend to information and material developed by the FINCA

International Network which include, but are not limited to, form lending documents, other business forms, operating manuals, training manuals, policy manuals, outreach and fund-raising aids, accounting systems and procedures, and informational bulletins.

F. Internal Audit Service

The Affiliate will receive internal audit services at least once per year, and more frequently, if necessary, on an emergency basis.

G. Financial and Statistical Reports

The affiliate will receive statistical and financial reports from FINCA International, including: (1) annual financial statements, (2) annual budget, (3) a quarterly "country account statement" indicating funds budgeted, received, and disbursed by FINCA International to the affiliate during the operating year, and (4) a monthly consolidated statistical report, based on the reports received from each affiliate, containing information on membership, total loans, repayment rate, etc.⁴

IV. RESPONSIBILITIES OF THE AFFILIATE

A. Preservation of the Methodology's Quality and of the Operational Standards of the Program

Considering that all users of the name FINCA are perceived as part of the FINCA International Network, the Affiliate will have the obligation to maintain the quality of the methodology, and of the operational standards of the program, including: 1) high repayment rate, 2) cost efficiency, and 3) good financial health. The basic indicators of the program, together with the acceptable range, are attached as Exhibit H.

In event these indicators show weaknesses in the program, the Affiliate will have the responsibility to solicit emergency technical support from FINCA International, who will have the obligation to respond quickly with the required assistance.

Regarding the methodology, the Affiliate will be responsible for consulting FINCA International prior to any substantive changes in the methodology which may affect 1) the type of beneficiaries reached, 2) the socio-economic impact on the beneficiaries, 3) the sustainability of the program. Any changes to the basic manual must to be authorized by the Board of

⁴ It is understand that certain reports will be confidential, and for the exclusive use of the Affiliate. The Affiliate accepts responsibility for insuring that this status will be protected.

Directors of FINCA International.

B. Transferring of the Methodology to Other Organizations.

The Affiliate has the responsibility to consult with FINCA International before entering into any contract for training, technical assistance, or financial support with other organizations which could potentially enter into competition, locally or internationally, with any other member of the FINCA International Network.

C. Program Status Reports

The Affiliate has the responsibility to send reports monthly to FINCA International, for processing, analysis and incorporation into the global statistics of the FINCA International Network. The required formats are provided as Exhibit I. In addition, the Affiliate will have the obligation to send the following, once per year: (1) Financial Statements, (2) External Audit report. Failure to provide these reports on a timely basis can result in an interruption of funds from FINCA International.

D. Consultations on Fundraising

The Affiliate has the obligation to consult FINCA International regarding its annual fundraising plan, to assure there is no conflict with the campaigns of FINCA International or the other Affiliates.

V. OBLIGATIONS OF THE AFFILIATE TO FINCA International

A. Participation by the directors of FINCA International in the Board of Directors of the Affiliate

Where permitted by local law, the Affiliate will appoint to its Board of Directors at least one representative from the FINCA International Board of Directors to serve with voice and vote. Where such representative is not permitted, then such representative shall have a right to attend all Board of Directors meetings of Affiliate. All board members and representatives shall be given at least 10 days prior written notice of all meetings with such notice also being delivered to FINCA International at least 10 days prior to such meeting.

B. Technical Assistance to the Other Affiliates

The Affiliate will have the obligation, if requested by FINCA International, or by another member of the Network, to provide technical assistance and training to other members of the Network of FINCA International. This assistance may be in the country of the Affiliate or may involve sending a consultant to

another affiliated program. The assistance may be compensated or voluntary, according to the arrangement between all parties. The assistance will be coordinated by FINCA International.

C. Financial Contributions by the Affiliate to the FINCA International Network

The Affiliate will have the obligation to make a regular financial contribution to the FINCA International Network. The following paragraphs describe justification, use, amount, and the mechanism for collection and administration of these contributions.

1. Justification -- The objectives of the contribution are to provide a source of continuous, reliable income for the FINCA International Network not dependent on the generosity of donors nor governments, and to create a source of non restricted program funds.

2. Use of the contributions -- No less than 50% of Affiliate contributions will be used to finance new programs. The balance will be applied in support of the overall program.

3. Amount -- the amount of the Affiliate contributions to FINCA International shall be equivalent to 1 % of the amount of each loan granted, payable immediately upon signature authorizing the loan.

4. How the contribution will be collected from the borrowers -- The Affiliate will determine the best manner in which to collect the fee from the borrowers. One possibility will be to charge a 1% fee on all loans at the time of disbursement. Another possibility is to create a special reserve fund for this purpose.

5. Administration -- The contribution will be administered by FINCA International. A separate accounting of the use of these funds will be provide at the quarterly meetings of the Board of Directors, and in a report provided at the Annual Director's Conference.

VI. TERM OF THE AGREEMENT

The agreement will enter into force on the date signed, and unless terminated, will be renewed automatically on an annual basis.

VII. LOSS OF ACCREDITATION AND AFFILIATE STATUS

The accredited status of an Affiliate may be revoked or suspended and this agreement terminated under the following conditions:

1. Misuse of Funds and/or Unethical Management Practices.
2. Failure to adhere to the operating standards, principles and philosophy as described in this document and elsewhere in the copyrighted manuals and promotional materials of the FINCA International Network.
3. Exploitation of the name of FINCA International, the local Affiliate, or its members, for politically partisan or religious purposes.
4. Other actions which, in the opinion of the Board of Directors, constitute a threat to the integrity, unity and public image of the FINCA International Network and its Affiliates.

Failure to cure the condition resulting in loss of Affiliate accreditation within 120 days may result in termination of this affiliation agreement.

VIII. TERMINATION

Either FINCA International or the Affiliate may terminate the agreement, without cause, by providing the other party with written notice of such termination not less than ninety (90) days prior to the date of termination.

Upon termination of this agreement, Affiliate will, among its other obligations, return any copies it may have of the copyrighted manuals and other material describing the Village Bank Methodology and will retain no copies, extracts, electronic or other versions of such material.

IX. USE OF FINCA International TRADEMARKS

A. Additional Quality Control

FINCA International shall have the right to approve the use of the Marks on all materials and promotional materials, in the Affiliates name and similar uses of the Marks. Further, Affiliate agrees to modify the use of the Mark(s) from time to time as requested by FINCA International.

B. Ownership

Affiliate agrees that the Marks are the valuable property of FINCA International and that FINCA International is at all times the owner of all such Marks. Affiliate will only use such Marks as are specifically approved by FINCA International and will cease using the Marks upon termination of this agreement for any reason. Upon termination, Affiliate will immediately change its name to reflect such termination and will make no further use of the Marks in connection with any further promotion, services, or activities of any kind.

C. Assistance to FINCA International

Affiliate agrees that it will assist FINCA International in the registration and protection of the Marks in the territory including but not limited to: preparing official papers, submitting evidence for registration and recording, signing and filing registered user agreements where necessary and undertake other activities which are reasonably necessary to protect the Marks in the territory. Further, upon termination of this agreement, Affiliate will likewise continue to cooperate with FINCA International in the perfection of any rights to the Marks in the territory including, if necessary, assignments of any rights acquired during the term of this agreement, withdrawal of any registered user agreements and cooperate in any other way necessary to perfect ownerships to the Mark (s).

D. Authorization

Affiliate agrees that it will at no time authorize or permit any other party to use the Mark(s) in any way and will notify FINCA International of any unauthorized use that may come to Affiliate's attention.

X. MISCELLANEOUS

A. Enforceability

If any provision of this agreement is found invalid or unenforceable, the remaining provisions shall remain enforceable and valid between the parties.

B. Notices

All notices to the parties shall be in writing and sent by first class mail, FAX or cable to the parties at the following addresses.

C. Exhibits

The exhibits form a part of this agreement, and the parties agree that the exhibits will be updated from time to time, and, upon updating, the updated version will become part of this agreement.

D. Loyalty Oath

Upon signature of the agreement, the Board of Directors of the Affiliate will take the Loyalty Oath appearing in Exhibit J.

The undersigned parties agree to these terms as of this day of _____, 19__.

FINCA INTERNATIONAL, INC.
901 King Street
Suite 400
Alexandria, VA 22314

WITNESS:

BY: _____

ITS: _____

(Affiliate)

Address: _____

WITNESS:

BY: _____

Appendix D:
Contents of the Administrative Manual

DL

INDICE

EFFECTIVO

| | |
|---|----|
| Manejo de Efectivo | 1 |
| Requisición de Fondos | 2 |
| Contratos y Arrendamientos | 3 |
| Pagos de Obligaciones Contractuales | 3 |
| Anticipos para los Empleados | 4 |
| Gastos de Trabajo del Empleado | 5 |
| Procesamiento de Cheques | 6 |
| Caja Chica | 8 |
| Planilla | 9 |
| Recibos de Efectivo | 10 |
| Conciliaciones Bancarias | 11 |

PRESUPUESTOS

| | |
|---|----|
| Proceso de Hacer y Revisar Presupuestos | 12 |
| Explicación del Presupuesto "Barebones" | 13 |
| Explicación del Presupuesto Optimo | 14 |
| Control de Presupuestos para Contratos Restringidos | 17 |
| Pasos a Seguir en el Control de Presupuestos | 17 |
| Cuentas Nuevas en el Catalogo de Cuentas | 18 |
| Relaciones entre Contabilidad y Administración del Programa ... | 19 |
| Archivo para Contratos Restringidos | 20 |

ACTIVOS FIJOS

| | |
|---------------------------------------|----|
| Compra de Bienes y Servicios | 21 |
| Administración de Activos Fijos | 23 |

PERSONAL

| | |
|---|----|
| Administración de Personal | 24 |
| Políticas y Procedimientos para Operaciones de Personal | 25 |
| Reclutamiento | 25 |
| Selección de Candidatos | 26 |
| Contratación de Personal | 26 |
| Remuneración | 26 |
| Condiciones de Trabajo | 26 |
| Terminaciones de Contratos y Despidos | 27 |
| Conflicto de Intereses y Información Confidencial | 28 |
| Registros de Personal | 28 |
| Actualización del Manual de Administración de Personal | 29 |
| Descripción de Trabajos | 29 |

FORMULARIOS DE FINCA INTERNATIONAL

| | |
|---|----|
| FIN-B | 30 |
| Anexo al FIN-B | 31 |
| Paquetes de Inauguración e Informes para Contribuyentes | 32 |
| PRO-A | 34 |
| DRF | 42 |
| Informes Financieros Mensuales de FINCA Internacional | 45 |
| Pago de 1% Cuota de Afiliación | 45 |

Appendix E:
Reporting Forms

INFORME MENSUAL DE SEGUIMIENTO #1 (IMS-1)

Informe del Promotor por Banco

Nombre del Promotor _____

Nombre del Banco _____

Nombre de la Region o Zona en que trabaja _____

Ciclo del Banco _____

| | Mes | Mes | Mes | Mes |
|--|-----|-----|-----|-----|
| B. Numero de Beneficiarios | | | | |
| 5. Socios nuevos este mes (con prestamos) | | | | |
| 6. Socios antiguos | | | | |
| 7. Socios retirados este mes | | | | |
| 8. TOTAL DE SOCIOS ACTIVOS (5+6-7) | | | | |
| 9. Tasa de desercion $[7/(5+6)]*100$ | | | | |
| 10. Socios fundadores activos | | | | |
| 11. Socios aspirantes | | | | |
| C. Desembolsos | | | | |
| 12. Ciclo de prestamo del banco | | | | |
| 13. Monto (\$) del prestamo este ciclo (de FINCA al banco) | | | | |
| 14. Intereses a pagar este ciclo | | | | |
| 15. Monto de prestamos acumulados de todos los ciclos | | | | |
| 16. MONTO PROMEDIO PRESTAMO POR SOCIO (13/8) | | | | |
| D. Cartera (Cuenta externa) | | | | |
| 17. Intereses recuperados este mes | | | | |
| 18. TOTAL \$ intereses recuperados de este ciclo | | | | |
| 19. Intereses atrasados de este ciclo | | | | |
| 20. Monto \$ prestamo recuperado este mes | | | | |
| 21. TOTAL \$ prestamo recuperado de este ciclo | | | | |
| 22. Monto del prestamo por recuperar de este ciclo (13-21) | | | | |
| 23. Monto atrasado (vencido y no pagado) este ciclo | | | | |
| 24. Monto por recuperar (atrasado) de ciclos anteriores | | | | |
| 25. Cartera vigente (monto por recuperar) (22+24) | | | | |
| 26. Cartera atrasada (\$ vencidos y no pagados) (23+24) | | | | |
| 27. Atraso como % de la cartera $(26/25)*100$ | | | | |
| 28. Atraso como % del monto prestado $(26/13)*100$ | | | | |
| E. Cartera (Cuenta interna) | | | | |
| 29. # de prestamos internos desembolsados este mes | | | | |
| 30. # de prestamos internos desembolsados este ciclo | | | | |
| 31. Monto de prest internos desembolsados este mes (cap + int) | | | | |
| 32. Monto de prest internos desembolsados este ciclo (cap + int) | | | | |
| 33. MONTO PROMEDIO PRESTAMO cuenta inter. (32/30) | | | | |
| 34. TOTAL \$ prest. internos recuperados este mes (cap + int) | | | | |
| 35. TOTAL \$ prest. internos recuperados este ciclo (cap. + int) | | | | |
| 36. Monto de prestamos internos de ciclos anteriores por recuperar | | | | |
| 37. Cartera vigente (monto por recuperar) (32-35+36) | | | | |
| 38. Cartera atrasada (montos vencidos y no pagados) | | | | |
| 39. Atraso como % de la cartera $(38/37)*100$ | | | | |
| 40. Ganancias acumuladas por actividades en el ciclo | | | | |
| 41. Ganancias de la cuenta interna acum. al final de ciclo (35-32) | | | | |
| F. Ahorros | | | | |
| 42. Ahorro de este mes | | | | |
| 43. Retiro de Ahorros este mes | | | | |
| 44. Ahorro TOTAL del banco (acumulado de todos los ciclos) | | | | |
| 45. Ahorro como % del desembolso del ciclo $(44/13)*100$ | | | | |
| 46. Ahorro como % desemb.acum. $(44/15)*100$ (Autosuf. Financiera) | | | | |
| G. Autosuficiencia del Banco | | | | |
| 47. Costos operativos del banco acumulados en el ciclo | | | | |
| 48. Ganancias del banco acumuladas al final de ciclo | | | | |
| 49. % de autosuficiencia operativa del banco $(48/47)*100$ | | | | |

INFORME MENSUAL DE SEGUIMIENTO #2 (IMS-2)

Informe Consolidado del Promotor por Banco

Nombre del Promotor _____
 Nombre de la Region o Zona en que trabaja _____

Pagina _____ de _____
 Informe Mes de _____

| Nombre del Banco: | | Banco | Banco | Banco | Banco | Subtotal o Total |
|-------------------|--|-------|-------|-------|-------|------------------|
| B. | Numero de Beneficiarios | | | | | |
| | 5. Socios nuevos este mes (con prestamos) | | | | | |
| | 6. Socios antiguos | | | | | |
| | 7. Socios retirados este mes | | | | | |
| | 8. TOTAL DE SOCIOS ACTIVOS (5+6-7) | | | | | |
| | 9. Tasa de desercion $(7/(5+6))*100$ | | | | | * |
| | 10. Socios fundadores activos | | | | | |
| | 11. Socios aspirantes | | | | | |
| C. | Desembolsos | | | | | |
| | 12. Ciclo de prestamo del banco | | | | | |
| | 13. Monto (\$) del prestamo este ciclo (de FINCA al banco) | | | | | |
| | 14. Intereses a pagar este ciclo | | | | | |
| | 15. Monto de prestamos acumulados de todos los ciclos | | | | | |
| | 16. MONTO PROMEDIO PRESTAMO POR SOCIO (13/8) | | | | | |
| D. | Cartera (Cuenta externa) | | | | | |
| | 17. Intereses recuperados este mes | | | | | |
| | 18. TOTAL \$ intereses recuperados de este ciclo | | | | | |
| | 19. Intereses atrasados de este ciclo | | | | | |
| | 20. Monto \$ prestamo recuperado este mes | | | | | |
| | 21. TOTAL \$ prestamo recuperado de este ciclo | | | | | |
| | 22. Monto del prestamo por recuperar de este ciclo (13-21) | | | | | |
| | 23. Monto atrasado (vencido y no pagado) este ciclo | | | | | |
| | 24. Monto por recuperar (atrasado) de ciclos anteriores | | | | | |
| | 25. Cartera vigente (monto por recuperar) (22+24) | | | | | |
| | 26. Cartera atrasada (\$ vencidos y no pagados) (23+24) | | | | | |
| | 27. Atraso como % de la cartera $(26/25)*100$ | | | | | * |
| | 28. Atraso como % del monto prestado $(26/13)*100$ | | | | | * |
| E. | Cartera (Cuenta interna) | | | | | |
| | 29. # de prestamos internos desembolsados este mes | | | | | |
| | 30. # de prestamos internos desembolsados este ciclo | | | | | |
| | 31. Monto de prest internos desembolsados este mes (cap + int) | | | | | |
| | 32. Monto de prest internos desembolsados este ciclo (cap + int) | | | | | |
| | 33. MONTO PROMEDIO PRESTAMO cuenta inter. (32/30) | | | | | |
| | 34. TOTAL \$ prest.internos recuperados este mes (cap + int) | | | | | |
| | 35. TOTAL \$ prest.internos recuperados este ciclo (cap + int) | | | | | |
| | 36. Monto de prest internos de ciclos anteriores por recuperar | | | | | |
| | 37. Cartera vigente (monto por recuperar) (32-35+36) | | | | | |
| | 38. Cartera atrasada (montos vencidos y no pagados) | | | | | |
| | 39. Atraso como % de la cartera $(38/37)*100$ | | | | | * |
| | 40. Ganancias acumuladas por actividades en el ciclo | | | | | |
| | 41. Ganancias de la cuenta interna acum. final de ciclo (35-32) | | | | | |
| F. | Ahorros | | | | | |
| | 42. Ahorro de este mes | | | | | |
| | 43. Retiro de Ahorros este mes | | | | | |
| | 44. Ahorro TOTAL del banco (acumulado de todos los ciclos) | | | | | |
| | 45. Ahorro como % del desembolso del ciclo $(44/13)*100$ | | | | | * |
| | 46. Ahorro como % desemb.acum $(44/15)*100$ (Autosuf. Financ) | | | | | * |
| G. | Autosuficiencia del Promotor | | | | | |
| | 47. Costos asignados al promotor por mes | | | | | |
| | 48. Intereses recuperados sobre prestamos FINCA este mes (17) | | | | | |
| | 49. % de autosuficiencia del promotor $(48/47)*100$ | | | | | * |

57

INFORME MENSUAL DE SEGUIMIENTO #3 (IMS-3) : INFORME CONSOLIDADO DEL SUPERVISOR

Nombre del Supervisor _____

Página _____ de _____

Nombre de la Region o Zona en que trabaja _____

Informe Mes de _____

| | Nombre del Promotor: | Promotor | Promotor | Promotor | Subtotal o Total |
|-----------|--|----------|----------|----------|------------------|
| A. | Numero de Bancos | | | | |
| | 1. Nuevos bancos este mes | | | | |
| | 2. Bancos antiguos | | | | |
| | 3. Bancos retirados este mes | | | | |
| | 4. TOTAL DE BANCOS ACTIVOS (1+2-3) | | | | |
| B. | Numero de Beneficiarios | | | | |
| | 5. Socios nuevos este mes (con prestamos) | | | | |
| | 6. Socios antiguos | | | | |
| | 7. Socios retirados este mes | | | | |
| | 8. TOTAL DE SOCIOS ACTIVOS (5+6-7) | | | | |
| | 9. Tasa de Ejecucion $[7/(5+6)]*100$ | | | | * |
| | 10. Socios fundadores activos | | | | |
| | 11. Socios aspirantes | | | | |
| C. | Desembolsos | | | | |
| | 12. Ciclo de prestamo del banco | | | | |
| | 13. Monto (\$) del prestamo este ciclo (de FINCA al banco) | | | | |
| | 14. Intereses a pagar este ciclo | | | | |
| | 15. Monto de prestamos acumulados de todos los ciclos | | | | |
| | 16. MONTO PROMEDIO PRESTAMO POR SOCIO (13/8) | | | | |
| D. | Cartera (Cuenta externa) | | | | |
| | 17. Intereses recuperados este mes | | | | |
| | 18. TOTAL \$ intereses recuperados de este ciclo | | | | |
| | 19. Intereses atrasados de este ciclo | | | | |
| | 20. Monto \$ prestamo recuperado este mes | | | | |
| | 21. TOTAL \$ prestamo recuperado de este ciclo | | | | |
| | 22. Monto del prestamo por recuperar de este ciclo (13-21) | | | | |
| | 23. Monto atrasado (vencido y no pagado) este ciclo | | | | |
| | 24. Monto por recuperar (atrasado) de ciclos anteriores | | | | |
| | 25. Cartera vigente (monto por recuperar) (22+24) | | | | |
| | 26. Cartera atrasada (\$ vencidos y no pagados) (23+24) | | | | |
| | 27. Atrazo como % de la cartera $(26/25)*100$ | | | | * |
| | 28. Atrazo como % del monto prestado $(26/13)*100$ | | | | * |
| E. | Cartera (Cuenta interna) | | | | |
| | 29. # de prestamos internos desembolsados este mes | | | | |
| | 30. # de prestamos internos desembolsados este ciclo | | | | |
| | 31. Monto de prest internos desembolsados este mes (cap + int) | | | | |
| | 32. Monto de prest internos desembolsados este ciclo (cap + int) | | | | |
| | 33. MONTO PROMEDIO PRESTAMO cuenta inter. (32/30) | | | | |
| | 34. TOTAL \$ prest internos recuperados este mes (cap + int) | | | | |
| | 35. TOTAL \$ prest internos recuperados este ciclo (cap + int) | | | | |
| | 36. Monto de prest internos de ciclos anteriores por recuperar | | | | |
| | 37. Cartera vigente (monto por recuperar) (32-35+36) | | | | |
| | 38. Cartera atrasada (montos vencidos y no pagados) | | | | |
| | 39. Atrazo como % de la cartera $(38/37)*100$ | | | | * |
| | 40. Ganancias acumuladas por actividades in el ciclo | | | | |
| | 41. Ganancias de la cuenta interna acum al final del ciclo (35-32) | | | | |
| F. | Ahorros | | | | |
| | 42. Ahorro de este mes | | | | |
| | 43. Retiro de ahorros este mes | | | | |
| | 44. Ahorro TOTAL del banco (acumulado de todos los ciclos) | | | | |
| | 45. Ahorro como % del desembolso del ciclo $(44/13)*100$ | | | | * |
| | 46. Ahorro como % desemb.acum $(44/15)*100$ (Autosuf.Financ.) | | | | * |
| G. | Autosuficiencia del Supervisor | | | | |
| | 47. Costos asignados al supervisor por mes | | | | |
| | 48. Intereses recuperados sobre prestamos FINCA este mes (17) | | | | |
| | 49. % de autosuficiencia del supervisor $(48/47)*100$ | | | | * |

54

INFORME MENSUAL DE SEGUIMIENTO #4 (IMS-4) : INFORME CONSOLIDADO POR ZONA O REGION

Nombre de la Zona o Region _____

Pagina _____ de _____

Informe Mes de _____

| | Supervisor | Supervisor | Supervisor | Supervisor | Subtotal o Total |
|---|------------|------------|------------|------------|------------------|
| Nombre del Supervisor: | | | | | |
| A. Numero de Bancos | | | | | |
| 1. Nuevos bancos este mes | | | | | |
| 2. Bancos antiguos | | | | | |
| 3. Bancos retirados este mes | | | | | |
| 4. TOTAL DE BANCOS ACTIVOS (1+2-3) | | | | | |
| B. Numero de Beneficiarios | | | | | |
| 5. Socios nuevos este mes (con prestamos) | | | | | |
| 6. Socios antiguos | | | | | |
| 7. Socios retirados este mes | | | | | |
| 8. TOTAL DE SOCIOS ACTIVOS (5+6-7) | | | | | |
| 9. Tasa de desercion $(7/(5+6))*100$ | | | | | * |
| 10. Socios fundadores activos | | | | | |
| 11. Socios aspirantes | | | | | |
| C. Desembolsos | | | | | |
| 12. Ciclo de prestamo del banco | | | | | |
| 13. Monto (\$) del prestamo este ciclo (de FINCA al banco) | | | | | |
| 14. Intereses a pagar este ciclo | | | | | |
| 15. Monto de prestamos acumulados de todos los ciclos | | | | | |
| 16. MONTO PROMEDIO PRESTAMO POR SOCIO (13/8) | | | | | |
| D. Cartera (Cuenta externa) | | | | | |
| 17. Intereses recuperados este mes | | | | | |
| 18. TOTAL \$ intereses recuperados de este ciclo | | | | | |
| 19. Intereses atrasados de este ciclo | | | | | |
| 20. Monto \$ prestamo recuperado este mes | | | | | |
| 21. TOTAL \$ prestamo recuperado de este ciclo | | | | | |
| 22. Monto del prestamo por recuperar de este ciclo (13-21) | | | | | |
| 23. Monto atrasado (vencido y no pagado) este ciclo | | | | | |
| 24. Monto por recuperar (atrasado) de ciclos anteriores | | | | | |
| 25. Cartera vigente (monto por recuperar) (22+24) | | | | | |
| 26. Cartera atrasada (\$ vencidos y no pagados) (23+24) | | | | | |
| 27. Atraso como % de la cartera $(26/25)*100$ | | | | | * |
| 28. Atraso como % del monto prestado $(26/13)*100$ | | | | | * |
| E. Cartera (Cuenta interna) | | | | | |
| 29. # de prestamos internos desembolsados este mes | | | | | |
| 30. # de prestamos internos desembolsados este ciclo | | | | | |
| 31. Monto de prest. internos desembolsados este mes (cap + int.) | | | | | |
| 32. Monto de prest. internos desembolsados este ciclo (cap + int) | | | | | |
| 33. MONTO PROMEDIO PRESTAMO cuenta inter. (32/30) | | | | | |
| 34. TOTAL \$ prest.internos recuperados este mes (cap + int) | | | | | |
| 35. TOTAL \$ prest.internos recuperados este ciclo (cap + int) | | | | | |
| 36. Monto de prest internos de ciclos anteriores por recuperar | | | | | |
| 37. Cartera vigente (monto por recuperar) (32-35+36) | | | | | |
| 38. Cartera atrasada (montos vencidos y no pagados) | | | | | |
| 39. Atraso como % de la cartera $(38/37)*100$ | | | | | * |
| 40. Ganancias acumuladas por actividades en el ciclo | | | | | |
| 41. Ganancias de la cuenta interna acum.al final de ciclo (35-32) | | | | | |
| F. Ahorros | | | | | |
| 42. Ahorro de este mes | | | | | |
| 43. Retiro de ahorros este mes | | | | | |
| 44. Ahorro TOTAL del banco (acumulado de todos los ciclos) | | | | | |
| 45. Ahorro como % del desembolso del ciclo $(44/13)*100$ | | | | | * |
| 46. Ahorro como % desemb.acum.(Autosuf.Financ.)(44/15)*100 | | | | | * |
| G. Autosuficiencia de la Zona | | | | | |
| 47. Costos asignados a la zona por mes | | | | | |
| 48. Intereses recuperados sobre prestamos FINCA este mes (17) | | | | | |
| 49. % de autosuficiencia de la zona $(48/47)*100$ | | | | | * |

PRO-A
FINCA INTERNACIONAL
INFORME MENSUAL SOBRE EL AVANCE DEL PROGRAMA

PROGRAMA: _____
 PAIS: _____
 POR EL MES DE: _____
 TIPO DE CAMBIO US\$1 _____

| RELACION DE INDICADORES (Total de la Cartera) | MES | ACUMULADO |
|--|-----|-----------|
| A. Número de Bancos | | |
| 1. Total al comienzo del mes | | |
| 2. Bancos Nuevos | | |
| 3. Bancos Disueltos | | |
| 4. Nuevo Total (= 1 + 2 - 3) | | |
| B. Número de Miembros | | |
| 1. Total al comienzo del mes | | |
| 2. Nuevos miembros este mes | | |
| 3. Miembros retirados este mes | | |
| 4. Nuevo Total (= 1 + 2 - 3) | | |
| 5. Porcentaje de Mujeres (= numero de mujeres ÷ B4 x 100) | | |
| C. Desembolsos | | |
| 1. Número de primeros préstamos (a individuos) | | |
| 2. Número de recapitalizaciones (a individuos) | | |
| 3. Número total de préstamos (= 1 + 2) | | |
| 4. Monto (U.S. \$) de primeros prestamos (a individuos) | | |
| 5. Monto (U.S. \$) de recapitalizaciones (a individuos) | | |
| 6. Monto (U.S. \$) total de préstamos (= 4 + 5) | | |
| 7. Tamaño de préstamos promedio de los prést. iniciales (= 4 ÷ 1) | | |
| 8. Tamaño de préstamos promedio de las recapital. (= 5 ÷ 2) | | |
| 9. Tamaño de préstamos promedio del total de los préstamos (= 6 ÷ 3) | | |
| D. Cartera (cuenta externa) | | |
| 1. Balance (U.S. \$) de préstamos pendientes a principio del mes | | |
| 2. Total (U.S. \$) de préstamos desembolsados este mes (= C6) | | |
| 3. Total de Recuperaciones (U.S. \$) este mes | | |
| 4. Nuevo saldo (= 1 + 2 - 3) | | |
| E. Atraso y Mora (cuenta externa) | | |
| 1. Número de bancos en atraso al inicio mes | | |
| 2. Número de bancos en atraso al final del mes | | |
| 3. Número de bancos en atraso este mes (2-1) | | |
| 4. Monto (U.S. \$) total en atraso al inicio del mes | | |
| 5. Monto (U.S. \$) total en atraso al final del mes | | |
| 6. Nuevo Monto en atraso al final del mes (5-4) | | |
| 7. Monto en mora (prestamos con atraso mayor a 365 días) | | |

56

| RELACION DE INDICADORES (Total de la Cartera) | MES | ACUMULADO |
|---|---------|-----------|
| F. Cartera (Cuenta Interna) | | |
| 1. Monto (U.S. \$) de préstamos vigentes al comienzo mes | | |
| 2. Monto (U.S. \$) total desembolsado este mes | | |
| 3. Monto (U.S. \$) total pagado este mes | | |
| 4. Nuevo saldo (= 1 + 2 - 3) | | |
| G. Atraso y Mora (Cuenta Interna) | | |
| 1. Número de bancos en atraso al inicio del mes | | |
| 2. Número de bancos en atraso al final del mes | | |
| 3. Número de bancos nuevos en atraso este mes (2-1) | | |
| 4. Monto (U.S. \$) total en atraso al inicio mes | | |
| 5. Monto (U.S. \$) total en atraso este mes | | |
| 6. Nuevo Monto (U.S. \$) en atraso este mes (5-4) | | |
| 7. Monto en mora (préstamos con atraso mayor a 365 días) | | |
| H. Ahorros | | |
| 1. Saldo al inicio del mes | | |
| 2. Nuevos ahorros este mes | | |
| 3. Retiros este mes | | |
| 4. Nuevo saldo (= 1 + 2 - 3) | | |
| I. Costo por U.S. \$ prestado | | |
| 1. Gastos operativos este mes* | | |
| 2. Monto desembolsado/colocado (= C6) | | |
| 3. Costo por U.S. \$ prestado (= 1 ÷ 2 x 100%) | | |
| J. Autosuficiencia (%) | | |
| 1. Intereses recaudados de prestamos este mes | | |
| 2. Gastos operativos este mes* | | |
| 3. Autosuficiencia (= 1 ÷ 2 x 100%) | | |
| K. Resumen del progreso y los problemas del programa | Adjunto | |
| Indique cualquier problema o incidente importante durante el período. | | |

Preparado por: _____

Fecha: _____

*Por Gastos Operativos se entiende todos los gastos incurridos en el mes excluyendo el capital bancario

51

Appendix F:
Beneficiary Impact Survey

**FINCA INTERNATIONAL VILLAGE BANKING PROGRAM
SOCIOECONOMIC SURVEY**

BASELINE SURVEY FOR EXISTING MEMBERS

Current Bank Cycle

| | | |
|------------------------|--------------------------------|--------------------------------|
| Report prepared by: | _____ | |
| Date: | _____ | |
| Area | <input type="checkbox"/> Rural | <input type="checkbox"/> Urban |
| Village Bank Name | _____ | |
| Community Name | _____ | |
| Name of Zone or Region | _____ | |
| Country | _____ | |

PERSONAL DATA

- 1 What is your full name? _____
- 2 For how many cycles have you participated in the bank? _____ cycles
- 3 Sex Female Male
- 4 Age _____
- 5 How many people live in your house? _____
- 6 How many dependents do you have? A dependent means children and/or any other person that lives in the house and is financially dependent on you or your spouse. _____
- 7 How many children under 5 years of age do you have? _____
- 8 What is your marital status? Married/Common Law Union Single
 Divorced/Separated Widow
- 9 Do you know how to read? Yes No
- 10 Do you know how to write? Yes No
- 11 How many years of education have you completed?
- | | | |
|----------------------------------|----------------------------------|---|
| <input type="checkbox"/> none | <input type="checkbox"/> 3 years | <input type="checkbox"/> 6 years |
| <input type="checkbox"/> 1 year | <input type="checkbox"/> 4 years | <input type="checkbox"/> secondary (7-12) |
| <input type="checkbox"/> 2 years | <input type="checkbox"/> 5 years | <input type="checkbox"/> university |
- 12 Do your school-age children attend school?
- | | |
|---|--|
| <input type="checkbox"/> yes, all | <input type="checkbox"/> no, none |
| <input type="checkbox"/> yes, but not all | <input type="checkbox"/> do not have any school-age children |

IF NONE OR NOT ALL SCHOOL-AGE CHILDREN ATTEND SCHOOL:

- 13 Why don't they attend school?
- | | |
|--|---|
| <input type="checkbox"/> There is no school in the area/the school is too far | <input type="checkbox"/> They have to work |
| <input type="checkbox"/> Lack of money to pay for uniforms, books, or inscription. | <input type="checkbox"/> They have to take care of other children |
| | <input type="checkbox"/> Other _____ |

HOUSING

- 14 How many rooms are there in your house? _____
- 15 Do you have electricity? Yes No
- 16 Do you have a latrine or toilet? Yes No
- 17 What type of water service do you have?
- | | | |
|--|--|---|
| <input type="checkbox"/> Household potable water | <input type="checkbox"/> Community potable water | <input type="checkbox"/> No potable water |
|--|--|---|

FINCA LOANS AND SAVINGS

- 18 What was the amount of your first loan from the external account? _____
- 19 What is the amount of your current loan from the external account? _____
- 20 How many times have you received loans from the internal account during the last cycle? _____

IF YOU HAVE RECEIVED LOANS FROM THE INTERNAL ACCOUNT:

- 21 What was the amount of your first loan from the internal account? _____
- 22 What is the amount of your current/most recent internal account loan? _____
- 23 How did you spend your current/most recent internal account loan?
- | | |
|---------------------------------------|--------------------------------|
| <input type="checkbox"/> the business | <input type="checkbox"/> other |
|---------------------------------------|--------------------------------|

62

**FINCA INTERNATIONAL VILLAGE BANKING PROGRAM
SOCIOECONOMIC SURVEY**

BASELINE SURVEY FOR EXISTING MEMBERS

- 24 How much have you saved to date? _____
- 25 Did you save money before joining the bank? Yes No
- 26 In your last complete cycle, how many late payments did you have? _____
(Total number of programmed payments per cycle: _____)

THE BUSINESS

- 27 In what productive activities did you invest your FINCA loan? 1) _____
2) _____

Production

- Seamstress
 Weaving
 Ceramics
 Tortillas/tamales/etc.
 Cafeteria/restaurant
 Other

Agricultural Production

- Basic grains
 Vegetables
 Other agricultural products
 Pig raising
 Chicken
 Other livestock

Commerce

- Small grocery store
 Sale of clothes or shoes
 Sale of jewelry
 Sale of cosmetics
 Sale of household goods
 Other

Service

- Beauty Parlour
 Other

- 28 For how long have you been involved in this activity?
 From the time I joined the bank Before _____ (years, months)
- 29 Were you involved in any productive activity before joining the bank?
 Yes, the same activity Yes, another activity No activity because:
 Lack of funds
 Other
- 30 Where is your business located?
 At home Street stall A store or commercial location
 Street vendor Market stall On the farm
- 31 Is your business the only source of income for your family?
 Yes No, the member has other income No, another person has an income
- 32 How many employees or assistants does your business have (include children and other unpaid workers)? _____

| | Paid | | Unpaid | |
|--------------|------------------------|-----------|------------------------|-----------|
| | Part-time/ seasonal | Full-time | Part-time/ seasonal | Full-time |
| # Family | | | | |
| # Non-family | | | | |

INCOME

- 33 Do you keep written records of your business earnings and expenses? Yes No
- 34 What are your business sales? _____ or _____ and _____
Monthly
Biweekly
Weekly
Daily (___ days per week)
Other _____
- 35 What is the total amount of your business expenses? _____ or _____ and _____
(inputs, merchandise transportation, stall rental, etc.)
Monthly
Biweekly
Weekly
Daily (___ days per week)
Other _____

**FINCA INTERNATIONAL VILLAGE BANKING PROGRAM
SOCIOECONOMIC SURVEY**

BASELINE SURVEY FOR EXISTING MEMBERS

36 Do you think that your sales have increased since you joined the bank?
 A lot Little Have decreased
 Some None Did not have a business before joining the bank

IF MEMBER HAD THE BUSINESS BEFORE JOINING THE BANK:

37 What were your sales Average or Minimum and Maximum
before joining the bank? _____ _____ _____ _____
Monthly
Biweekly
Weekly
Daily (___ days per week)
Other: _____

38 How do you spend the earnings from the business? (Mark priorities in numerical order.)
 Family expenses Reinvestment Other _____
 Unprogrammed savings Housing improvements No earnings

39 From your business earnings, _____ Monthly, biweekly, weekly,
how much do you spend on your family? _____ Daily (___ days per week)
other: _____

40 How much do you receive for family expenses from your husband, another person or institution, or from any other jobs or income of your own? (If you are a male member: How much do other individuals, institutions or other sources including other jobs or income of your own, contribute to family expenses?)
_____ monthly, biweekly, weekly
daily(___ days per week)
Other: _____

OTHER LOANS

41 Had you received any loans previous to joining the bank? Yes No
Who provided the loan, what was the interest rate, amount and terms?

| | Interest rate* | Amount | Terms | | Interest* | Amount | Terms |
|--|----------------|--------|-------|--------------------------------------|-----------|--------|-------|
| <input type="checkbox"/> Family Members | _____ | _____ | _____ | <input type="checkbox"/> Cooperative | _____ | _____ | _____ |
| <input type="checkbox"/> Friends | _____ | _____ | _____ | <input type="checkbox"/> Foundation | _____ | _____ | _____ |
| <input type="checkbox"/> Money lender | _____ | _____ | _____ | <input type="checkbox"/> Bank | _____ | _____ | _____ |
| <input type="checkbox"/> Pawnshop | _____ | _____ | _____ | <input type="checkbox"/> Other | _____ | _____ | _____ |
| <input type="checkbox"/> Revolving funds (neighborhood) | _____ | _____ | _____ | | | | |

*interest term: annually, monthly, other: _____

42 Before joining the bank, how did you finance your business?
 Did not have a business before joining the bank Loan
 With my own money Donation from another person or institution
 Money from my husband or from the family budget Other _____

PROMOTER'S OBSERVATIONS:

Does the member have a good understanding of her business sales and expenses? Yes No
Other: _____

**FINCA INTERNATIONAL VILLAGE BANKING PROGRAM
SOCIOECONOMIC SURVEY**

FOLLOW-UP SURVEY

Current Bank Cycle

| | | | |
|-------------------------------|-------|--------------------|----------------------|
| <i>Report prepared by:</i> | _____ | | |
| <i>Date:</i> | _____ | | |
| <i>Village Bank Name</i> | | <i>Bank Number</i> | <input type="text"/> |
| <i>Community Bank</i> | _____ | | |
| <i>Name of Zone or Region</i> | _____ | | |
| <i>Country</i> | _____ | | |

PERSONAL DATA

- 1 What is your full name? _____
- 2 For how many cycles have you participated in the bank? _____ cycles
- 3 How many people live in your house? _____
- 4 How many dependents do you have? A dependent means children and/or any other person that lives in the house and is financially dependent on you or your spouse. _____
- 5 How many children under 5 years of age do you have? _____
- 6 Do your school-age children attend school?

| | |
|---|---|
| <input type="checkbox"/> Yes, all of them | <input type="checkbox"/> No, none of them |
| <input type="checkbox"/> Yes, but not all of them | <input type="checkbox"/> Do not have any children |

IF NONE OR NOT ALL SCHOOL-AGE CHILDREN ATTEND SCHOOL:

- 7 Why don't they attend school?

| | |
|--|---|
| <input type="checkbox"/> There is no school in the area/the school is too far. | <input type="checkbox"/> They have to work |
| <input type="checkbox"/> Lack of money to pay for uniforms, books, or fees. | <input type="checkbox"/> They take care of the other children |
| | <input type="checkbox"/> Other _____ |

FINCA LOANS AND SAVINGS

- 8 What was the amount of your first/most recent internal account loan? _____
- 9 How many times have you received loans from the internal account during the last cycle? _____

IF YOU HAVE RECEIVED LOANS FROM THE INTERNAL ACCOUNT DURING THE LAST CYCLE:

- 10 What is the amount of your current/most recent internal account loan? _____
- 11 How did you spend the internal account loan? the business other
- 12 How much have you saved to date? _____
- 13 Do you like to save? Yes No
- 14 What do you plan to do with your savings?

| | | |
|---|---|---------------------------------------|
| <input type="checkbox"/> Housing improvements | <input type="checkbox"/> Invest in the business | <input type="checkbox"/> Other: _____ |
| <input type="checkbox"/> Children's education | <input type="checkbox"/> Save for an emergency | |
- 15 In your last complete cycle, how many late payments did you have? _____
(Total number of programmed payments per cycle: _____)

THE BUSINESS

- 16 In what productive activities did you invest your FINCA loan?

| | | |
|---|--|--|
| Production <input type="checkbox"/> Seamstress <input type="checkbox"/> Weaving <input type="checkbox"/> Ceramics <input type="checkbox"/> Tortillas/tamales/etc. <input type="checkbox"/> Cafeteria/restaurant <input type="checkbox"/> Other | Agricultural Production <input type="checkbox"/> Basic grains <input type="checkbox"/> Vegetables <input type="checkbox"/> Other agricultural products <input type="checkbox"/> Pig raising <input type="checkbox"/> Chicken <input type="checkbox"/> Other livestock | Commerce <input type="checkbox"/> Small grocery store <input type="checkbox"/> Sale of clothes or shoes <input type="checkbox"/> Sale of jewelry <input type="checkbox"/> Sale of cosmetics <input type="checkbox"/> Sale of household goods <input type="checkbox"/> Other |
| Service <input type="checkbox"/> Beauty Parlour <input type="checkbox"/> Other | | |

- 17 Where is your business located?

| | | |
|--|---------------------------------------|---|
| <input type="checkbox"/> At home | <input type="checkbox"/> Street stall | <input type="checkbox"/> A store or commercial location |
| <input type="checkbox"/> Street vendor | <input type="checkbox"/> Market stall | <input type="checkbox"/> On the farm |
- 18 Is your business the only source of income for your family?

| | | |
|------------------------------|--|---|
| <input type="checkbox"/> Yes | <input type="checkbox"/> No, the member has other income | <input type="checkbox"/> No, another person has an income |
|------------------------------|--|---|

65

**FINCA INTERNATIONAL VILLAGE BANKING PROGRAM
SOCIOECONOMIC SURVEY**

FOLLOW-UP SURVEY

19 How many employees or assistants does the business have (include children and other unpaid workers)? _____

| | Paid | | Unpaid | |
|----------------------|------------------------|-----------|------------------------|-----------|
| | Part-time/ seasonal | Full-time | Part-time/ seasonal | Full-time |
| # Family members | | | | |
| # Non-family members | | | | |

INCOME

20 Do you keep written records of your business earnings and expenses? Yes No

21 What are your business sales? _____
Average or Minimum and Maximum _____
Monthly
Biweekly
Weekly
Daily (___ days per week)
Other: _____

22 What is the total amount of your business expenses? _____
(inputs, merchandise, transportation, stall rental, etc.)
Average or Minimum and Maximum _____
Monthly
Biweekly
Weekly
Daily (___ days per week)
Other: _____

23 Do you think that your sales have increased since you joined the bank?
 A lot Little Have decreased
 Some None Did not have a business before joining the bank

IF THE SALES HAVE INCREASED OR DECREASED:

24 Why have your sales increased or decreased?
 FINCA loan weather (for agriculture)
 change in the business location the economy
 cost of merchandise/inputs other _____

25 How do you spend the earnings from the business? (Mark priorities in numerical order.)
 Family expenses Reinvestment Other _____
 Unprogrammed savings Household improvements No earnings

26 How much of your business earnings do you spend on your family? _____
monthly, biweekly, weekly,
daily(___ days per week)
Other: _____

27 How much do you receive for family expenses from your husband, another person or institution, or from any other jobs or income of your own? (If you are a male member: How much do other individuals, institutions or other sources including other jobs or income of your own, contribute to family expenses?)
_____ monthly, biweekly, weekly,
daily(___ days per week)
other: _____

PROGRAM INFORMATION

28 Do you think that the program has improved your standard of living?
 No Yes
 My family eats better now
 I can now pay for school uniforms, books or school fees for the children
 I have made household improvements
 I bought a television set, a radio, or another household appliance.
 Other: _____

29 What do you like most about the program?
 Borrowing money Being a member of a group
 Saving money Other: _____

30 What do you least like about the program?
 The interest rate is too high Attending meetings
 The loans are too small Other: _____

INTERVIEWER'S OBSERVATIONS:

Does the member have a good understanding of her business sales and expenses? Yes No
Other: _____

66

FOUNDATION FOR INTERNATIONAL COMMUNITY ASSISTANCE
(FINCA INTERNATIONAL)

SOCIOECONOMIC SURVEY OF VILLAGE BANK MEMBERS

I. INSTRUCTIONS FOR COMPLETING THE SURVEYS

A. PURPOSE OF THE SURVEYS

The purpose of the surveys is to:

1. Document the socioeconomic situation of village bank members and their families at the time they enter the program.
2. Measure the program's impact on the socioeconomic status of village bank members and their families, and on their businesses.

B. SURVEY FORMS

There are two surveys, the Baseline Survey and the Follow-Up Survey. Normally, the baseline survey is conducted during each new bank's promotion stage. Given that most programs have village banks that were started before this baseline survey was developed, it will be conducted in these existing banks as well. The procedures for new village banks and for existing village banks follow.

1. NEW VILLAGE BANKS

Baseline data is collected during the promotion stage. Completed baseline surveys are submitted with the bank's cycle one loan application.

Follow-up surveys are conducted annually in each bank starting in cycle 3 and being repeated in cycle 6 and cycle 9. Surveys should be conducted in the last month of the cycle, but not during the end of cycle meeting. Completed follow-up surveys are submitted with the bank's cycle 4, cycle 7 and cycle 10 loan applications.

2. EXISTING VILLAGE BANKS

Baseline data for existing village banks is collected with a special baseline survey for existing banks (Baseline Survey for Existing Members). This survey form is temporary: it will be used only until baseline data has been collected from all existing banks. Baseline surveys for existing banks are conducted in cycles 3, 6 and 9. Surveys should be conducted in the last month of the cycle, but not during the close of cycle meeting. Completed baseline surveys are submitted with the bank's cycle 4, cycle 7, or cycle 10 loan application.

Follow-up surveys for existing banks begin one year after the bank's baseline survey and are conducted in cycle 6 and cycle 9. *For example, if an existing bank had its baseline survey in cycle 3, then the first follow-up survey would be conducted in cycle 6. If the bank's baseline survey was in cycle 6, then the first follow-up survey will be in cycle 9.* Surveys should be

D. PROGRAM EXAMPLES

The following table shows the estimated number of interviews and time requirements for a small, medium and large program.

| | <u>Small</u> | <u>Medium</u> | <u>Large</u> |
|------------------------------------|--------------|---------------|--------------|
| Number of banks | 12 | 224 | 890 |
| Number of members | 312 | 6,660 | 28,041 |
| Total # interviews/year | 156 | 1,120 | 2,670 |
| Estimated # promoters | 2 | 23 | 89 |
| Estimated # interviews | | | |
| per promoter per month | 7 | 4 | 3 |
| Estimated hours/promoter/month* | 3 | 1 | 1 |
| Estimated data input hours/month** | 1 | 8 | 19 |

* Assumes an average of 15 minutes per interview

** Assumes an average of 5 minutes per interview to input data

63

conducted in the last month of the cycle and submitted with the bank's cycle 7 and cycle 10 loan applications.

C. SAMPLE SIZE AND SAMPLE SELECTION

1. SAMPLE SIZE

A sample of village bank members from every village bank are surveyed. The number of surveys per bank depends on the total number of banks in the program:

| <u># of Village Banks in the Program</u> | <u># of Surveys per Bank</u> |
|--|------------------------------|
| 1 to 50 | 50% of members |
| 51 to 300 | 5 members per bank |
| more than 300 | 3 members per bank |

2. SAMPLE SELECTION

Baseline Survey for New Village Banks: The names of village bank members to be surveyed are selected from the village bank roster. Select only the odd numbered members starting at number 1 until the sample size is reached. *For example, for a program with less than 50 banks, half of the members must be surveyed: select all of the odd numbered members on the list. For a program with 200 banks, 5 members must be surveyed: select numbers 1, 3, 5, 7 and 9. For a program with 500 banks, 3 members must be surveyed: select numbers 1, 3, and 5.*

Baseline Surveys for Existing Banks: Use the same procedure as for new village banks, but survey only those individuals who are original members of the bank. *For example, in a cycle 3 bank, survey only members who have been in the bank for 3 cycles. For a cycle 6 bank, survey only members who have been in the bank for 6 cycles.*

If the odd numbered members selected for the sample are not original members, skip them and select the next odd number until you have a sample of only original members. If there are not enough original members with odd numbers, select even-numbers starting with number 2. If there still are not enough original members, select members from the previous cycle, starting with those having odd numbers and continuing with even numbers if necessary. *For example, for a program with less than 50 members, the last two odd-numbered members in a cycle 6 bank are not original members. Replace them with the first even numbered members who are original members. If there are not enough original members to complete the sample, select the first odd numbered members who are in cycle 5.*

Follow-Up Surveys: Select the same members that were included in the baseline sample, if possible. If any of these members no longer belong to the bank, select the first odd-numbered members who are original bank members to replace them. If there are not enough original members with odd numbers select members who have even numbers. If there are not enough original members to complete the sample size, select odd numbered members from the previous cycle