MICROFINANCE SUPPORT PROJECT

PROGRESS REPORT
AS OF 12/31/00
&
PRELIMINARY 2001 ACTION PLAN

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CONFIDENTIAL NATURE OF THIS REPORT

This report contains information of a confidential nature which was provided to CARANA Corporation on the basis that it would not be disclosed outside of CARANA Corporation and / or USAID Honduras. It also contains candid observations on the management and operations of Fundación Covelo and the FPVOs in the Covelo network that are intended to assist with the development and implementation of further technical assistance. Many of the observations should not be shared, in their present form, with Fundación Covelo, FPVO staff or Board Members.

I. EXECUTIVE SUMMARY

This progress report is divided into four main sections. The first three sections cover the projects' activities during an eight month period from April 1, 2000 through December 31, 2000. The fourth section is a presentation of the preliminary work plan for 2001 which is still under discussion with Covelo, and which will be presented in final form in early January. All four sections are briefly discussed below.

1. April - May: Preliminary Diagnostic Phase and Preparation of the Work Plan Through 12/30/00

The activities undertaken in the first phase culminated in a document titled: "MICROFINANCE SUPPORT PROJECT - STRATEGY, WORK PLAN, REPORTING REQUIREMENTS AND OTHER ADMINISTRATIVE ISSUES " submitted in June of 2000. In that document, CARANA presented the methodology used in carrying out the preliminary diagnostic work and a fluid action plan with a discussion of some of the major assumptions that were behind the preparation of that work plan.

2. June through September: Start-up of Work Plan Activities

In June CARANA initiated the second phase of the program. Activities in four major areas were carried out during this phase.

- In Depth Diagnostic Work and Development of the Scopes of Work for each of the priority (Tier 1) Institutions;
- Continued Diagnostic Work with second and third priority FPVOs (Tier II and Tier III);
- Development of the training schedules and other training related activities; and,
- Office set-up and Logistics

Of these four activities, the bulk of the effort went into carrying out an in depth evaluation on each of the priority (Tier I) FPVOs (Finsol, Hermandad de Honduras and ODEF), and developing the specific scopes of work for the consultants scheduled to work with each of the institutions.

The additional diagnostic work carried out on these three Tier I FPVOs was made for the purpose of deepening the analyses contained in the original diagnostic studies and discussing their results with these institutions. Information not available at the time the preliminary diagnostic studies were prepared was added. The results of the diagnostic studies were shared with the institutions, the analyses were validated, strengths and weaknesses of the institutions confirmed, and any initial misapprehensions concerning the institution were corrected. The results of these discussions and refinements were incorporated in the preparation of individual scopes of work (SOWs) to address the most urgent needs of each specific institution. Interaction between CARANA's resident technical assistance advisor and these institutions was crucial to arriving at a consensus on which problems most urgently required solution and which could be addressed within

the time and with the technical expertise of the short-term consultants scheduled to be brought in later in the year. Thus, these visits formed the basis for elaborating SOWs tailored to the needs of the individual institutions.

3. October through November: Intensive Technical Assistance and Training Activities

This section of our report is divided into six main parts, each discussing the key training and technical assistance activities carried out during the three month period by our long and short term staff. Technical assistance was mostly aimed at providing assistance in Management Information Systems; Controls Policies and Procedures; Improving Technical Skills; and strengthening FPVO Organizations, Management, Human Resources and Boards of Directors. Training activities included a courses on credit methodologies and a second on the analysis of credit and portfolio risk in microfinance institutions. Individual working sessions with the boards of directors of eight different institutions were also held. This work focused on the development and implementation of a program of workshops intended to stimulate, challenge and help prepare boards of directors to more effectively assume the responsibilities of micro finance institution governance.

While we suffered some delays in fielding short term consultants due to a budget modification which in turn delayed the approval of most of our short term consultants, by September the problem had been corrected, and we were able to deliver the short term technical assistance that had been promised. In all, more than 110 days of short term technical assistance were provided (against a plan of 100), mostly to Tier I FPVOs (FINSOL, HDH, and ODEF).

4. Preliminary Work Plan for 2001

In November, CARANA staff began developing a work plan for 2001, with a greater focus and level of detail on the first six months of the year. At the same time, the 2nd story operations division at Covelo also prepared a draft document of their work plan for 2001 which called on CARANA to assist them in a variety of areas. In a preliminary meeting held on December 5th, these two work plans were reconciled, and this was used to further focus the CARANA work plan through June of 2001. The preliminary work plan calls for CARANA to assist Covelo in three different areas; general technical assistance to the FPVO network, assistance in the delivery of a training program, and assistance to Covelo's 1st and 2nd story credit operations.

In a follow-up meeting between Covelo, CARANA and USAID on December 14th, the results of the December 5th meeting were reviewed and some of the activities were further prioritized. This process will continue into January and is being coordinated by our resident technical assistance advisor. In January, CARANA's project manager will visit Honduras to finalize the work plan with Covelo and present a final version to USAID for approval.

In the mean time, CARANA is proceeding on several fronts to begin the implementation of project activities in early 2001. Within the first six weeks of 2001, we anticipate fielding consultants and staff to begin working on supporting Covelo's first story operations, initiate the planning and strategy sessions with Covelo's board of directors, initiate the credit bureau activity, and initiate the MIS strategy analysis.

II. PROGRESS REPORT AS OF NOVEMBER 30, 2000

A. INTRODUCTION

This progress report covers the period from April 1, 2000 to December 31, 2000. It covers three distinct phases of the project:

- April - May: Preliminary Diagnostic Phase and Preparation of the Work Plan Through 12/30/00
- June through September: Start-up of Work Plan Activities
- October through November: Intensive Technical Assistance and Training

B. PRELIMINARY DIAGNOSTIC PHASE AND PREPARATION OF THE WORK PLAN

A complete write up of the activities undertaken during the preliminary diagnostic phase which culminated in the preparation of the Work Plan through December 2000 is presented in our report: " MICROFINANCE SUPPORT PROJECT - STRATEGY, WORK PLAN, REPORTING REQUIREMENTS AND OTHER ADMINISTRATIVE ISSUES " submitted in June of 2000. In that document, CARANA presented the methodology used in carrying out the preliminary diagnostic work. The document also presented a fluid action plan with a discussion of some of the major assumptions that were behind the preparation of that work plan. Also covered in that document were some of the preliminary issues and concerns identified by the CARANA team.

1. Highlights of the Work Plan through December 2000

The CARANA team found broad differences and varying levels of sophistication among the FPVOs analyzed. However all of the FPVOs requested and/or required technical assistance (T/A) in each of the four major areas below:

- Management Information Systems
- Controls, Policies and Procedures
- Technical Skills (credit, management, marketing, product design, etc.)
- Organization, Management, Human Resources, and Board of Directors

a. Management Information Systems

Support to Management Information Systems (MIS) was made up two main thrusts. The first was to support selected FPVOs in improving their utilization of existing MIS systems. This was to be accomplished through the specific technical assistance interventions at each of the selected FPVOs.

The second thrust was to work with Covelo in the development of an MIS solution for all FPVOs working with Covelo. Our work plan called for assisting Covelo in developing the use of the *Sistema Integrado de Empresas Micro (SIEM),* a specialized MIS

developed and marketed by SOFTCORP of Guatemala, and which is currently used by Covelo and four of the FPVOs in the Covelo network.

b. Controls, Policies and Procedures

Most of the participating FPVOs are in need of assistance in this area, particularly with the development of proper operating manuals and the implementation of these systems. Our work plan called for one-on-one technical assistance to be provided as necessary to each FPVO in a variety of areas related to improving controls and operating and management policies and procedures. It was also anticipated that all technical assistance for the improvement of controls and procedures would be provided in close coordination with the MIS technical assistance and training discussed above.

c. Improving Technical Skills

The Work Plan called for the improvement of technical skilss, particularly the skills of field credit staff. The Plan called for CARANA consultants to work with Covelo and FPVO personnel, using one-on-one technical assistance, workshops and training courses, to improve the skill levels of field credit staff in each selected priority FPVOs.

d. Organization, Management, Human Resources, and Board of Directors

The Work Plan focused mostly on human resources development, specifically in the areas of board of directors strengthening, staff turnover and salary and incentive structures. Initial priority attention was to be directed to the resolution of the problems that were identified in the diagnostic phase as serious impediments to immediate efficient FPVO operations.

2. A Tiered Approach to Technical Assistance

In working sessions with Covelo's management and USAID's project manager, the CARANA team proposed that the technical assistance and training resources available under the technical assistance contract should not be made available to all FPVOs equally. CARANA's position was based on the belief that if the level of effort that was available under the contract were divided equally among all of the FPVOs, the project faced a very real danger of achieving little impact in the short run due to the dilution of efforts.

After considerable discussion, all parties (Covelo, USAID and CARANA) established a tiered approach that would concentrate technical assistance and training resources among the most promising institutions in the short run. In this way, the would achieve the highest possible impact in the short run, while also working to strengthen the entire FPVO network in the long run. In order to categorize FPVOs into these tiers, a ranking system was developed that considered such factors as ability to absorb technical assistance, geographic coverage, level of sophistication and impact in Mitch affected areas.

The three tiers developed in the Work Plan were:

- First Tier FPVOs: Technical assistance and training LOE was to be concentrated among these institutions. Tier I FPVOs were scheduled to receive as much as 50% of the total LOE (most of the Short Term Technical Assistance LOE). Tier I beneficiaries were FINSOL, ODEF and HDH.
- Second Tier FPVOs were scheduled to receive approximately 30% of the total technical assistance and training LOE. Tier II beneficiaries were FINCA, World Relief and Covelo's "1st story" credit operations.
- All of the remaining FPVOs were placed in the Third Tier category. Assistance to third tier FPVOs was programmed to be made up mostly of workshops and training sessions that that would be open to all FPVOs and other financial institutions working in microfinance.

C. START UP OF WORK PLAN ACTIVITIES (JUNE - SEPTEMBER 2000)

In June CARANA began the implementation of the Work Plan. This phase included several activities which are discussed briefly in the sections below. In Annex I to this Document we have presented a detailed chronology of events during this period along with some explanatory notes.

1. In Depth Diagnostic Work and Development of the Scopes of Work for each of the Tier 1 Institutions

The tiered approached presented in the Work Plan called for a greater focus in the three Tier I institutions (ODEF, FINSOL, HDH). CARANA's resident technical assistance advisor, who had also worked on the preliminary diagnostic work and the development of the Work Plan, spent a great deal of time with these institutions developing individual work plans for the technical assistance and discussing them with the management of each of the respective institutions.

Visits to these institutions were made for the purpose of deepening the analyses contained in the original diagnostic studies and discussing their results with these institutions. The CARANA resident technical assistance advisor visited field offices and end-borrowers in intensive programs designed to check that loan documentation, procedures, amounts, payments, etc. appearing in individual loan files corresponded to actual data supplied by borrowers and local offices of FPVOs. These types of checks are standard procedures for auditing microfinance operations and allowed the microfinance consultant to make observations concerning procedures and operations to the individual microfinance organizations directly. As a result of this work with the individual organizations we obtained a better understanding of each institution and was thus better positioned to guide the short term consultants that would supply the short term technical assistance.

Information not available at the time the preliminary diagnostic studies were prepared was added. The diagnostic studies were shared with the institutions, the analyses were

validated, strengths and weaknesses of the institutions confirmed, and any initial misapprehensions concerning the institution were corrected. The results of these discussions and refinements were incorporated in the preparation of individual scopes of work (SOWs) to address the most urgent needs of each specific institution. Interaction between CARANA's resident advisor and these institutions was crucial to arriving at a consensus on which problems most urgently required solution and which could be addressed within the time and with the technical expertise of the short-term consultants scheduled to be brought in later in the year. Thus, these visits formed the basis for elaborating SOWs tailored to the needs of the individual institutions.

A final step in this process was the identification and approval of the individuals that were to assist our resident staff in providing the intensive levels of technical assistance to these institutions. These individuals were identified in July, but due to some administrative problems (discussed in Section 4 below) these individuals were not fielded until October.

2. Continued Diagnostic Work with Tier II and Tier III FPVOs

During this timeframe, our resident advisor also began working on a more in-depth analysis of some of the Tier II and Tier III FPVOs, although relatively little time was spent on Tier II and III institutions. This process was initiated at this time to help strengthen our initial training and technical assistance needs assessment.

3. Development of Training Schedules and Related Activities

During this time period, CARANA, in coordination with Covelo's training unit, developed a training schedule which was used to prepare the course descriptions and to select the trainers that were eventually used to deliver the training sessions.

Five training topics were originally identified for delivery during the period of time covered by the Action Plan. These were:

- Credit Methodologies
- Analysis of Credit Risk
- Role and Responsibilities of the Board of Directors
- Solidarity Lending
- CAMEL Analysis

4. Logistics

As with the start-up of any program, there were several logistical and administrative matters which were completed during this period. Among them was the establishment of a project office in Covelo, the purchase of all of the necessary equipment and furniture, and the transfer of our resident staff (resident technical assistance in June and Chief of Party in September).

During this period, the task order budget for the microfinance project was re-negotiated with USAID. This turned out to be a very time consuming effort and unfortunately was not successfully completed until September. While the budget modification did result in an increase in the Level of Effort under the project at the same overall cost, the delays in the budget modification process meant that CARANA was not able to field short term technical assistance in August as originally scheduled until this task was completed.

D. INTENSIVE TECHNICAL ASSISTANCE AND TRAINING PHASE

Beginning in October, the intensive technical assistance and training program was initiated. A summarized discussion of the principal activities that were undertaken from October to December is provided below, and a more in depth discussion is provided in the summaries.

1. Technical Assistance to Hermandad de Honduras

During the period from October 22nd through November 13th, CARANA consultant Henry Cardona worked full time with HDH's management and staff. This short term consultant was also supported by CARANA's resident technical advisor for periods of time to provide continuity and insure quality control. Assistance was provided in the following areas:

- Administrative and Organizational Systems
  - Review of personnel manuals
  - Review of credit operations manual
  - Suggestions for the delegation of credit levels
  - Suggestions on improving their current savings program
- Review and Suggestions to Improve Operational Aspects
  - Credit analysis procedures
  - Credit approval procedures
  - Improved access and management of information at the branch level
  - Collection process
  - Improved Documentation on Clients
- Human Resources
  - Development of an improved compensation and incentive system for loan officers

A more detailed report is provided in Annex B, and the consultant's complete report has been provided to USAID under separate cover[1].

2. Technical Assistance to FINSOL

During the period from October 4th through November 10th, CARANA consultant Elvis Alva worked full time with FINSOL's management and staff. As with the case with

[1] A complete listing of all reports submitted to USAID during the period from April 1 to December 31 is presented in Annex H.

HDH, the short term consultant was also supported by CARANA's resident technical advisor to provide continuity and quality control. Assistance was provided in the following areas:

- Review of Credit Procedures, Policies and Regulations
  - Simplification of the forms and documentation used for evaluating credits
  - Simplification of the procedures to approve and disburse credits
  - Assistance in providing greater flexibility in credit policies
- Assistance in Market Analysis and the application of this in Strategic Planning
  - Review of the competitive position of some branch locations
  - Insure the participation of branch management in the strategic planning process
- Assistance in Human Resources
  - Improved procedures for the selection of personnel
  - Identification of training for loan officers to improve sales and service to clients
  - Assistance with the development of personnel manuals, including functions and job descriptions

A more detailed report is provided in Annex C, and the consultant's complete report has been provided to USAID under separate cover.

3. Technical Assistance to ODEF

Intensive technical assistance was provided to ODEF by a third consultant ,Jorge Canseco, during the period from the 4th of October through the 17th of November. This consultant was also supported by CARANA's resident technical advisor. Assistance was provided in the following areas:

- Program to Address Urgent Weaknesses
  - Operations (15 suggestions)
  - Planning and Finance (9 suggestions)
  - Administration (9 suggestions)
- Credit Procedures
  - Design of formats and procedures to improve the credit methodology
  - Training in sales, assessing character, and risk management
  - Suggested strategies for growth of the credit portfolio.
- Market Studies
  - La Ceiba
  - Copán
- Design of a methodology for market analysis
  - Administration and Management
  - Improvement to the management and information system
  - Suggestions to improve internal controls
  - Modifications to the organizational and responsibilities manual

A more detailed report is provided in Annex D, and the consultant's complete report has been provided under separate cover.

4. Training Seminar on Credit Methodologies

During the week of October 2nd, CARANA staff assisted Covelo in the delivery of a seminar on Credit Methodologies for Microfinance Institutions. CARANA's support included the design of the course with Covelo and the trainer, selection and contracting of the individual selected to give the seminar (Arelis Gomez) as well as coordination and logistical support.

The seminar consisted of a two day event in Tegucigalpa, followed by a two day event in San Pedro Sula. The seminar concentrated on strengthening the knowledge of several diverse types of credit methodologies used in Honduras.

Greater detail on this course is presented in Annex E, and a separate report which includes the course content and handouts has been delivered to USAID and Covelo for future reference.

A total of 64 participants attended the two sessions, 32 in San Pedro Sula and 32 in Tegucigalpa. More than 95% of the participants in the seminar rated the course content and the trainer as "very good" to "excellent".

5. Training Seminar on the Analysis of Credit Risk

A second training seminar was delivered during the week of November 13th. This seminar focused on the Analysis of Credit Risk for different types of clients. The seminar was delivered over a two day period in Tegucigalpa (November 13 and 14) and repeated in San Pedro Sula (November 16 and 17).

The seminar focused on the reduction of past due or "at risk" loans in the microfinance institution's portfolio. The seminar covered different techniques in credit and risk analysis which are used to better understand and classify credit risk in microfinance lending.

Greater detail on this course is presented in Annex F, and a separate report which includes the course content and handouts has been delivered to USAID and Covelo for future reference.

36 participants attended the course in Tegucigalpa, and 26 attended the course in San Pedro Sula. As with the seminar on Credit methodologies, this seminar also received an approval rating of "very good" to "excellent" from more that 95% of the participants.

6. Training for the Boards of Directors

CARANA consultant, William J. Phelps worked with resident CARANA staff and the management and boards of directors of eight 1st and 2nd tier FPVOs. This work focused on the development and implementation of a program of workshops intended to

stimulate, challenge and help prepare boards of directors to more effectively assume the responsibilities of micro finance institution governance.

Separate, individual sessions were held with management personnel followed by a second session with the boards of each of the eight institutions during 2 two-week consultancies between October 15 and November 30. The format for all of the sessions included:

- Review of the evolving and increasingly demanding characteristics of the micro finance industry;
- Review of the responsibilities of boards of directors of micro finance institutions in general; and detailed review of the unique responsibilities of each specific board and its individual members.
- Review of composition, operating procedures, policies and other key characteristics common to effective boards of directors of micro finance institutions;
- Discussion among board members, including the history, dynamics and strengths and weaknesses of the board;
- Self evaluation by individual board members with emphasis on essential leadership qualities and technical skills necessary for effective board operation; and,
- Identification of specific training and skill development needs of each board.

The responses of the eight boards varied from excellent to good. The material presented in each of the sessions appeared to be well received and there was clear indication that several participants were effectively stimulated by the sessions. Considerable interaction was evident among board members, and early feedback was universally positive. Each of the boards generated priority lists of topics that they wish to include in their "action plans" for the Year 2001. At least three of the boards concluded that they would actively scrutinize their current composition and procedures in order to improve their effectiveness. All of the boards expressed interest in further assistance.

E. ANALYSIS OF ACTUAL PROGRESS VS THE WORK PLAN

The CARANA work plan covered the period up through December 31, 2000. In this section of the progress report, we have presented an objective discussion of actual accomplishments vs. the plan along with relevant comments in those areas where there were deviations from the plan.

1. Delivery of Technical Assistance

The work plan called for CARANA to deliver a total of 100 days of short term technical assistance from July through December. This was in addition to the support of the resident advisor and a chief of party. Technical assistance was mostly aimed at providing assistance in Management Information Systems; Controls Policies and Procedures; Improving Technical Skills; and strengthening FPVO Organizations, Management, Human Resources and Boards of Directors.

While CARANA suffered some delays in fielding short term consultants due to a budget modification which in turn delayed the approval of most of our short term consultants, by September the problem had been corrected, and we were able to deliver the short term technical assistance that had been promised. In all, more than 110 days of short term technical assistance were delivered, mostly to Tier I FPVOs (FINSOL, HDH, and ODEF). The focus of this Tier I technical assistance is discussed in greater detail in the previous sections of this report and in the annexes.

While the delivery of the promised level of technical assistance is important, te quality of the technical assistance is even more important. CARANA has received some informal feedback regarding the work that our consultants did in the three principal tier I organizations. We have also sent each of the organizations a letter requesting formal feedback to better analyze the results of our technical assistance interventions.

While in general we believe that the organizations were happy with the technical assistance received, the major criticism that we are aware of is that our consultants did not limit their activities to the written scopes of work in all cases. In an effort to please the host institutions, CARANA and our consultants acquiesced to requests made by the host institutions to work in other areas not formally in their scopes of work. In some cases this resulted in a dilution of the overall effort, and some tasks were not completed at the level that had been anticipated. As described in section II.G (Lessons Learned), we are taking measures to correct this for future technical assistance interventions.

2. Management Information Systems

One of the areas that was targeted in our Work Plan was additional assistance to Covelo in helping to define a long term strategy for the implementation of a common MIS system in Honduras. Currently, several FPVOs and Covelo work with a system which was developed in Guatemala (SIEM), and at the time of developing the CARANA work plan, Covelo was pushing for other FPVOs to purchase the system so that there would be a common system throughout the Covelo network. Consequently, CARANA had planned to support this strategy by helping to hire an individual that would support the SIEM implementation in Honduras.

Upon further analysis, Covelo decided that rather than implement a SIEM based system, it would be a better strategy to develop its own MIS. Initially this new system would build on the SIEM system, but eventually it would be developed as an in-house system that would be owned by Covelo and made available to the other FPVOs in Honduras. Consequently, CARANA did not proceed in the direction that had been indicated in our work plan, and did not engage in any initiatives in the MIS area.

We have some concerns regarding this new direction, and believe that now would be an excellent opportunity for us to bring in a senior microfinance MIS specialist to discuss the options available in Honduras and to assist Covelo and its member FPVOs in deciding on a viable long term MIS strategy. We have proposed to Covelo that this be done early in 2001 and it is currently under discussion.

3. Training

From September through November, three different training sessions covering different topics were organized as discussed in the previous sections. A fourth topic was also scheduled, but the trainer asked to postpone the session for personal reasons until early 2001. However, the work plan had called for a total of five topics to be covered in training sessions, although in hindsight we believe that five training sessions was too ambitious.

One of the reasons we believe that the plan was ambitious, was that we underestimated the logistics involved in carrying out these training programs. For example, each topic turns out to be two separate training sessions (one in Tegucigalpa and one in San Pedro Sula). In the case of the sessions with the boards of directors, these were developed as separate sessions for each FPVO (eight in total), and each FPVO itself was divided into two working sessions - one with management and one with the Board). As a result, during this period, CARANA staff delivered a total of twenty sessions, far more than had been originally anticipated.

F. FINANCIAL DATA

The table below shows a breakdown of actual project expenditures (10/00 to 12/00 figures are estimates) against the budgeted figures for the same period.

Financial Data - Budget vs. Actual Expenditures

	04/01/2000 06/30/2000	07/01/2000 09/30/2000	10/01/2000 12/31/2000	Total
Work Plan	135,493.00	220,564.00	288,669.00	644,726.00
Actual	122,296.00	106,549.00	285,305.00	514,150.00
Difference	13,197.00	114,015.00	3,364.00	130,576.00

The large difference in the actual vs. the budgeted figures for the period from July to September highlight some of the difficulties that we encountered in the start-up of the project:

- Only one resident advisor was in place through August.
- CARANA did not hire any support staff, although a secretary and an administrative assistant had been budgeted.
- Delays in an important budget modification led to delays in fielding short term technical assistance and training resources.

However, not all of the reasons for the difference were negative. For example, CARANA did not feel the need to hire a secretary or an administrative assistant given that we received this support directly from Covelo. This has resulted in a savings which we believe can be used to increase the level of short term technical assistance which is much needed by the project. The savings that resulted by not having a chief of party in

place until September also have resulted in an increased level of short term technical assistance budget. Finally, it should also be noted that while we had budgeted that much of the short term technical assistance would be carried out by U.S. Fixed Daily Rate personnel, much of it has been carried out by Third Country National Personnel, at a much lower cost to the project. This also has the affect of stretching our short term technical assistance budget.

As the table above also indicates, by October of 2000 the project was fully operational and as a result expenditures were fairly close to what had been budgeted initially. For the period from January through June of 2001, we estimate that we will spend an average of $75,000 per month or $450,000. Given the current funding level of $1,000,000 for this component of the project, this means that the project would require an additional funding modification by July of 2001.

G. EARLY LESSONS LEARNED

During this period there have been some important "Lessons Learned" that should be highlighted. The "Lessons Learned" are being incorporated into our strategy and action plan for 2001.

1. Evolution of the Credit Methodologies

One of the most important findings under this project has been that most of the FPVOs in Honduras have evolved beyond the "packaged" credit methodologies that they initially started with. As the market has gotten more sophisticated and competition increased, these FPVOs have introduced new techniques and/or altered their techniques in order to adapt to changing market conditions. However, even with these changes, many FPVOs are still experiencing high "loans in arrears" rates which suggest that additional analysis and modifications to credit techniques and products are required.

The challenge for CARANA is that as a result, these institutions require much more specialized assistance at this stage of their development. Consequently, we have had to identify consultants from other countries that have lived through a similar experiences and that can work with Honduran FPVOs in analyzing their existing credit methodologies and products introducing additional modifications and/or new products altogether.

2. Limits on the Short Term Technical Assistance

As discussed earlier in this report, one of the problems faced during the initial operating period was that our short term consultants working with Tier I institutions received numerous requests from the institutions they were working with for additional work that went beyond the specific scope of work that had been negotiated with the institution and with the consultant. While we can attribute this to an effort to please on behalf of our consultants and a desire by these institutions to exploit this technical assistance as much as possible, it did lead to a dilution of efforts which in turn resulted in some tasks not being completed to the degree which had been anticipated.

While we are still waiting for formal feedback from the Tier I institutions that we provided assistance to over the last three months, we already know that this is an area that we will have to control better over the coming year. As new consultants are brought in to provide assistance to Tier I and II institutions in this next year, CARANA has to be more careful in instructing consultants not to carry out tasks unless they are specifically stated in their written scopes of work. We will also make this same request to the recipient FPVOs.

3. Greater Spread on Technical Assistance

While CARANA did meet its technical assistance level of effort targets for the period through December 2000, this technical assistance was heavily concentrated among three Tier I institutions. The plan had called for a concentration of efforts on Tier I institutions (50% of the effort), but also called for some technical assistance to Tier II institutions, additional assistance to the overall MIS effort, as well as in carrying out the training program.

CARANA intends to correct this in 2001 by beginning an extensive effort with the Tier II institutions and in the MIS area.

4. Improved Training Segmentation

A fourth area where we received some important feedback (in spite of the very high ratings achieved in each of the training courses) was in the need to better target the audience and provide more specialized training in some cases. For example, a seminar on credit methodologies at the board of directors or management level, would be very different from one given at the loan officer level. At this time, attendance is offered on a first come first serve basis given the high demand for this type of training.

To correct this problem in 2001, CARANA hopes to begin offering more specialized training for target groups. This should result in even better results, with the material geared towards a specific target group wherever possible.

H. KEY ISSUES FACING THE PROJECT AT THIS TIME

The project currently faces two key issues which are briefly discussed below.

1. Relationship with Fundación Covelo

There has been some friction between Covelo and CARANA during this initial period which can be attributed to a number of factors. Probably the most important of these is CARANA's desire to maintain a certain level of independence from Covelo in order to establish greater credibility among the FPVOs network. We believe that this is necessary given that while member FPVOs understand that they must work with Covelo 2nd story

operations, these same FPVOs compete against Covelo's 1st story operations and are concerned by the potential conflict of interest within Covelo's structure.

Our desire to maintain this level of "independence" is directly contrary to Covelo's desire to be much more involved in the technical assistance and that the FPVOs need to see this technical assistance as being directed by Covelo. Covelo's management believes that this is necessary in order to strengthen Covelo's hand as the 2nd story lending operation that supervises the USAID loan funds (and other funding) that theses FPVOs receive.

The above has led to a conflict in which the CARANA team feels that Covelo wants to control and direct the technical assistance, while Covelo's management feels we are shutting them out of the technical assistance component of the project.

In meetings held in December between Covelo's general manager, Juan José Lagos, and CARANA's project manager, Carlos Torres, the above situation was candidly discussed and both sides agreed on the need to work closely together to resolve this issue. We believe that this problem can be resolved with improved coordination and communication but will require a greater degree of communication and trust. The USAID project manager is also actively involved in helping to resolve this issue.

2. Personnel Issues

In December, CARANA Corporation made the decision to cancel the contract for the resident chief of party's contract (Jeff Dorsey) under this project. This decision, which was discussed with both USAID and Covelo prior to its implementation, was made on the basis that CARANA's management felt that Mr. Dorsey was not providing the necessary leadership required for a project of this complexity, and that his technical and managerial skills were not meeting the needs of the project.

CARANA has begun the search for a new COP, however, in the short run our resident technical assistance advisor, José Luis Lozano, has temporarily taken over the responsibilities of the COP. CARANA's Project Manager, Carlos Torres has also stepped up his management role to help fill in for this temporary vacancy. We do not feel that the performance of the project, or our ability to meet the targets in our 2001 work plan will be jeopardized in any way by this decision. We are very pleased with the performance of our resident technical advisor and are confident in his ability to manage the project over the next few months.

As pointed out in the next section, the budget savings as a result of not having second resident in place over the short run will result in the ability to field additional short term consultants that are very much in demand in this project at this time.

3. Short Term Technical Assistance

The initial project design called for a very high level of short term technical assistance over the life of the project, however, due to budget constraints, only 300 man days were

budgeted in the task order for specialized short term T/A and training activities. As a result of the budget modification which was approved in September of 2000, the short term T/A and training LOE was increased to approximately 400 man days.

However, the needs of the individual FPVOs and Covelo 2nd and 1st story banking operations are such that an even greater level of short term technical assistance is required if we are to achieve the impact that we desire. In a working session with Covelo, we estimated a need for 250 man days just to cover the needs in the Covelo work plan for the six month period through June of 2001. The wide range of skills required to provide this assistance makes it difficult to meet these needs with just the long term residents.

The cost savings as a result of some of the decisions made to date will free up additional budget to cover part of the deficit in the short term technical assistance needs. Furthermore, for each day saved in the long term COP position, the project gains an additional two days of much needed short term TA budget. As a result, in the short term (next two or three months) CARANA is suggesting that we not replace the COP position unless an exceptional candidate is identified during this period. In light of the needs of the project in the long run, we believe that USAID, Covelo and CARANA should discuss the trade off between short term technical assistance needs and the requirement for a second resident.

III. PRELIMINARY WORK PLAN FOR 2001

In November, CARANA staff began developing a work plan for 2001, with a greater focus and level of detail on the first six months of the year. At the same time, the 2nd story operations division at Covelo also prepared a draft document of their work plan for 2001 which called on CARANA to assist them in a variety of areas. In a preliminary meeting held on December 5th, these two work plans were reconciled, and this was used to further focus the CARANA work plan through June of 2001.

The preliminary work plan calls for CARANA to assist Covelo in three different areas; general technical assistance to the FPVO network, assistance in the delivery of a training program, and assistance to Covelo's 1st and 2nd story credit operations. Some of the key points in each area are highlighted below:

- General Technical Assistance to the Network FPVOs
  - Assistance in developing a strategy for a system wide MIS solution for Honduras;
  - Assistance with the development of new products and improved coverage in new areas;
  - Strong specialized technical assistance to Tier II FPVOs;
  - Continued but limited assistance to Tier I FPVOs
  - Continued assistance to strengthen the Boards of the FPVOs
  - Preliminary assistance to Private Banks interested in microfinace
  - Analysis of the potential for a Credit Bureau in Honduras
  - Assistance with Impact Analysis

- Training Program
  - Development of a more aggressive training schedule (ten themes for all of 2001)
  - Specific training in (the final list will be developed by Covelo and CARANA)
    - > Loan Recovery Methodology
    - > CAMEL Analysis
    - > Solidarity Lending
    - > Marketing and Promotion
    - > Market Analysis
    - > Analyzing Financial Performance

- Assistance to Covelo
  - Assistance to Covelo's 1st Story banking operation
  - Assistance to strengthen Covelo's 2nd Story banking operation
  - Assistance in implementing the new regulatory environment
  - Strategic planning with the Covelo Board

On the following page, we have presented a preliminary table showing the Short Term Technical Assistance and Training needs required in order to accomplish the above in

PRELIMINARY TECHNICAL ASSISTANCE PROGRAM - 1/1/01 TO 6/30/01
ESTIMATE OF REQUIRED SHORT TERM TECHNICAL ASSISTANCE REQUIERMENTS

ACTIVITY	Days	Relationship with the Covelo Work Plan
TRAINING		
Courses (5 courses X 6 das)	30	1.1.E, 3.1
Board of Director Training - Continuation of the process begun in Oct of 2000	12	1.1.E, 3.1
FUNDACION Covelo		
- Board of Directors		4.0
Preparation for Planning Session	10	
Planning Session (2 consultants)	10	
- Covelo 1st Story Operations		
Revision of the existing diagnostic work	12	1.1.A, 1.1.B, 1.1.E, 1.1.G
T/A in Credit Methodology, etc.	42	1.1.A, 1.1.B, 1.1.E, 1.1.G
T/A in Administrative and Back Office Issues	18	1.1.A, 1.1.E
- Covelo 2nd Story Operations		
Strengtheing of Supervision Function; CAMEL Analysis	6	3.2
OTHER		
Credit Bureau (Initial Feasibility and Seminar)	12	1.1.d
Regulatory Environment	0	(Support via the PEP Project) 1.2
Management Information System for Honduras (Support at the Strategic Level)	12	1.1.C
T/A Tier I (ODEF, FINSOL, HDH) 1 week at each	18	1.1.A, 1.1.B, 1.1.E, 1.1.G
T/A Tier II (WR & Finca) 5 weeks each	60	1.1.A, 1.1.B, 1.1.E, 1.1.G
Impact of Microfinance on development, etc.	6	N/A (Peticion USAID)
Support to Private Commercial Banks - Prefeasibility Analysis	0	N/A (Long Term Resident Function)
Total Estimated Short Term TA and Training LOE Needs	248	

a six month period. This short term budget is further supported by the efforts of the technical resident advisor who will also carry out specific technical assistance tasks. This table represents a preliminary summary of the short term technical assistance requirements. It shows a need for roughly 250 days of short term technical assistance in addition to the support provided by the resident advisor. While the 250 days exceeds the current availability in the budget, as a result of some of the savings discussed in the previous section most of this should be possible.

In a follow-up meeting between Covelo, CARANA and USAID on December 14th, this document was reviewed and some of the activities were further prioritized. This process will continue into January and is being coordinated by our resident technical assistance advisor. In January, CARANA's project manager will visit Honduras to finalize the work plan with Covelo and present a final version to USAID for approval.

In the mean time, CARANA is proceeding on several fronts to begin the implementation of project activities in early 2001. Within the first six weeks of 2001, we anticipate fielding consultants and staff to begin working on supporting Covelo's first story operations, initiate the planning and strategy sessions with Covelo's board of directors, initiate the credit bureau activity, and initiate the MIS strategy analysis.

IV. ANNEXES

A. ANNEX - CHRONOLOGY OF ACTIVITIES: JULY THROUGH SEPTEMBER 2000

Fecha	**Resultado**	**Objetivo**	**Institución**
12.07.00	Inf. # 001-00	Plan capacitación a OPDs jul / dic	Covelo II
12.07.00	Inf. # 002-00	Selección consultor c/p - FINSOL	FINSOL
12.07.00	Inf. # 003-00	Selección consultor c/p - ODEF	ODEF
12.07.00	Inf. # 004-00	Selección consultor c/p HDH	HDH
15.07.00	Inf. # 005-00	Diagnostico y requerimiento A/T a Covelo I	Covelo I
18.07.00	Inf. # 006-00	Informe del Diagnostico y requerimiento de A/T a 8 OPDs	Covelo II
25.07.00	Inf. # 007-00	Presentación proyecto nuevo director de USAID	USAID
26.07.00	Inf. # 008-00	Proceso para adquisición mobiliario oficina del proyecto	USAID
10.08.00	Inf. # 009-00	Presentación y sustentación diagnostico y requerimiento A/T	ODEF
10.08.00	Inf. # 010-00	Presentación y sustentación diagnostico y requerimiento A/T	FINSOL
15.08.00	Inf. # 011-00	A/T a Covelo I –Reglamento para Créditos Pequeña Empresa	Covelo I
21.08.00	Inf. # 012-00	Presentación y sustentación diagnostico y requerimiento A/T	Finca
21.08.00	Inf. # 013-00	Presentación y sustentación verbal inf. # 011-00	USAID
22.08.00	Inf. # 014-00	A/T a FINSOL – Trabajo operativo en agencias	FINSOL
01.09.00	Inf. # 015-00	Presentación y sustentación verbal inf. # 09, 010, 012 y 014	Covelo II
01.09.00	Inf. # 016-00	Presentación y sustentación verbal inf. # 09, 010, 012, 014 y 015	USAID
01.09.00	Inf. # 017-00	Presentación informe Diagnostico y requerimiento de A/T a 9 OPDs	Covelo II
01.09.00	Inf. # 018-00	Presentación informe Diagnostico y requerimiento de A/T a 9 OPDs	USAID
05.09.00	Inf. # 019-00	Presentación y sustentación diagnostico y requerimiento A/T	HDH
07.09.00	Inf. # 020-00	A/T a ODEF – Trabajo operativo en agencias	ODEF
12.09.00	Inf. # 021-00	Presentación y sustentación verbal inf. # 19 y 20	Covelo II
12.09.00	Inf. # 022-00	Presentación y sustentación verbal inf. # 19 y 20	USAID

Fecha	**Resultado**	**Objetivo**	**Institución**
22.09.00	Inf. # 023-00	Proceso para adquisición mobiliario oficina del proyecto	USAID
04.10.00	Inf. # 024-00	Términos de Referencia e inicio A/T corto plazo	ODEF
04.10.00	Inf. # 025-00	Términos de Referencia e inicio A/T corto plazo	FINSOL
04.10.00	Inf. # 026-00	Términos de Referencia e inicio A/T corto plazo	HDH

Comentarios

12.07.00	Inf. # 001-00	Plan capacitación a OPDs jul / dic	Covelo II

Uno de los aspectos fundamentales para el fortalecimiento de las instituciones que integran la Red de la Fundación COVELO, son los eventos de capacitación, por lo tanto se llevaron a cabo reuniones de trabajo con representantes de la Fundación con la finalidad principal de coordinar un Plan de Capacitación y fortalecer técnica y operativamente al personal y a miembros de las Juntas Directivas de las OPDs.

12.07.00	Inf. # 002-00	Selección consultor c/p - FINSOL	FINSOL

De acuerdo al informe de diagnostico y los términos de referencia resultante de nuestra visita en FINSOL, se sustento al Director del Proyecto la necesidad de contar con el consultor Licenciado Elvis Alva, profesional con experiencia en microfinanzas y perfil adecuado para mencionada organización.

12.07.00	Inf. # 003-00	Selección consultor c/p - ODEF	ODEF

De acuerdo al informe de diagnostico y los términos de referencia resultante de nuestra visita en ODEF, se sustento al Director del Proyecto la necesidad de contar con el consultor Licenciado Jorge Canseco, profesional con experiencia en microfinanzas y perfil adecuado para mencionada organización.

12.07.00	Inf. # 004-00	Selección consultor c/p HDH	HDH

De acuerdo al informe de diagnostico y los términos de referencia resultante de nuestra visita en Hermandad de Honduras HDH, se sustento al Director del Proyecto la necesidad de contar con el consultor Licenciado Olivier Pierard, profesional además de tener experiencia en microfinanzas y perfil adecuado para mencionada organización, apoyo en la primera etapa del diagnostico.

15.07.00	Inf. # 005-00	Diagnostico y requerimiento A/T a Covelo I	Covelo I

Para cumplir con el objetivo de realizar el diagnostico y determinar la asistencia técnica necesaria para COVELO primer nivel, se llevaron cabo reuniones de trabajo con diversos funcionarios de la Fundación COVELO responsables de la gestión institucional del primer nivel; asimismo, se realizaron visitas a las agencias de Belén y San Isidro dos de las agencias mas representativas y se llevaron a cabo trabajos de índole administrativo operativo.

18.07.00	Inf. # 006-00	Informe del Diagnostico y requerimiento de A/T a 8 OPDs	Covelo II

Para cumplir con el objetivo de culminar el diagnostico y determinar la asistencia técnica necesaria para ocho (8) organizaciones, se llevaron a cabo como primer y principal paso, visitas de inspección in situ con las principales OPDs (abril a junio) y poder concluir con un diagnostico de sus principales necesidades y la asistencia técnica necesaria para el fortalecimiento institucional.

Las visitas se llevaron a cabo durante los días comprendidos entre el 2 al 15 de abril y el 1 al 20 de mayo y del 5 al 30 de junio del presente año, comprendiendo las visitas a las siguientes organizaciones, a saber:

1. World Relief Honduras (WRH)
2. FUNADEH-FINSOL
3. Organización de Desarrollo Empresarial Femenino (ODEF)
4. Instituto de Desarrollo de Honduras (IDH)
5. Fundación Internacional para la Asistencia Comunitaria Honduras (FINCA)
6. Hermandad de Honduras (HDH)
7. Familia y Medio Ambiente (FAMA)
8. Fundación Covelo –primer nivel

25.07.00	Inf. # 007-00	Presentación proyecto nuevo director de USAID	USAID

Para cumplir con la convocatoria recibida el pasado 11 de julio de parte de USAID-Honduras, en la cual se presento y sustento al nuevo Director de la Misión Sr. Timothy Mahoney el día 26 del mismo mes, una breve reseña del proyecto así como de la asistencia Técnica a brindar de acuerdo al resultado del diagnostico.

26.07.00	Inf. # 008-00	Proceso para adquisición mobiliario oficina del proyecto	USAID

1. Se procedió junto a la Gerencia de Administración y Finanzas y la jefe de Logística de la Fundación COVELO a seleccionar el mobiliario necesario guardando simetría y similitud con el mobiliario actual.

2. Se procedió a invitar a los proveedores inscritos en el Registro de Proveedores de la Fundación COVELO.

3. Se procedió a recibir las cotizaciones alcanzadas por los proveedores y se llevó a cabo el cuadro de cotizaciones, considerando entre otros; disponibilidad, precios, garantía, calidad y soporte técnico.

10.08.00	Inf. # 009-00	Presentación y sustentación diagnostico y requerimiento A/T	ODEF

De acuerdo a las prioridades descritas en el Plan de Trabajo para el periodo julio-diciembre 2000 se llevo a cabo visita a ODEF para presentar y sustentar el informe diagnostico y la asistencia técnica necesaria como parte del proyecto.

10.08.00	Inf. # 010-00	Presentación y sustentación diagnostico y requerimiento A/T	FINSOL

De acuerdo a las prioridades descritas en el Plan de Trabajo para el periodo julio-diciembre 2000 se llevo a cabo visita a FINSOL para presentar y sustentar el informe diagnostico y la asistencia técnica necesaria como parte del proyecto.

15.08.00	Inf. # 011-00	A/T a Covelo I –Reglamento para Créditos Pequeña Empresa	Covelo I

Cumpliendo con el encargo recibido de la Gerencia General de la Fundación COVELO, se adjunto al presente informe sugerencias y comentarios al prospecto de Reglamento de Crédito para la Pequeña Empresa a ser utilizado por COVELO primer nivel.

21.08.00	Inf. # 012-00	Presentación y sustentación diagnostico y requerimiento A/T	Finca

De acuerdo a las prioridades descritas en el Plan de Trabajo para el periodo julio-diciembre 2000 se llevo a cabo visita a FINCA para presentar y sustentar el informe diagnostico y la asistencia técnica necesaria como parte del proyecto.

21.08.00	Inf. # 013-00	Presentación y sustentación verbal inf. # 011-00	USAID

Se adjunto al informe en referencia las sugerencias y comentarios al prospecto de Reglamento de Pequeña Empresa de la Fundación COVELO, desarrollando una sustentación de los alcances al Sr. Armando Busmail.

22.08.00	Inf. # 014-00	A/T a FINSOL – Trabajo operativo en agencias	FINSOL

Se llevo a cabo un trabajo operativo en agencia y en campo con el personal de la Agencia Medina responsable de canalizar créditos individuales por las atenciones brindadas. Referida agencia sirvió como base para llevar a cabo la visita en mención, permitiendo desarrollar un trabajo de campo en las colonias de Chameleco, Brisas del Rosario, Dos Caminos y Villanueva.

El trabajo llevado a cabo permitió emitir algunas sugerencias y comentarios, los mismos que ayudaron a fortalecer y enfocar una mejor asistencia técnica que permita agilizar los procedimientos y reglamentación vigente, redundando por ende en beneficio para FINSOL.

01.09.00	Inf. # 015-00	Presentación y sustentación verbal inf. # 09, 010, 012 y 014	Covelo II

Se adjunto al informe en referencia para conocimiento de la Fundación COVELO los diversos informes canalizados y entregados formalmente a los Sres. de FINSOL, ODEF y FINCA; referidos informes fueron alcanzados personalmente llevando a cabo una exposición de la labor desarrollada.

01.09.00	Inf. # 016-00	Presentación y sustentación verbal inf. # 09, 010, 012, 014 y 015	USAID

Se adjunto al informe en referencia para conocimiento del Sr. Armando Busmail los diversos informes canalizados y entregados formalmente a los Sres. de FINSOL, ODEF y FINCA; referidos informes fueron alcanzados personalmente llevando a cabo una exposición de la labor desarrollada.

01.09.00	Inf. # 017-00	Presentación informe Diagnostico y requerimiento de A/T a 9 OPDs	Covelo II

Se adjunto al informe en referencia para conocimiento de la Fundación COVELO el "Informe del Trabajo de Campo y Diagnostico realizado entre abril y junio del 2000". Referido informe permitió dar inicio a la labor de la asistencia técnica de las principales OPDFs en Honduras, miembros de la Red de la Fundación COVELO.

01.09.00	Inf. # 018-00	Presentación informe Diagnostico y requerimiento de A/T a 9 OPDs	USAID

Se adjunto al informe en referencia para conocimiento del Sr. Armando Busmail de USAID el "Informe del Trabajo de Campo y Diagnostico realizado entre abril y junio del 2000". Referido informe permitió dar inicio a la labor de la asistencia técnica de las principales OPDFs en Honduras, miembros de la Red de la Fundación COVELO.

05.09.00	Inf. # 019-00	Presentación y sustentación diagnostico y requerimiento A/T	HDH

De acuerdo a las prioridades descritas en el Plan de Trabajo para el periodo julio-diciembre 2000 se llevo a cabo visita a HDH, para presentar y sustentar el informe diagnostico y la asistencia técnica necesaria como parte del proyecto.

07.09.00	Inf. # 020-00	A/T a ODEF – Trabajo operativo en agencias	ODEF

Se llevo a cabo un trabajo operativo con personal de Pequeña Empresa así como con personal operativo de negocios de agencia Progreso que permitieron desarrollar un trabajo de campo en los departamentos y/o colonias de Cortes, Yojoa, Potrerio, Progreso, Chamelecon, Dos Caminos y Villanueva.

El trabajo llevado a cabo permitió emitir algunas sugerencias y comentarios, los mismos que ayudaron a fortalecer y enfocar una mejor asistencia técnica que permita agilizar los procedimientos y reglamentación vigente, redundando por ende en beneficio para ODEF.

12.09.00	Inf. # 021-00	Presentación y sustentación verbal inf. # 19 y 20	Covelo II

Se adjunto al informe en referencia para conocimiento la Fundación COVELO, diversos informes canalizados y entregados formalmente a los Sres. de HDH y ODEF; referidos informes fueron alcanzados personalmente llevando a cabo una exposición de la labor desarrollada.

En la institución de Hermandad de Honduras se puedo llevar a cabo una presentación ante los señores de la Junta Directiva.

12.09.00	Inf. # 022-00	Presentación y sustentación verbal inf. # 19 y 20	USAID

Se adjunto al informe en referencia para conocimiento del Sr. Armando Busmail de USAID, diversos informes canalizados y entregados formalmente a los Sres. de HDH y ODEF; referidos informes fueron alcanzados personalmente llevando a cabo una exposición de la labor desarrollada.

En la institución de Hermandad de Honduras se puedo llevar a cabo una presentación ante los señores de la Junta Directiva.

22.09.00	Inf. # 023-00	Proceso para adquisición mobiliario oficina del proyecto	USAID

Se procedió a realizar el proceso administrativo para la adquisición de mobiliario para el proyecto, así como las gestiones pertinentes para requerir autorización formal en la Oficina de Contratos en USAID.

B. ANNEX B - EXECUTIVE SUMMARY: ASSISTANCE TO HERMANDAD DE HONDURAS

CONSULTORIA USAID / CARANA Corporation
HERMANDAD DE HONDURAS - HDH

San Marcos Ocotepeque, octubre 22 a noviembre 13 del 2000

Consultor: Henry Cardona

Resumen Ejecutivo

1. Sistema Normativo y Administrativo

Se hizo la revisión de los manuales de la organización (Manual de Perfil de Puestos y Funciones, Manual de Administración de Personal y Política Salarial, Reglamento Interno de Trabajo y Manual de Operaciones del Programa de Crédito). A todos se les mejoró en la parte de su estructura, redacción, ortografía y presentación a la vez que se revisó su aplicabilidad a la organización, haciendo los ajustes necesarios.

Como parte del informe se entregarán los documentos mejorados con el propósito de que sean revisados y analizados por las personas responsables en Hermandad de Honduras, hagan los ajustes finales necesarios y los presenten a la Junta Directiva para su aprobación. Será responsabilidad de la directiva mantener actualizados dichos documentos y difundir los cambios en la medida en que estos se produzcan.

Como resultado de la asistencia técnica se expuso a la Dirección Ejecutiva y el personal de la institución sugerencias y recomendaciones entre las cuales se puede mencionar las siguientes:

- Autorizar y reglamentar el Comité de Agencia para la aprobación de créditos hasta cierto monto (el reglamento de grupos solidarios lo dice pero no opera en la práctica).

- Realizar un análisis de costo beneficio que permita definir si para Hermandad de Honduras es conveniente y beneficioso que continúe manejando los ahorros de los clientes y definir si hace uso de estos recursos para su intermediación dado que son menos costosos que otras fuentes. Hasta la fecha la entidad solo recibe los ahorros, los deposita en un banco y retorna parte de sus rendimientos a los clientes.

- De continuar con el sistema de ahorros este debe reglamentarse, definiendo las políticas al respecto, cuál es el objetivo de los ahorros, períodos de entrega, porcentaje que se reconocerá como rendimientos, etc.

- Deben también establecer un sistema de información periódica a los clientes mediante el cual ellos conozcan su saldo y rendimientos, dándole mayor transparencia y confiabilidad al sistema.

- Establecer un tope a los ahorros para que el monto ahorrado por los clientes no se convierta en una barrera para continuar obteniendo crédito por medio de Hermandad de Honduras.

- Debe asegurarse que las decisiones que afectan el otorgamiento de crédito sean difundidas, conocidas y aplicadas por todo el personal. El trabajo desarrollado en agencias permitió constatar que una directiva referente al monto de los ahorros por crédito, no se estaba aplicando uniformemente.

- Aunque los reglamentos establecen normas acerca de los plazos y montos de los financiamientos, es necesario tener mas en cuenta la capacidad de pago y la necesidad del cliente, especialmente cuando éste ha demostrado un buen comportamiento. Se puede ser mas flexibles, extendiendo los plazos un poco cuando se detecta que no existe la capacidad de pago suficiente para cumplir y evitar que el cliente caiga en mora. Hermandad de Honduras también debe tener en cuenta la disponibilidad de recursos durante determinados períodos del año en los cuales puede ser mas flexibles para colocar mas recursos entre sus clientes en lugar de tenerlo guardado en el banco.

2. Aspectos Operativos

La asistencia técnica permitió analizar el procedimiento para otorgar los créditos y en resumen se hicieron sugerencias y recomendaciones a la Dirección Ejecutiva y funcionarios entre otras podemos mencionar:

- Para poblaciones que no justifiquen la existencia de asesores especializados (atienden solo un tipo de crédito: individual o solidario), se recomienda que exista un solo asesor atendiendo los dos tipos de cartera. Esto mejorará el aprovechamiento del tiempo y reducirá costos de atención. Además tiene la ventaja de que si algunos miembros de los grupos solidarios se gradúan, puede seguir atendiéndolos el mismo asesor sin perder esta cartera. Los resultados del asesor que maneja los dos tipos de cartera son positivos y no se ha demostrado que exista inconveniente alguno para aplicar esta alternativa

- La visita prepago no debería ser obligada para todos los grupos. Si el asesor tiene un buen conocimiento del grupo, podría aprovechar ese tiempo en la promoción del programa, el análisis de nuevos créditos, preparar créditos subsiguientes, reunir grupos con problemas de integración, etc.

- Autorizar a los Comités de Agencia niveles de autonomía adecuados para aprobar hasta determinado monto de crédito (L. 15,000.00 o L. 20,000.00). Actualmente todos los créditos son vistos por el Comité de Crédito Interno (oficina central) lo cual, además de recargar su tarea, genera algunas dificultades o demoras en la atención de

los clientes: el nuevo análisis queda para la sesión de la siguiente semana y la entrega del crédito se aplaza por el mismo período.

- Las visitas en agencias permitió analizar y sustentar posteriormente a la Dirección Ejecutiva que como medida sana de control y oportunidad de crecimiento de la cartera, todos los expedientes deberían ser manejados en cada una de las Agencias bajo la responsabilidad del Jefe de Agencia. Actualmente las agencias solo cuentan con los expedientes de los grupos solidarios y los demás son manejados en la oficina central en San Marcos. Esta situación acarrea demoras para atender un nuevo crédito individual pues el asesor debe solicitar el expediente y esperarlo para iniciar su trabajo, sin contar que en ocasiones su solicitud no es atendida oportunamente.

- Permitir que en algunos casos el primer crédito de un grupo solidario se pueda hacer con tres integrantes. En varias ocasiones el asesor logra reunir de 4 a 6 posibles integrantes y durante el proceso, por variadas razones, el grupo inicial se va reduciendo llegando a quedar solo 3 de ellos y el proceso se suspende hasta que se logre al menos el cuarto integrante. Esta norma hace que el proceso sea costoso o que en ocasiones se pierda el esfuerzo realizado. El primer crédito podría desembolsarse con tres integrantes pero condicionando el subsiguiente a la existencia de al menos un cuarto miembro. El grupo contaría con 4 meses para lograr al menos el miembro que falta.

- Cada agencia debe tener una lista actualizada de sus clientes con direcciones de su negocio y/o vivienda. Cuando se presenta la necesidad de remplazar a un asesor, se ha tenido dificultades en identificar la localización de sus clientes puesto que él conoce la información pero no la actualiza en ninguna parte. Quien recibe esa cartera debe hacer un trabajo de investigación de dichos clientes por medio de referencias lo que es dispendioso.

- El asesor no debería involucrarse tanto en las labores del abogado en la etapa de cobro prejurídico y jurídico (entrega las notas de cobro, citaciones, investiga sobre bienes del cliente, asiste a las citas con los jueces, etc.) pues corre el riesgo de perder la confianza que el cliente le tiene y con ello mayor dificultad en la recuperación de los recursos. Debería contemplarse la alternativa de que fuera el cobrador el que se encargara de hacer este apoyo; con ello el asesor podría dedicarse a aumentar su cartera y mantenerla sana.

- Contratar abogados que no sean de la zona o población en la cual se tienen casos de difícil recuperación. Además del escaso interés de los abogados por este tipo de cartera debido a los montos, características de los clientes y dispersión, es frecuente que no hagan los esfuerzos necesarios cuando se trata de personas conocidas, relacionadas o conocidas por otras personas en la población que se encuentran dentro de su círculo social o laboral. Abogados de otras partes (externos) pueden enfrentar mejor estos casos al no tener vínculos que les impidan actuar. Una vez a la semana podría desplazarse a la zona a atender los casos que se le entreguen.

- Los formatos empleados con frecuencia no son diligenciados correctamente en la parte de la dirección exacta del cliente, la ubicación de la empresa, las referencias que son investigadas. Esta es una información importante para la identificación del cliente y la evaluación de su calidad como tal. Las direcciones deben ser mejor documentadas así sea por indicaciones de ubicación tanto de su vivienda como de la empresa; aunque se mencionan, por lo general no se documenta la información sobre quienes son las referencias, qué relación tienen con el solicitante y cual fue su comentario. Tampoco se documenta la información de otras referencias que el asesor pueda haber investigado por sus propios medios (microempresarios vecinos); tampoco se tuvo evidencia de que se investigara la referencia de la persona que les alquila el local o vivienda, que debe ser obtenida en tales casos.

- Los formatos deben actualizarse, reducirse y mejorar su presentación (originales muy deteriorados cuyas copias son deficientes). La Ficha de Ingreso para Clientes en Grupo debe ser igual a la Solicitud de Crédito Individual. En esencia la información es la misma en ambas, se trata de datos del cliente como persona, de la actividad de la cual devenga sus ingresos y las referencias. Podría denominarse Información General del Solicitante, no diferenciando si es para determinado tipo de crédito. En tal caso, la información sobre financiamiento que se encuentra en la Solicitud de Crédito Individual debería aparecer al principio de la hoja de Resolución del Comité de Crédito.

- Para los créditos subsiguientes debe informarse si ya se ha superado algún problema que haya incidido en la puntualidad de los pagos del crédito anterior. En un expediente analizado por el Comité de Crédito, el asesor se refería a los problemas de pago del crédito anterior y recomendaba el nuevo financiamiento sin comentar si ya se habían superado las causas que originaron el incumplimiento. Tampoco el Comité de Crédito se había percatado de la necesidad de que el asesor explique la situación.

- Las evaluaciones económico financieras que se hacen cada determinado número de créditos, deben llenarse con mayor análisis de la información. La que se consigna en los formatos no se justifica. Comparando situaciones entre un crédito y otro, se encuentran cambios que merecen ser explicados. Razones para que los activos fijos o endeudamiento hayan crecido tanto o se hayan reducido; justificar los cambios tan abruptos en la rentabilidad de la empresa, etc. Al parecer esta información se obtiene sin hacer su respectivo análisis y como requisito para un nuevo financiamiento, lo cual no tiene sentido.

- Dejar un margen de pérdida en los casos de productos perecederos. Con frecuencia los márgenes de utilidad que presentan los microempresarios que venden frutas, verduras y otros productos de esta naturaleza son elevados debido principalmente a que el asesor, en el calculo de la inversión, vende el mismo número de unidades compradas. No considera que parte de esos productos se pierden o deterioran y/o deben venderse a un precio decreciente en la medida que se envejece.

- En las agencias debería tomarse mas en cuenta la opinión de la Asistente. Es una persona que atiende al interesado y a los clientes en todas las oportunidades que visitan las oficinas: cuando van a solicitar información, participar en charlas, liquidar el pago, firmar pagarés, constituir garantías, etc., razón por la cual puede manejar información valiosa sobre las características de los clientes, comportamiento en grupo, información que suministrada y actitudes particulares entre otras posibilidades. La capacitación y entrenamiento de esta persona debe ser muy cuidadosa dada la información que maneja y puede ser involucrada mas en el análisis de los casos.

- Se realizo trabajo operativo en oficina central y permitio analizar que es necesario Citar a los grupos a diferentes horas para el desembolso. En algunos casos el asesor cita todos los grupos a una misma hora y quienes llegan puntuales tienen que esperar toda una tarde para recibir su crédito. Esto ocasiona malestar en los clientes al no considerar que en buena medida ellos acuden a las oficinas cerrando el negocio o dejándolo en manos que no conocen del todo su movimiento.

- Es necesario mejorar el flujo de información de la oficina central hacia las agencias. Debido a que no se encuentran sistematizadas y en red las diferentes agencias, el sistema de correo hace que en oportunidades se tengan retazos debido a las siguientes razones: No llegan oportunamente los estados de cuenta (historial de pago), no se reciben los reportes de mora semanalmente, no llegan los expedientes de crédito individual solicitados, y para agilizar se crea un nuevo expediente que después no se sabe si se integra al que se encuentra en la oficina central, no llegan los documentos a devolver al cliente (pagarés, escrituras, hipotecas),

3. Plan de Incentivos

Hermandad de Honduras tiene una rotación de personal elevada que se traduce en un costo adicional para la institución, en un impedimento para el crecimiento sostenido de sus operaciones y el logro de una mayor cobertura y sostenibilidad. En buena parte esta situación se deriva de la falta de definición de un plan de incentivos y/o de la mejora salarial que se ha prometido sin llegar a ser cumplida.

Aunque las directivas han estado trabajando en estos aspectos, no han tenido claro en que consisten los incentivos y estaban diseñando beneficios laborales para los empleados de la entidad como seguros de vida, medico hospitalarios, alimentación y transporte en horas de trabajo extraordinario, etc. que en definitiva no se traducen en incentivos. Un incentivo debe ser específicamente un mayor ingreso para el empleado dependiendo del logro y superación de las metas establecidas.

En reuniones con la Dirección Ejecutiva, Gerente y Subgerente de Crédito y el Administrador, se definieron las pautas para establecerlo, con las siguientes características:

- Dependerá básicamente de dos factores: cartera vigente e índice de morosidad. El incentivo no se otorgaría si no cumple con los dos parámetros simultáneamente.

Hermandad de Honduras debe definir el monto de la cartera vigente que debe manejar el asesor dependiendo de si es individual, solidaria o combinada; también tendrá en cuenta si es una cartera concentrada o dispersa.

El índice de morosidad máximo está definido en 3% para grupos solidarios y 4% en cartera individual. El incentivo deberá premiar menores índices de morosidad.

- En principio se parte de un incentivo del 2% de los intereses corrientes recibidos si el asesor cumple con los dos requisitos iniciales; además se premiarán índices de morosidad menores.

- El valor liquidado del incentivo debe distribuirse entre las personas que han contribuido a dicho logro. Por ello está determinado que dicho total se distribuya entre el total de personal de agencia.

  Se hizo la observación de que la Asistente tiene una alta carga operativa en todo el proceso y que valdría la pena estudiar la posibilidad de que reciba un mayor porcentaje (15%?)

- La liquidación y pago de incentivos debería hacerse mensualmente, haciendo la claridad de que si el asesor mantiene la cartera vigente mínima seguirá recibiendo el incentivo, recibiendo un mayor incentivo si su cartera crece. También se preocupará de que su cartera no se reduzca drásticamente en determinados períodos del año como generalmente ocurre y estará pendiente de que la morosidad no se eleve.

- El plan deberá definirse conjuntamente con representantes del personal de campo para que cuando entre en vigencia tenga aceptación y hayan tenido la oportunidad de exponer sus puntos de vista a través de su participación. En muchas ocasiones los planes de incentivos son propuestos e implementados desde las directivas sin conocimiento y participación de la base.

- La Junta Directiva debe ser mas abierta a la implementación de planes de incentivos, analizando mas el lado de los beneficios para la institución como el potencial de colocación y crecimiento, sanidad de la cartera, cumplimiento de objetivos y logro de la auto sostenibilidad, que ver los egresos por dicho concepto o los ingresos para el personal de campo.

  Actualmente en forma global la organización se encuentra logrando excedentes y tiene la capacidad de establecer un plan de incentivos que seguramente mejorará dicha posición sustancialmente si acepta este reto. Así mismo obtendrá una mayor estabilidad del recurso humano, que le ha costado formarlo y que no abunda en la región.

- Es necesario que, de acuerdo con la experiencia, se establezcan metas que sean alcanzables y se conviertan en algo atractivo para los asesores por su posibilidad de

logro. Anteriormente se han establecido incentivos que no se han dado en la práctica por tener metas no reales.

- Se contempló la alternativa de un plan de incentivos basado en la colocación de los recursos (número de grupos o créditos individuales manejados por asesor e índices de morosidad) siendo al parecer mas complejo. Aunque no se descartó se estudiará tal posibilidad. De todas formas se deberá tomar la decisión para su presentación a la Junta Directiva.

C. ANNEX C - EXECUTIVE SUMMARY: ASSISTANCE TO FINSOL

CONSULTORIA USAID / CARANA Corporation
FINANCIERA SOLIDARIA S.A.
-FINSOL-

San Pedro Sula, octubre 04 a noviembre 10 del 2000

Consultor: Elvis Alva

Resumen Ejecutivo

1. Consultoría en el Area de Créditos

a. Simplificar la documentación de la evaluación crediticia

Luego de una labor operativa de campo con personal de negocios y administrativa en agencias se elaboro y sustentó el rediseño de los formatos de evaluación crediticia lo cual significó la reducción del uso de un promedio de doce (12) a sólo cuatro (4) formatos, que representan: la solicitud de crédito, evaluación del cliente (cualitativa), evaluación de negocio (financiera) y aprobación de crédito (propuesta del asesor y resolución del Comité de Crédito).

Los nuevos formatos propuestos, fijan adecuadamente el conocimiento de las fases de evaluación crediticia, reducen substancialmente el uso de formatos, incrementan la efectividad de la labor de los asesores de crédito por la reducción de la carga de trabajo administrativa e incrementan la cobertura de atención a potenciales clientes; finalmente, todas estas ventajas contribuirán a agilizar el servicio hacia los clientes, consolidando el crecimiento de la cartera de créditos y a reducir costos operativos.

b. Simplificar el proceso de aprobación y desembolso de los créditos.

La asistencia operativa se extendió a estos aspectos por su incidencia en los tiempos de servicio al cliente, concluida la asistencia, con el apoyo del personal del personal y con el compromiso de la Gerencia General de implementar en el corto plazo nuestros planteamientos.

Considerando que el trámite de los desembolsos de créditos nuevos demora hasta una semana debido a que el aplicativo de computo ABANKS ha sido rediseñado para operar por ciclos y el proceso de migración de datos debe realizarse los fines de semana porque toma algo mas de 24 horas. A través de las coordinaciones efectuadas con el Gerente de Sistemas se planteó entre otros:

- La interconexión de la totalidad de las agencias, a un costo razonable.

- Iniciar un plan piloto, para ingresar diariamente la información los créditos aprobados.
- Eliminar la interface y habilitar el módulo BRUNCH para ingresar las solicitudes diariamente y programar de igual forma los desembolsos de créditos.
- Implantación del modulo de ingreso de información con fecha valor, con la finalidad de procesar los pagos reportados tardíamente por el Banco antes del cierre mensual.
- El desarrollo de un modulo que permita el acceso y control de pagos parciales de cuotas vigentes y vencidas.

La labor desarrollada en oficina central como en agencias permitió enfocar la asistencia técnica a la Implantación del módulo de ventanillas para atención al público, para lo cual se presento y sustento a la Gerencia y personal de funcionarios la necesidad de:

- Rediseñar el contenido de las boletas, con la finalidad de que sólo consigne los datos de las cuotas, eliminando la información de detalle: del cliente, asesor de créditos, préstamo y tasas de interés.
- Rediseñar el procedimiento para que las agencias recuperen las boletas en sus localidades, este cambio en el procedimiento, permitirá recuperar las boletas a mas tardar en 24 horas, lo cual, representa un gran beneficio comparado con los seis (6) días que tardan los bancos en remitirlos al área de Tesorería.
- Que la Gerencia de Sistemas instale el módulo de ingreso de las boletas en las agencias a fin de que las asistentes administrativas efectúen el ingreso de datos de las boletas en las agencias respectivas, este cambio, reducirá los márgenes de error y agilizará el proceso de la información sobre las cobranzas.
- Que el área de Contabilidad transfiera las conciliaciones bancarias y el giro de cheques a Tesorería, por corresponder a esta área, este cambio originará una reducción importante de personal en el área contable.
- El área de Tesorería deberá realizar las funciones de conciliación de cuentas bancarias y giro de cheques, lo cual, le permitirá ejecutar una labor eficiente de planeamiento de los desembolsos y obtención oportuna de recursos para la atención de los desembolsos.
- También se evaluó la conveniencia de implementar una ventanilla de atención, en una agencia, que centralice la cobranza de los créditos que presentan cuotas vencidas. Esta implementación permitirá identificar plenamente a los clientes que efectúan pagos parciales y evitar dificultades en los procesos de conciliación de saldos.

2. Importancia del análisis de mercado y la determinación de estrategias en el desarrollo del Plan Estratégico.

   a. Situación del mercado en algunas agencias

- Potenciar las agencias Medina y Satélite dotándolas con el número adecuado de asesores de crédito para lograr una mayor cobertura del mercado potencial y dotarlas de la infraestructura y mobiliario adecuados para brindar un mejor servicio al cliente y generar un ambiente motivador en el personal operativo.

- En el caso de la agencia Progreso, potenciar la venta de los créditos a la pequeña empresa, mediante la aplicación de una estrategia de pre-venta por parte de la agencia complementada con la participación de los oficiales de crédito para ejecutar el proceso de evaluación crediticia. Tanto en el caso de esta agencia como en la de la Ceiba es factible lograr una mejor cobertura de atención y masificación de los créditos desarrollando una estrategia comercial orientada a la promoción a los productos que ofrece FINSOL (detalles en el siguiente punto).

b. La competencia en el mercado

- Mejorar las condiciones de los créditos: eliminando montos mínimos y crecimiento escalonado, disminuyendo tasas de interés en re-prestamos a clientes puntuales, vender las rebajas en tasas a través de la disminución de las cuotas y flexibilizar la conformación de los grupos solidarios concediendo real autonomía a los clientes para agruparse. Estas medidas se orientan a lograr fidelidad e identificación del cliente con FINSOL, contrarrestando el efecto ocasionado por la penetración de la competencia en las zonas de alta concentración de clientes.

- Formular un plan comercial, que incluya campañas de promoción orientadas a compensar a los clientes que presenten a nuevos potenciales clientes, que califiquen para los préstamos solicitados, con: canastas de productos alimenticios, cocinas, planchas, etc. a un bajo costo y la asignación de una remuneración variable a los asesores de crédito.

- Promover la participación de los jefes de agencia, en la elaboración del Plan Estratégico, con la finalidad de que expongan y sustenten las fortalezas y debilidades del mercado que atienden y se evalúe en el análisis FODA si estas concuerdan con las metas que se proponen alcanzar en el siguiente período. A invitación de la Gerencia General se participó con el personal en el desarrollo del plan estratégico, definiendo la misión, visión y efectuando el análisis del entorno.

3. Revisión analítica de las política y reglamento de créditos.

a. Flexibilizar las políticas de crédito

- Disminuir la exigencia de garantías fiduciarias, debiendo establecer una cobertura adecuada del riesgo, mediante el fortalecimiento de la evaluación créditos.

- Implementar un comité compuesto por asesores de créditos con autonomía, sin la participación del jefe de agencia, para aprobar créditos entre Lps. 3,000 y Lps. 25,000 (equivalentes a US $ 400 y US $ 1,667), esta medida: reducirá la carga de trabajo del Jefe de Agencia, lo cual, redundará en una mayor supervisión de los créditos y fortalecerá la formación de los asesores de créditos

- Conceder total autonomía a los Jefes de Agencia para la aprobación de créditos (incluso aquellos con garantía hipotecaria) hasta el tope de Lps. 50,000 y que a partir

del tope fijado en el punto anterior, que en estos comités participe el proponente del crédito ya sea asesor de crédito o jefe de agencia.

- Segmentar la cartera de clientes clasificados en el nivel de subsistencia, en función: al nivel de ingresos que generan sus negocios y al nivel de capitalización logrado por la unidad familiar. Esta medida evitará otorgar montos significativos a este segmento, disminuyendo el nivel de riesgo de la cartera de créditos en el nivel de subsistencia.

- Flexibilizar las políticas para que los clientes tengan real autonomía para conformar los grupos solidarios, tres es un número de integrantes razonable para el primer crédito y para el caso de los clientes que tienen experiencia crediticia con FINSOL y han presentado un buen récord de pagos, se les debería permitir formar grupos de dos integrantes combinando garantía de aval solidario con garantía prendaria de maquinaria y/o menaje de casa (artefactos eléctricos).

- Considerando que las políticas de créditos establecen escalas de montos de préstamos, lo cual, limita la percepción de las evaluaciones del asesor de créditos, se recomendó capacitar a los asesores de crédito a efectos de que asignen los montos en función de la capacidad de pago que resulte de la evaluación crediticia.

- Determinar los montos de préstamos, frecuencias de pago y plazos; en función al flujo de fondos del negocio, del tipo de inversión solicitada o según el requerimiento del cliente.

- Ajustar la metodología crediticia para la evaluación de estos créditos por campaña, de muy corto plazo, con la finalidad de que estas evaluaciones midan el impacto de la campaña de ventas en el flujo de fondos y determinen el monto, frecuencia de pago y plazo, en función al resultado de este análisis.

b. Factores que incrementan los tiempos de servicio al cliente e influyen en el riesgo crediticio

- Evaluar la asignación de motocicletas a los asesores de crédito, con la finalidad de mejorar la cobertura de atención, esto incrementara la capacidad de desplazamiento a los asesores de crédito, redundando en un mayor número de visitas por día.

- Reestructurar las labores de los jefes de agencia y asesores de créditos con la finalidad de que efectúen una labor eficiente de supervisión de créditos e incremente su capacidad de cobertura hacia un mayor número de potenciales clientes, respectivamente.

- Generar información diaria sobre la situación de la cartera activa de créditos, clientes nuevos, mora y otros datos que contribuyan al control de la gestión y administración de la cartera de créditos en las agencias.

4. Consultoría en el Area de Recursos Humanos

La Gerencia General de FINSOL planteó en sus alcances a los términos de referencia la participación de un consultor nacional (hondureño) para el desarrollo de este trabajo, al inicio de la consultoría alcanzó tres propuestas incluida una de FUNADEH; sin embargo, en esta área se alcanzaron algunos logros orientados a fortalecer la estructura organizacional de FINSOL.

- A través del análisis de la distribución de personal, el indicador de relación personal operativo vs personal administrativo refleja que sólo el 38% del personal total corresponde a asesores y oficiales de crédito, lo cual revela la necesidad de incrementar el número de asesores a efectos de consolidar el crecimiento de la cartera de créditos.

- El proceso de selección del personal no incluye evaluaciones psicológicas y psicotécnicas, tampoco incluye un proceso de pre- inducción in situ para evaluar si el candidato tiene real interés en laborar en zonas marginales.

- Ejecutar programas de capacitación orientados a desarrollar una cultura de venta y de servicio al cliente, que además de asegurar la prestación de un buen servicio contribuya a la consolidación de la cartera de créditos.

- Se ha logrado un avance importante en la formulación del manual de funciones, estando pendiente la opinión de los jefes de área y agencias. Con sus aportes se procedería a elaborar el borrador final del Manual para revisión de la Gerencia General y someterlo a la aprobación respectiva.

- En cuanto al manual de perfiles de puestos, también se ha logrado un buen avance estando pendiente la consolidación de la información recopilada y su remisión a de los jefes de área y agencias para opinión. Con sus aportes se procedería a elaborar el borrador final del Manual para revisión de la Gerencia General y someterlo a la aprobación respectiva.

D. ANNEX D - EXECUTIVE SUMMARY: ASSISTANCE TO ODEF

CONSULTORIA USAID / CARANA Corporation
ORGANIZACIÓN DE DESARROLLO EMPRESARIAL FEMENINO
-ODEF-

San Pedro Sula, octubre 04 a noviembre 17 del 2000

Consultor: Jorge Canseco

Resumen Ejecutivo

1. Introducción

La Organización de Desarrollo Empresarial Femenino – ODEF, es una de las instituciones privadas sin fines de lucro, más representativas de Honduras, fue constituida el 15 de noviembre de 1985. En su inicio se abocaron hacia actividades comunitarias, ambientales y de agricultura sostenible; en materia crediticia, los recursos destinados a esta actividad eran mínimos.

En 1992 realizan un cambio total, orientando su mayor actividad a través del crédito, capacitación y asistencia técnica a la micro y pequeña empresa, atendiendo prioritariamente a los sectores comercio, industria y servicios.

Durante los últimos ocho años, han experimentado un crecimiento importante en su cartera, sin embargo no fue ajeno al impacto ocasionado, por el paso del huracán Mitch, uno de los más devastadores en toda su historia, que a fines de 1998, dejó a la nación millonarias pérdidas en todos los sectores de la economía. El desarrollo económico en 1999, fue bastante complicado para el país, pues tuvieron que reconstruir, los daños provocados por el huracán, lógicamente ODEF no fue ajena al rezago que afectó parte de su clientela.

Con la ayuda externa y líneas de crédito blandas que vienen otorgando los distintos países, muchas de las empresas lograron un desarrollo económico - financiero alentador el año anterior, sin embargo, el crecimiento de ODEF fue muy pobre, con 2.6% en el número de clientes y 2.1% en el saldo de la cartera, situación un poco preocupante, tomando en consideración que en épocas difíciles y recesivas, el sector de la micro y pequeña empresa por su dinamismo, tienden a convertirse en unidades productivas generadoras de la mayor cantidad de empleo, y con un marcado éxito al maximizar sus resultados.

Hasta antes de nuestra visita la gerencia de ODEF, no había medido el grado de riesgo de su organización, pues como sus estados financieros eran positivos, según ellos, solamente requerían de algunos pequeños ajustes, tal como lo demuestra la carta de respuesta, a las observaciones preliminares vertidas por el Sr. José Luis Lozano, consultor permanente de CARANA Corporation.

La asistencia técnica desarrollada en oficina principal como en agencias permitio profundizar el informe de diagnostico y brindar sugerencias y recomendaciones con los respectivos formatos y anexos para incorporar a la normativa vigente.

2. Resultado de la asistencia técnica en ODEF

Primero, convencer a la alta gerencia de las graves debilidades internas en su organización, esto se logro, con el trabajo de campo realizado en la oficina principal, agencias, visitas a clientes y las continuas reuniones de coordinación con la dirección, sub dirección ejecutiva y las distintas jefaturas de la OPD**.**

Segundo, se plantearon soluciones viables a los 33 puntos vulnerables del presente informe, 15 en la parte operativa, 9 en planeamiento y finanzas, y 9 en la parte administrativa.

Tercero, bajo un esquema de trabajos en equipo, se pusieron en marcha las soluciones recomendadas por la consultoría, algunas ya se encuentran operativas, y la mayor parte cuenta con un cronograma establecido para el próximo trimestre. Lógicamente otras no se podrán aplicar en un mediano plazo.

Cuarto, se diseñaron formatos adecuados con su respectivo reglamento, para enriquecer la metodología crediticia, ahorrar costos operativos y brindar un mejor servicio a sus clientes.

Quinto, se les brindó charlas de capacitación al íntegro del personal, en cultura de ventas, análisis del carácter en la parte cualitativa y al manejo del riesgo.

Sexto, se llevaron a cabo dos estudios de mercado, uno en La Ceiba y otro en la Entrada de Copan, con su respectivo análisis costo beneficio. Igualmente elaboramos una metodología teórica y práctica de estudio de mercado, para la apertura de nuevas agencias. Además, estamos dejando una enorme base de datos de la población económicamente activa de la zona, incluyendo nombre, dirección y volumen anual de ventas, que incluso podría ser de utilidad en las otras OPDs.

Sétimo, establecimos un sistema de información gerencial, dejándoles un diskette con las fórmulas respectivas, y un planeamiento comercial de seis meses, con toda su metodología, las posibles campañas de captación de clientes, la publicidad inmersa, los recursos requeridos y un enfoque costo beneficio de los resultados alcanzados.

Octavo, mediante un trabajo sincronizado entre negocios, sistemas y contabilidad, se establecieron las pautas de como mejorar su control interno, a fin de evitar diferencias en los procesos y dar mayor consistencia a la producción de reportes.

Noveno, sobre la base del manual de organización y funciones realizado por la Fundación Covelo y aun no aprobado por ODEF, sugerimos una serie de modificaciones, previa coordinación y apoyo con las gerencias y jefaturas respectivas.

Décimo, Por último, de llevarse a cabo todas nuestras recomendaciones, habremos sentado las bases para un desarrollo sostenido en su cartera de préstamos, contando con un apoyo operativo consistente y una eficiente administración de los recursos.

De los 33 puntos de acuerdo a nuestras sugerencias, el 60% se corregirá en el corto plazo (3 meses), el 25% en el mediano plazo (6meses) y el 15% posiblemente se aplique en el largo plazo. En el informe en detalle, podemos indagar más sobre los puntos mencionados.

3. Conclusión

Como corolario final, es necesario, capacitar a todas las OPD, pues asumimos que al igual que ODEF, deben ser muy débiles en sus controles internos. Económicamente podrán tener resultados positivos, pero en un escenario donde **la mayor cantidad de sus recursos tienen costo cero, por donaciones,** y de otro lado, **ingresos poco realistas,** (en la práctica mas del 55% de la estructura de su cartera, **tienen tasas internas de retorno mayor al 100%)**, **efecto de aplicar tasas nominales del 32% al 36%, a un esquema "sobre montos".** Este modus operandi no se presenta en otros países, sin embargo, de ser supervisadas en un futuro, tendrían que modificarse las actuales condiciones, a la forma como operan sus tasas, las entidades financieras, muchas tendrán que afinar sus costos y ser más eficientes en el manejo de su cartera, por que de lo contrario, fracasarían.

E. ANNEX E - EXECUTIVE SUMMARY: SEMINAR ON CREDIT METHODOLOGIES IN MICROFINANCE

CONSULTORIA USAID / CARANA Corporation
SEMINARIO TALLER DE MICROFINANZAS
"METODOLOGÍAS CREDITICIAS"

Tegucigalpa, octubre 02-03 del 2000
San Pedro Sula, octubre 05-06 del 2000

Consultor: Arelis Gomez

Resumen Ejecutivo

1. Introducción

Con los eventos de capacitación se pretende fortalecer técnica y operativamente al personal de las Organizaciones Privadas de Desarrollo Financieras afiliadas a la Red COVELO así como a bancos comerciales que atienden al sector de Microempresa en Honduras, apoyando de esta manera a su consolidación y fortalecimiento institucional.

En estos eventos se tratara de armonizar: los análisis de la **Clientela Básica,** a la cual se dirige la atención a este segmento; **Metodología de los Préstamos**, análisis de cada una de las metodologías, asimismo el análisis de la capacidad y voluntad de pago de los clientes frente a la tradicional base de garantías; **Costos Administrativos**, análisis del costo-beneficio de su reducción sin sacrificar la calidad de las evaluaciones y gestión de supervisión; **Características de la Cartera**; énfasis en colocación en cientos de pequeños créditos a corto plazo a mayor cantidad de clientes, en lugar de mayores créditos a plazos largos y menor cantidad de deudores; **Estructura y Supervisión**; análisis costo-beneficio de supervisión de trabajo en campo versus superestructura de oficinas centrales.

El facilitador de este evento "Metodologías Crediticias", es un consultor con amplia experiencia y conocimiento de las metodologías y tecnologías crediticias desarrolladas en entidades de otorgamiento de micro créditos. Asimismo, el consultor tiene un entendimiento de los problemas y limitaciones que enfrentan las instituciones de microfinanzas en Honduras.

El primer evento se desarrollo el 02 y 03 de octubre del 2000 en las instalaciones del Hotel Honduras Maya en la ciudad de Tegucigalpa M.D.C y contó con la presencia de 32 participantes.

El segundo evento se desarrollo el 05 y 06 de octubre del 2000 en las instalaciones del Hotel Holiday Inn de la ciudad de San Pedro Sula y conato con la presencia de 32 participantes.

2. Objetivo del Evento

El evento de “Metodologías Crediticias”, tiene como objetivo principal fortalecer los proceso de implementación de las diversas metodologías de créditos orientadas al sector de las micro y pequeña empresa, tales como Bancos Comunales, Créditos Grupales y Créditos Individuales, resaltando beneficios, servicios, ventajas, mecanismos de supervisión entre otros.

a. Temas Tratados en el Evento

Se trataron en forma didáctica y operativa las experiencias de las mejores practicas utilizadas en el negocio de las microfinanzas a nivel mundial poniendo énfasis las utilizaciones en las experiencias latinoamericanas.

Entre otros aspectos se trato en forma especial los siguientes temas:

- Características de los créditos de microfinanzas
- Procedimientos y tramitación de los microcreditos
- Administración de los créditos
- Rentabilidad de los servicios del microcredito
- Atracción al cliente
- Mantenimiento al cliente
- Supervisión y regulación bancaria; en donde se puso énfasis a las barreras que afectan la rentabilidad, soluciones a los problemas de tasas y soluciones a los problemas de calificación de la cartera de colocaciones.
- Bases matemáticas y estadísticas para la medición del riesgo, poniendo énfasis en los riesgos claves del entorno, riesgos de sensibilidad y variabilidad del precio de ventas.
- Administración y recuperación de los créditos
- Descentralización y requerimientos
- Sistemas de manejo de información
- Calificación del personal
- Bases para la recuperación
- Incentivos al cliente
- Incentivos al personal, poniendo énfasis en bases y parámetros y las variables a considerar.
- Importancia del análisis del carácter
- Evaluación del cliente, sus características y generalidades
- Manejo del historial del crédito
- La responsabilidad de los pagos
- Puntos de alerta en el proceso de evaluación del crédito
- Verificación de referencias
- Casuística sobre preguntas a considerar en evaluación operativa
- Importancia de la evaluación de las referencias
- Análisis financiero del negocio
- Puntos de alerta en la evaluación financiera, casuística

- Análisis de prestamos retornos
- Capacidad empresarial

3. Resultados del Evento

a. Tegucigalpa

Para el contenido del evento se tomo en consideración como parámetros de medición: actualización, tiempo de duración, expectativas, claridad y comprensión, calidad de presentación y contenido del evento se pudo determinar que el 94.82% de los participantes calificaron el desarrollo del evento como bueno y excelente.

Para la calificación del consultor se tomo en consideración como parámetros de medición: dominio del tema, transmisión de conocimientos, combinación de la teoría con la practica empresarial, aplicación de metodologías participativas y el material adaptado a la realidad del negocio se pudo determinar que el 98.62% de los participantes calificaron al consultor como muy bueno y excelente.

b. San Pedro Sula

Para el contenido del evento se tomo en consideración como parámetros de medición: actualización, tiempo de duración, expectativas, claridad y comprensión, calidad de presentación y contenido del evento se pudo determinar que el 100.00% de los participantes calificaron el desarrollo del evento como bueno y excelente.

Para la calificación del consultor se tomo en consideración como parámetros de medición: dominio del tema, transmisión de conocimientos, combinación de la teoría con la practica empresarial, aplicación de metodologías participativas y el material adaptado a la realidad del negocio se pudo determinar que el 100.00% de los participantes calificaron al consultor como muy bueno y excelente.

F. ANNEX F - EXECUTIVE SUMMARY: SEMINAR ON THE ANALYSIS OF CREDIT RISK IN MICROFINANCE

CONSULTORIA USAID / CARANA Corporation
SEMINARIO TALLER DE MICROFINANZAS
"ANALISIS DEL RIESGO CREDITICIO"

Tegucigalpa, noviembre 13 y 14 del 2000
San Pedro Sula, noviembre 16 y 17 del 2000

Consultor: Elvis Alva

Resumen Ejecutivo

1. Introducción

Con los eventos de capacitación se pretende fortalecer técnica y operativamente al personal de las Organizaciones Privadas de Desarrollo Financieras afiliadas a la Red COVELO así como a bancos comerciales que atienden al sector de Microempresa en Honduras, apoyando de esta manera a su consolidación y fortalecimiento institucional.

En estos eventos se tratara de armonizar: los análisis de la **Clientela Básica,** a la cual se dirige la atención a este segmento; **Metodología de los Préstamos**, análisis de cada una de las metodologías, asimismo el análisis de la capacidad y voluntad de pago de los clientes frente a la tradicional base de garantías; **Costos Administrativos**, análisis del costo-beneficio de su reducción sin sacrificar la calidad de las evaluaciones y gestión de supervisión; **Características de la Cartera**; énfasis en colocación en cientos de pequeños créditos a corto plazo a mayor cantidad de clientes, en lugar de mayores créditos a plazos largos y menor cantidad de deudores; **Estructura y Supervisión**; análisis costo-beneficio de supervisión de trabajo en campo versus superestructura de oficinas centrales.

El facilitador de este evento "Análisis del Riesgo Crediticio", es un consultor con amplia experiencia y conocimiento en cuanto a la medición y prevención de riesgos que asume toda entidad dedicada al microcredito. Asimismo, el consultor tiene un entendimiento de los problemas y limitaciones que enfrentan las instituciones de microfinanzas en Honduras.

El primer evento se desarrollo el 13 y 14 de noviembre del 2000 en las instalaciones del Hotel Princess en la ciudad de Tegucigalpa M.D.C y contó con la presencia de 36 participantes.

El segundo evento se desarrollo el 16 y 17 de noviembre del 2000 en las instalaciones del Hotel Sula de la ciudad de San Pedro Sula y contó con la presencia de 26 participantes.

2. Objetivo del Evento

El evento de “Análisis del Riesgo Crediticio” tuvo como objetivo principal reducir el porcentaje de la cartera en riesgo a través de un análisis y comprensión de la aplicación de bases matemáticas, estadísticas e indicadores financieros para la medición del riesgo y su viabilidad en el rendimiento de la cartera.

a. Temas Tratados en el Evento

Se trataron en forma didáctica y operativa las experiencias de las mejores practicas utilizadas para prevenir el riesgo crediticio en el negocio de las microfinanzas a nivel mundial poniendo énfasis las utilizaciones en las experiencias latinoamericanas.

Entre otros aspectos se trato en forma especial los siguientes temas:

- Entorno de las instituciones de microfinanzas y las PYMES
- Asociación de riesgos
- Fuentes de información asimétrica
- Generación de altos costos.- el no repago
- Orientación de las políticas institucionales
- Tipos y características de microempresas
- Microempresas de subsistencia.- su tratamiento
- Microempresas promovibles.- su tratamiento
- Microempresas de desarrollo.- su tratamiento
- Mercado de las microempresas
- Racionalidad económica
- Organización productiva
- Nivel técnico y tecnológico
- Numero de trabajadores
- Características de los trabajadores
- Potencial de desarrollo
- Capitalización
- Capacidad de mercado
- Participación del microempresario en el proceso productivo
- Tratamiento del riesgo en microfinanzas
- Riesgo crediticio
- Análisis del riesgo
- Riesgo directo.- tratamiento
- Riesgo de contraparte.- tratamiento
- Riesgo de liquidación.- tratamiento
- Riesgo potencial de incumplimiento.- tratamiento
- Análisis de Riesgos claves del entorno
- Riesgo de competencia.- competidores clásicos y nuevos competidores su tratamiento
- Riesgos en lanzamiento de nuevos productos
- Riesgos en aumento de productividad
- Riesgos en reducción de costos

- Riesgos en recomposición de la cadena de valor
- Riesgo en amenazas de nuevos participantes
- Economía de escalas
- Diferenciación de productos
- Costos de cambio
- Requerimiento de capital
- Riesgos de sensibilidad
- Manejo de tasas
- Manejo del tipo de cambio
- Tendencia de inflación
- Impacto de las fuerzas competitivas en los factores del riesgo comercial
- Variabilidad de la demanda
- Variabilidad de precio de ventas
- Apalancamiento de operaciones
- Riesgo del entorno.- conocimiento y su medición
- Comparación de la medición del riesgo en banca comercial y microfinanzas
- Indicadores financieros
- Tratamiento de Cartera atrasada / cartera activa
- Cartera en mora > 30 días / cartera activa
- Cartera en mora > 8 días / cartera activa
- Cartera en mora > 1 día / cartera activa
- Provisión sobre colocaciones / cartera activa
- Clasificación de riesgos.- indicadores
- Evaluación del deudor para el otorgamiento del microcrédito
- Análisis de capacidad de pago
- Crédito a personas naturales
- Condiciones de pago
- Evaluación cualitativa
- Nivel de capitalización del deudor
- Análisis de entorno familiar

3. Resultados del Evento

a. Tegucigalpa

Para el contenido del evento y material didáctico se tomo en consideración como parámetros de medición: actualización, tiempo de duración, expectativas, claridad y comprensión, calidad de presentación y contenido del evento se pudo determinar que el 92.58% de los participantes calificaron el desarrollo del evento como bueno y excelente.

Para la calificación del consultor se tomo en consideración como parámetros de medición: dominio del tema, transmisión de conocimientos, combinación de la teoría con la practica empresarial, aplicación de metodologías participativas y el material adaptado a la realidad del negocio se pudo determinar que el 96.67% de los participantes calificaron al consultor como muy bueno y excelente.

b. San Pedro Sula

Para el contenido del evento y material didáctico se tomo en consideración como parámetros de medición: actualización, tiempo de duración, expectativas, claridad y comprensión, calidad de presentación y contenido del evento se pudo determinar que el 100.00% de los participantes calificaron el desarrollo del evento como bueno y excelente.

Para la calificación del consultor se tomo en consideración como parámetros de medición: dominio del tema, transmisión de conocimientos, combinación de la teoría con la practica empresarial, aplicación de metodologías participativas y el material adaptado a la realidad del negocio se pudo determinar que el 98.40% de los participantes calificaron al consultor como muy bueno y excelente.

G. ANNEX G - BOARD OF DIRECTOR TRAINING AND STRATEGIC PLANNING

USAID / CARANA Corporation
Working Sessions with the Boards of Directors of Covelo
And Member Institutions

October and November, 2000

Consultant: William Phelps

1. OVERVIEW

The diagnostic assessment by resident CARANA staff determined that the task of FPVO strengthening would require attention to the Boards of Directors of the institutions. CARANA consultant, William J. Phelps, was contracted to work with resident CARANA staff, Covelo management and the administrative staff of eight 1st and 2nd tier FPVOs to develop and implement a program of workshops intended to stimulate, challenge and help prepare boards of directors to more effectively assume the responsibilities of micro finance institution governance.

Initial diagnostic work confirmed that the boards of the eight institutions differ significantly in terms of sophistication, focus, history and orientation. It was determined that individualized working sessions would be necessary with the management and the boards of each of the institutions. Although all of the sessions would incorporate the same basic contents, each session would be individually geared to the needs and circumstances of each FPVO. It was also determined that the sessions with boards would be managed as "workshops" rather than formal presentations in order to permit and encourage interaction with the consultant and among board members.

Separate, individual sessions were held with management personnel and the boards of each of the eight institutions during 2 two-week consultancies between October 15 and November 30.

In addition to stimulating and challenging the members of each board of directors and providing guidelines for effective governance, the sessions were designed to initiate a process of on-going self-evaluation by board members, through which they may assess their effectiveness as a group and as individual members. The sessions were also intended to provide input for the development of action plans through which each board will address self-identified weaknesses and improve its effectiveness.

The format for all of the sessions included:

- Review of the evolving and increasingly demanding characteristics of the micro finance industry;

- Review of the responsibilities of boards of directors of micro finance institutions in general; and detailed review of the unique responsibilities of each specific board and its individual members.
- Review of composition, operating procedures, policies and other key characteristics common to effective boards of directors of micro finance institutions;
- Discussion among board members, including the history, dynamics and strengths and weaknesses of the board;
- Self evaluation by individual board members with emphasis on essential leadership qualities and technical skills necessary for effective board operation; and,
- Identification of specific training and skill development needs of each board.

The responses of the eight boards varied from excellent to good. The material presented in each of the sessions appeared to be well received and there was clear indication that several participants were effectively stimulated by the sessions. Considerable interaction was evident among board members, and early feedback was universally positive. Each of the boards generated priority lists of topics that they wish to include in their "action plans" for the Year 2001. At least three of the boards concluded that they would actively scrutinize their current composition and procedures in order to improve their effectiveness. All of the boards expressed interest in further assistance.

CARANA staff will continue to work with the managers of each of the FPVOs to develop a program of workshops, training sessions and other events that will address the expressed needs of each of the boards. It is recommended that follow-up sessions be held with each of the boards within the first six months of the Year 2001.

2. INDIVIDUAL BOARD SESSIONS

As anticipated, no two boards of directors are alike. There are wide differences in terms of levels of expertise and sophistication; and the needs and priorities of each group are unique to its particular circumstances. The following are brief overviews of the basic characteristics of each board, along with discussion of major issues associated with each board and recommendations for follow-up action.

3. HERMANDAD DE HONDURAS (HDH)

a. Board Characteristics

- The HDH Board of Directors is well established. Most directors have served the institution for several years; many are founding members.

- Although most directors are enthusiastically involved, leadership is concentrated in two directors.

- The President of the Board is heavily involved in management of the institution, particularly during a recent period of management transition.

- HDH provides a variety of community development services, including vocational training and health programming. The directors are generally interested and involved in the complete range of services, but are relatively unsophisticated with regard to micro finance.

b. Issues

- The President of the Board tends to involve himself in day-to-day management. He was particularly active during a recent period of management transition when HDH operated without a general manager for several months. Following the appointment of a new general manager, the President continues to maintain direct contact with operations. The HDH Manager has had confrontations with the board resulting from board member involvement with HDH administration, particularly regarding matters related to staff management.

- Considerable emphasis was placed during the session with the board on the importance of separation of management and board responsibilities. Several board members participated in the discussion, and the President acknowledged that the board should carefully review its role relative to project management. However, the problem has a long history, and it is anticipated that considerable additional attention to the matter will be required.

- The board suffers from a serious lack of micro finance program related sophistication. In order to exercise appropriate governance, the board must seek to further educate itself on matters of methodology, control systems and other critical aspects of micro finance programming.

- Considerable attention was given during the session to ways in which the board can introduce fresh expertise to its membership. Although most members did not express interest in modification of the current composition of the board, it was generally acknowledged that a system of active committees of the board should be developed through which select members of the community could work with the institution on matters of critical importance. In addition to exposing the board to needed expertise, it was acknowledged that the use of committees would provide a "feeder system" through which future new board members could be identified and nurtured.

- The board demonstrated a serious lack of familiarity with the areas and levels of responsibility of the board of a micro finance institution. Considerable interest was expressed in further exploration of these matters, particularly the effect of the emerging legal and regulatory environment.

c. Recommendations

- CARANA should assist HDH management and its board to develop and implement a program of further orientation to micro finance programming and related board responsibilities. Among the topics of interest that were identified by the board are:
  - Board of director leadership and membership motivation;
  - Understanding financial statements and financial indicators;
  - IMF governance, including management of board directives and policies;
  - Strategic planning;
  - The importance of micro finance to the national economy and to the community; and
  - Preparation and orientation of new members to the board of directors.

- CARANA should conduct at least one follow-up session with the HDH board during the first semester of 2001 to reinforce lessons learned and support the above recommended program of on-going board development.

- All technical assistance to HDH should include emphasis on the board's responsibility to provide effective guidance without inappropriate involvement in day-to-day management of the institution.

4. INSTITUTO HONDURENO DE ESTUDIOS Y DESARROLLO INTEGRAL DE LA COMUNIDAD (INHDEI)

a. Board Characteristics

- Although the board consists of professionals that demonstrate strong technical skills, its composition defies standards for balance and objectivity:
  - Board membership consists of five professionals, including the General Manager of the institution, who appears to exercise dominant leadership.
  - The President of the Board shares INHDEI management responsibilities as a paid advisor to the organization. He is actively involved in day-to-day operations, including review and approval of all loans.
  - One of the board members is the sister of the general manager.

- The General Manager and the President/Advisor perform most of the functions of the board. The entire board meets only four times per year.

- The board supports plans to convert INHDEI into a "regulated financial institution" and acknowledges that current composition of the board would be legally unacceptable.

- The board, as a whole, has limited direct involvement with the institution. However, individual members appear to be fully aware of the conditions of the institution and demonstrate familiarity with operations.

b. Issues

- Considerable attention was given during the session to the matter of board composition, and the members responded with due concern. They acknowledge that they must introduce changes to meet eventual legal requirements. More importantly, it appears that they also recognize that change is also needed in order to exercise proper institutional governance.

- The board members demonstrated particular concern in response to review of their fiduciary responsibilities. They acknowledge that their limited involvement with the project exposes them to potential liabilities without corresponding control.

- INHDEI plans for aggressive growth and eventual transformation into may be unrealistic, given current levels of administrative capacity and lack of involvement by the board.

c. Recommendations

- A follow-up session should be held with the board to reinforce new levels of interest in developing more active board participation.

- Any technical assistance scheduled with INHDEI management should give priority attention to development of a better-balanced and more supportive board.

- Virtually all of the suggested training topics were given high priority by the INHDEI board. Topics of most interest include:
  - Understanding financial indicators and financial statements;
  - Strategic planning;
  - Selection, orientation and preparation of new directors
  - Internal control systems;
  - Understanding of risks associated with micro finance activity; and,
  - Design and employment of board policies and directives.

5. INSTITUTO PARA EL DESARROLLO HONDUREÑO (IDH)

a. Board Characteristics

- IDH is recovering from a severe administrative and board leadership crisis. A new Executive Director and Board President are managing a reorganization that is expected to result in improved administration and board governance.

- The new leadership is also attempting to recover from a loan portfolio and personnel crisis that has left the organization with serious financial problems.

- The current Executive Director provides the board with strong strategic leadership. Although she has no vote on the board, her influence is key to virtually all board decisions.

- In spite of strong dedication to the objectives of the institution, the board is not adequately equipped to provide adequate technical and strategic support.

- Board membership is draw exclusively from the IDH General Assembly, which represents the religious and other interests on which the institution is based.

b. Issues

- On the basis of extensive preliminary conversation with the Executive Director, particular emphasis was placed during the session on the importance of having strong technical skills on the board of directors in order to adequately support management. Following extensive discussion and self-evaluation, the board members acknowledged that they are lacking many of the necessary skills. Although they expressed interest in opportunities to improve their own skill levels, they recognize that only through expanded board membership will they be able to adequately address the problem.

- Potential for changes in the composition of the board are limited by the requirement that all new membership be drawn from the general assembly. Board members indicate that the assembly is not likely to offer the necessary skills.

- Although most board members express awareness of the methodological and structural problems with which the institution is struggling, their plans for portfolio growth and quality may be unrealistically optimistic.

c. Recommendations

- Follow-up with the board will be necessary to ensure that their current level of commitment to improvement is maintained.

- Virtually all of the suggested topics for board training were identified as required. Consistently high priority was given to:
  - Understanding risks associated with micro finance;
  - Strategic planning;
  - Maximizing efficiency of board meetings;
  - Identification, orientation and preparation of new board members;
  - Institutional self sustainability;
  - Understanding financial statements and indicators; and,
  - Development and use of board policies and directives.
  - Technical assistance and training opportunities can be expected to assist with the development of the board, however policies and mechanisms must be developed to address the problem of weak board composition.

6. WORLD RELIEF OF HONDURAS

a. Board Characteristics

- The World Relief board, which is drawn from the institution's 13 member General assembly, is highly motivated and dedicated.

- The board consists of well-prepared and experienced professionals that represent both religious and broader interests of their communities. Most of the members have a long history with the organization.

- Covelo manager, Anibal Montoya is an active member of the board, and provides insight and technical backing on matters of micro finance.

b. Issues

- The organization has experienced methodological and financial difficulties within the past two years, but has demonstrated significant recovery.

- The World Relief manager has a 16-year history with the institution. He exercises strong leadership with the board, managing the planning and policy making process, and establishing the board's agenda. There is no indication of inappropriate board involvement in management.

- Following discussion of board of director responsibilities (with emphasis on the demanding nature of micro finance), the board expressed strong interest in increasing their level of involvement with planning and supervision.

- Considerable attention was given to ways in which the board can ensure that it maintains adequate technical skill levels. They expressed interest in developing a committee system designed to permit in-depth board focus on technical issues, allow involvement by individuals that are not currently members of the general Assembly and serve as a "feeder" mechanism for nurturing fresh membership for the General Assembly.

c. Recommendations

- A follow-up session should be held with the board within the first semester of 2001.
- Prompt follow-up should occur with management to plan for board training in accordance with the topics of interest expressed by the board. High priority topics include:
  - Strategic planning;
  - Board member leadership and motivation;
  - Development and use of board directives and policies
  - Professional ethics in micro finance;
  - The significance of micro finance in the national economy and as a poverty reduction tool;
  - Understanding financial statements and indicators;

- Internal control systems;
- Board – management relations; and,
- Exploration of mechanisms for expanding board membership and composition.

7. FAMA

a. Board Characteristics

- The FAMA board has only four active members, two of which are members of the staff of the organization: the President of the board is the acting general manager and the Secretary of the board is the credit manager.

- The President of the board recently assumed general managerial responsibilities following a severe financial and personnel crisis. The board is currently attempting to recruit a new manager.

- The size and composition of the board is seriously inadequate.

- Board members demonstrate little understanding of the standard role and responsibilities of a board.

- With the exception of those board members that are on the staff of the institution, the board is not proactive on matters of institutional policies and planning.

- The board is convinced that it will quickly recover from its crisis. The institution plans to increase its loan portfolio by nearly 300% during the next two years (from 3,500 to 9,800).

b. Issues

- Emphasis was placed, during the session, on the need for active involvement by a well-balanced and prepared board of directors. Although interest was expressed in better understanding the responsibilities of a board of an IMF, it is evident that the board is reluctant to introduce significant changes to its structure, composition or procedures.

- The President/acting General Manager indicates that she intends to discontinue her involvement with the administration as soon as a new manager is identified and employed. Although the President participated actively in most of the session and expressed awareness of the need to establish and maintain separation of board and managerial functions, she demonstrated annoyance at emphasis on the subject.
- Although FAMA has developed a complete and "classical" (if uninspired) strategic plan for operation through the Year 2002, the board's expectations for recovery and growth may be seriously unrealistic.

c. Recommendations

- CARANA should offer at least one follow-up meeting with the board following the appointment of a new General Manager. It is possible that the institution may be more receptive to considering structural and procedural changes following stabilization of their situation.

- Priorities identified by the board for further training include:
  - Board leadership and motivation;
  - Design and importance of board directives and policies;
  - Better understanding of micro finance
  - Understanding financial statements and indicators;
  - Micro finance credit methodology;
  - Orientation and preparation of new directors; and,
  - The importance of micro finance to the poor.

- Potential for significant short-term improvement of board effectiveness may be limited. Expectations for progress should await further diagnostic work.

8. ORGANIZACÍON DE DESARROLLO EMPRESARIAL FEMEMINO (ODEF)

a. Board Characteristics

- The Executive Director of ODEF participates as a voting member of the board
- Although the board is highly motivated and active, its agenda and policies are heavily influenced (virtually managed) by the Executive Director.
- The board has been very actively involved with management of the institution since an institution-wide crisis in 1992.
- The 18-member ODEF General Assembly that meets regularly each two years chooses the board.
- The board has received extensive training on matters of board responsibilities, strategic planning and the evolving micro finance legal/regulatory environment.
- The board and the General Assembly are currently planning to expand the membership and composition of both entities to include additional technical expertise.

b. Issues

- Although the board is well organized and prepared, and members are accomplished professionals, the institution would benefit from closer board supervision of ODEF operations and generally more proactive board involvement.

- During the session, several board members expressed interest in learning more about several aspects of micro finance programming

c. Recommendations

- A follow-up meeting should be held with the board during the first semester of 2001. Preparation for the meeting should be closely coordinated with the Executive Director and the President of the board.
- All follow up with the board should be well prepared, specifically focused on topics of expressed interest to the board, and geared to the highly sophisticated nature of the board members.
- The board had already developed a list of topics that they wish to explore more thoroughly. Additional topics of interest were identified during the session. The topics include:
  - Analysis and interpretation of financial statements;
  - Information exchange with organizations that have demonstrated success with IMF governance and operation;
  - Strategic planning;
  - Marketing and product development;
  - Micro finance issues related to the environment and sustainable agriculture;
  - Project evaluation;
  - Maximizing efficiency of board meetings;
  - Internal control systems,
  - Risks associated with micro finance; and,
  - The importance of micro finance to the national economy.

9. FINSOL

a. Board Characteristics

- FINSOL is unique among the current organizations affiliated with the Covelo network. It is a privately owned finance company that is strategically focused on eventual transformation into a bank.

- FINSOL has evolved from the multi purpose NGO, FUNADEH, which is currently the major FINSOL shareholder.

- The board recognizes that its level and realm of responsibility will increase significantly as the institution transforms into a bank, particularly as it assumes responsibility for deposits from the public.

- The FINSOL board is highly experienced and sophisticated.

- Several of the board members are also members of the board of FUNADEH.

- The “Executive Director” of the board is closely involved with FINSOL supervision, including credit approval and internal auditing.

- Although the board is generally active in all areas of board responsibility, the administration of the institution is generally left to the General Manager.

b. Issues

- During the session, most members of the board appeared to develop enhanced concern for closer supervision of the growth and evolution of the institution.

- Although the board did not develop a specific list of topics for further discussion and board training (they asked for an opportunity to develop the requested list at the next board meeting), it is likely that they will be particularly interested in such subjects as;
  - Product development;
  - Market and competition analysis;
  - Methodology development; and,
  - Capitalization.

- Board composition was a topic of considerable interest during the session. Most members expressed interest in the development of mechanisms for more in depth board analysis of issues associated with methodology and competitiveness. Considerable attention was given to the possibility of a committee system through which additional expertise could be introduced to the board.

c. Recommendations

- The board should be reminded to prepare the list of topics for further discussion and/or training.

- At least one follow-up session should be scheduled for the first semester of 2001. The session should be carefully coordinated with the manager and board leadership so as to ensure proper focus and level of sophistication.

- The board should be encouraged to further explore possibilities for enhancing board expertise through both modifications to board composition and use of specially focused committees of the board and other mechanisms.
- Board members also expressed interest in exploring means through which the particular areas of expertise of board members could be shared with the institution. Follow up activity should include emphasis on encouraging and facilitating such involvement.

10. COVELO

The session with Covelo did not lend itself to discussion of the topics of board role and responsibility. The meeting was formally formatted is association with a post board meeting luncheon. Although all of the material that was developed for discussion was presented to the few members that were in attendance, little discussion ensued and virtually no interaction was possible, either with the facilitator or among board members.

The board members that attended were however, able to provide lists of topics that they wish to further explore. The highest priority topics include:

- Strategic planning;
- The importance of micro finance to poverty alleviation;
- Risks associated with micro finance;
- How to maximize the effectiveness of board meetings;
- Internal control systems;
- Understanding financial statements and performance indicators; and,
- Micro finance methodology.

It is recommended that a follow-up session be held with the Covelo board as soon as possible. The session should be carefully planned as a "working session" in which open-ended discussion and group interaction is encouraged. Several members of the board have expressed interest in a board-level strategic planning session to address the future of the institution. The recommended working session should be help in coordination with, but prior to, the requested strategic planning meeting.

H. ANNEX H - LIST OF DOCUMENTS AND REPORTS PROVIDED TO USAID THROUGH DECEMBER 31, 2000

1. Microfinance Support Project - Strategy, Work Plan, Reporting Requirements And Other Administrative Issues - June of 2000

2. Informe De Trabajo De Campo Y Diagnostico De Asistencia Técnica Para 9 OPDs - August of 2000

3. Informe De Evento De Capacitación "Metodológicas Crediticias" - October 2000

4. Evento De Capacitación "Análisis Del Riesgo Crediticio" - November 2000

5. Informe De Consultoría A Corto Plazo; Hermandad De Honduras - HDH - December 2000

6. Informe De Consultoría A Corto Plazo; Financiera Solidaria S.A. - FINSOL - December 2000

7. Informe De Consultoría A Corto Plazo; Organización De Desarrollo Empresarial Femenino - ODEF - December 2000

8. Evento De Capacitación "Gobernabilidad Y Rol De Las Juntas Directivas A 8 Organizaciones" - December 2000