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**Apex Study of the
Asociacion de
Grupos
Solidarios
de Colombia**

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GEMINI

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Apex Study of the Asociacion de Grupos Solidarios de Colombia

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ACRONYMS

ACCION	Acción Internacional
AGS	Asociación Grupos Solidarios de Colombia
AGS-COOP	Cooperativa Grupos Solidarios de Colombia
ACTUAR/Antioquia	Corporación Acción por Antioquia
ACTUAR/ Bogotá	Corporación Acción por Bogotá
ACTUAR/Tolima	Corporación Acción por el Tolima
ACTUAR/Caldas	Corporación Acción por Caldas
ACTUAR/Quindio	Corporación Acción por Quindio
ASOMICRO	Asociación para el Desarrollo de la Microempresa
CDV	Centro de Desarrollo Vecinal
CIDES	Cooperativa Multiactiva de Desarrollo Social
CIDA	Canadian International Development Agency
CMM/Bogotá	Corporación Mundial de la Mujer/Bogotá
CMM/Medellín	Corporación Mundial de la Mujer/Medellín
CORFAS	Corporación Fondo de Apoyo a Empresas Asociativas
CRS	Catholic Relief Services
IAF	InterAmerican Foundation
FES	Fundación para la Educación Superior
FF	Fundación Familiar
FMSD	Fundación Mario Santo Domingo
FMM/Bucaramanga	Fundación Mundial de la Mujer/ Bucaramanga
FMM/Cali	Fundación Mundial de la Mujer/Cali
FMM/Popayán	Fundación Mundo Mujer/Popayán
FUNDICAR	Fundación para el Desarrollo de la Región Guajira
NPDM	National Plan for the Development of Microenterprises
PACT	Private Agencies Collaborating Together, Inc.
PISINGOS	Fundación Pisingos



EXECUTIVE SUMMARY

The purpose of this study is to document the experience of the Asociacion Grupos Solidarios de Colombia (AGS) and to draw lessons for replicability in the creation of apex organizations.¹ Established in 1985, AGS coordinates the activities of 17 private voluntary organizations that implement microenterprise development programs in Colombia, using the ACCION methodology.² AGS has led its members towards an entrepreneurial approach to achieve program sustainability, and toward an expansion strategy to have a significant impact on poverty.

AGS services have concentrated on developing an efficient credit methodology, strengthening managerial capacity, and providing financial resources for the programs. The network has been very successful in reaching large numbers of beneficiaries rapidly and at a very low cost. In seven years of operations, it has reached 40,000 microentrepreneurs and disbursed 185,000 loans with a total value of US\$28 million. The average loan size is US\$150. Repayment rates for the programs are kept above 90 percent while the cost per dollar loaned is kept below \$0.05.

The success of AGS demonstrates that an apex organization can be an excellent strategy for institutional strengthening of development organizations, program expansion, and channeling of financial resources. It also demonstrates that an apex can play an instrumental role in accelerating the learning process in microenterprise development and in giving direction, visibility, and legitimacy to the work of its members.

The experience of AGS offers useful lessons for replicability — among them, the need for specialization. An apex organization can best serve and realize economies of scale when created around organizations that share common objectives, programs, and methodologies. Serving a multiplicity of programs and priorities only disperses the efforts, resources, and effectiveness of an apex organization. To be effective, an apex organization should limit the number of members to those with the highest potential, and avoid a multiplicity of partners that do not cumulate into a cohesive program with wide scope. Well-defined eligibility criteria in the selection of members are mandatory. Commitment to self-sufficiency and scale-up are key among these criteria.³

When the implementing organizations are inexperienced in managing credit programs, when the methodologies being introduced are new, or when the administration is weak, the apex organization must concentrate its efforts initially on strengthening the capacity of the implementing organizations to manage the program. Scaling-up objectives cannot be achieved without solid administrative structures in the implementing organizations.

¹ An apex organization is one that coordinates several other organizations and provides services to its members. The term is used commonly in the small enterprise development field.

² ACCION International is an independent, nonprofit organization whose business development programs have created employment opportunities and income for poor families in the Americas for 28 years.

³ Scale-up is another term used widely in the field of small enterprise development, and means expansion.

Apex organizations with participatory governance structure face problems of conflicting interests. When the program policies are dictated by the membership itself at the board level, the "judge and jury" factor negatively affects objectivity in decision making and, therefore, the apex's own growth and sustainability.

ORIGINS AND OBJECTIVES OF ASOCIACION GRUPOS SOLIDARIOS DE COLOMBIA

The Asociacion de Grupos Solidarios de Colombia (AGS) is a federation of 17 private, nonprofit organizations; group members started working together in 1983, and AGS was legally established in 1987. It carries out the coordination at the national level of the institutions that implement solidarity group and *famiempresa* programs in Colombia.¹

The origins of AGS go back to 1982 when ACCION International/AITEC began to promote the solidarity group methodology in Colombia.² At that time, the Carvajal microenterprise methodology was widely accepted among private and public organizations; therefore, ACCION faced difficulties in attracting organizations willing to try a new, unproved approach.³ Four organizations accepted the challenge: Fundacion Mundial de la Mujer (FMM), Cali; The Fundacion Familiar, Cali; the Centro de Desarrollo Vecinal (CDV) of Cartagena; and the Cooperativa Multiactiva de Desarrollo Social (CIDES), Bogota.

Group members started working together in 1983. ACCION covered operational expenses for the implementation of the program while Catholic Relief Services (CRS) and Private Agencies Collaborating Together, Inc. (PACT) provided the seed capital for a rotating fund. The technical assistance process began with monthly seminars. These seminars acted as a forum for discussion on methodological issues as well as for staff training. Both executive directors and promoters participated. The programs were small and not stratified so there was little difference between the director and the promoters.

The first National Plan for Microenterprise Development (NPMD) also began operations in 1983. Created by the government at the initiative of Fundacion Carvajal, the plan was implemented by those organizations operating microenterprise programs under the traditional Carvajal approach. Solidarity group programs were not recognized as valid and the ACCION-assisted institutions were excluded.

With the exclusion from the plan, the need for working together grew stronger and efforts to improve program performance were intensified. By 1985, the solidarity groups' programs were showing results unpressive enough to attract other nongovernmental organizations (NGOs); ACTUAR Antioquia joined the group. With a board composed of the top entrepreneurs of Antioquia and a highly enterprise-

¹ The principal objective of solidarity group and *famiempresa* programs is to improve socioeconomic conditions among low-income microentrepreneurs and their families. The solidarity group concept calls for four to six independent microentrepreneurs to join together to guarantee the credit provided through the group mechanism. The group as a whole is responsible for the debts of each individual member. *Famiempresa* programs operate a system of individual as opposed to group loans following a methodology developed by ACTUAR/Antioquia, one of the institutions that implement solidarity group programs in Colombia.

² ACCION International is an independent, nonprofit organization whose business development programs have created employment opportunities and income for poor families in the Americas for 28 years.

³ The Carvajal approach to microenterprise development emphasizes training as the microentrepreneur's most important need in contrast to the ACCION approach that emphasizes credit.

oriented management, ACTUAR's incorporation constituted an important development for the group. A few months later, the Corporacion Fondo de Apoyo de Empresas Asociativas (CORFAS), an academically oriented NGO with branches nationwide, joined the group as well. FMM/Cali opened a branch in Popayan and CIDES opened one in Manizales. By that time the group had concluded that the methodology was not affected by the character of the institution, because the six members were very different from each other and yet the programs had similar results.

By the end of 1985, the group openly talked about the need for a centralized institution. The perception was that, first, it would be easier to get accepted into the National Plan for Microenterprise Development if the institutions presented a united front and lobbied as a group. Second, it would be easier for donor agencies to deal with only one institution instead of working with each member individually. Thus, a central institution would be part of a strategy to attract international funding. Third, a centralized body would serve as the coordinator of a network to formalize, share, and give continuity to ACCION's technical assistance.

The idea of a centralized institution also appealed to ACCION. While giving the group some continuity, it would also solve the problem of choosing a country representative. For logistical purposes, it was important for ACCION to relate to one institution instead of six, and to allow for the eventual complete Colombianization of its presence in the country.

In 1986, the group started defining the legal framework for the institution and met as a board comprised of the executive directors of the member organizations. Decision making became more collective and the group signed an agreement with ACCION under which it would pay the salaries of the association's director.

In 1987, the group obtained legal status as the Asociacion de Grupos Solidarios de Colombia. The goal of AGS was to strengthen the operational capabilities of its affiliates in order to scale up their programs.⁴ Specific objectives included the following:

- Technical assistance to members in methodological, operational, and evaluation aspects of the solidarity group and *famiempresa* programs;
- Fund raising for the programs at both national and international levels;
- Promoting the programs of affiliated institutions with the private and public sectors;
- Training personnel of affiliated institutions; and
- Providing services that all members needed, such as software development, taking advantage of economies of scale.

By the end of 1988, the creation of AGS was considered very successful by the membership. After intense lobbying efforts, AGS was welcomed by the Government of Columbia (GOC) as part of the National Plan. This achievement did not provide financial resources, but gave the AGS and the solidarity group methodology public recognition, legitimacy, and participation in every policy discussion on microenterprise development.

⁴ Scale-up (or to scale up) is another term used widely in the field of small enterprise development, and means expansion.

THE AGS NETWORK'S OUTREACH

Over the 92 months between August 1983, when the first program got under way, and March 1991, AGS reached 39,709 microentrepreneurs. Women represent 56.2 percent of the enterprises assisted. Around 38 percent of the program beneficiaries are involved in small-scale manufacturing; 59 percent are street and market vendors in commercial activity, and 3 percent are in services.

During the period, the programs disbursed 184,443 loans for a total of US\$27,663,845.⁵ The average loan amount was US\$150. As a whole, the repayment rate has been kept above 90 percent of the outstanding loan portfolio. Less than 1 percent of the total amount lent in the period ended in default. Cumulative savings of program beneficiaries totalled US\$600,000 (at the March 1991 exchange rate). Some 157,486 field visits were carried out to microenterprises assisted, and 17,957 training sessions were provided.

As of March 31, 1991, 24,243 active microentrepreneurs participated in the 19 solidarity group and six *famiempresa* credit programs. The combined loan portfolio amounted to US\$2,595,762 and the late payment rate stood at 6.5 percent of outstanding loans (loans in arrears 30 days or more).

By March 1991, 50 percent of the active programs had reached operational self-sufficiency, meaning that interest income and other fees charged to beneficiaries covered 100 percent of normal operating costs. As of May 1991, the AGS revolving fund had disbursed loans for US\$469,850 at an interest rate far below the market rate (18 percent versus 48 percent).

AGS ORGANIZATIONAL STRUCTURE

The governing body of the AGS is the General Assembly, which is made up of all the legal representatives of the affiliated institutions (usually the executive directors). It is responsible for setting policies as well as approving the budget and financial statements of the consortium. The General Assembly elects a five-person board from among its members, which meets quarterly and is responsible for supervising the day-to-day activities of AGS.

At the time of this study, the ACCION Country Director was also the Executive Director of the Asociacion through a Cooperation Agreement negotiated between the two institutions. ACCION has a second person supporting the Colombian program and the Asociacion has eight other employees, three of whom are support staff (administrative assistant, secretary, and messenger). The five other staff members are the AGS administrator, who is in charge of accounting and financial matters as well as gathering statistics from the 17 members; two systems engineers, one for software development and one for technical assistance to members in this area; the manager of the Cooperativa Grupos Solidarios, who also provides technical assistance in financial management and intermediation to the affiliates; and a methodology advisor who assists member institutions in program design, implementation, and evaluation.

⁵ Figures represent average yearly exchange rates for 1983 to 1989 and monthly rates for 1990 and 1991.

Membership Profile

AGS is made up of 17 organizations that operate in 12 major and secondary cities of Colombia.⁶ Although having the solidarity group and *famiempres*a programs as a common bond, the membership is heterogenous in nature and objectives (see Table 1). It includes private and semipublic foundations, nonprofit corporations, and a cooperative. Program objectives vary from child welfare, charity, women's development and education, to savings mobilization, solidarity groups, and *famiempres*as.

TABLE 1
AGS MEMBERSHIP, NATURE, OBJECTIVES, AND AFFILIATIONS

MEMBER	City	Joined AGS	Nature	Objectives	Other Affl'tn
CIDES	Bogota	1983	S&Loans	Savings mob and credit	DANCOOP
	Manizales	1984	Coops		
FMM	Cali	1983	Nonprofit corporation	Woman devel	WWB
CMM	Medellin	1985		ME/Credit	WWB
FMM	Popayan	1985		WWB	
FBMM	Bucaramanga	1987		WWB	
CMM	Bogota	1989		WWB	
F.F.	Cali	1983	Foundation	Poverty Lending ME/Credit	Catholic Parish
CDV	Cartagena	1983	Semipublic corporation	Education Health Coramun. Dev. ME/Credit	Public Sector
ACTUAR	Antioquia	1985	Nonprofit corporation	ME/Credit	ACTUAR
	Tolima	1987		Training	ACTUAR
	Bogota	1988			ACTUAR
	Caldas	1989			ACTUAR
	Quindio	1990			ACTUAR
CORFAS	Bucaramanga	1985	Nonprofit corporation	Training and Technical assis.	
FUNDICAR	Guajira	1990	Foundation ME/Credit	Training and T.A.	
FMSD	Bar'nquilla	1987	Foundation	ME/Credit	AICP ^a
	Cartagena	1989		T.A., training Housing	CARVAJAL
PISINGOS	Bogota	1988		Child welfare ME/Credit	Children Intern'l

^a Association of Individual Credit Programs (AICP), comprised of those credit programs that use the Carvajal approach.

⁶ Colombian demographic statistics define secondary cities as those with a population below 300,000.

The degree of heterogeneity in AGS membership has decreased over the years as the organization developed a set of eligibility criteria for new members. At the beginning, no such criteria existed, so the greatest differences are found among the first generation of members: CIDES, FMM-Cali, CDV, CORFAS, and FUNFAMILIAR. When they joined AGS, these organizations were small, unfunded, and, with the exception of CIDES, had little or no experience with credit programs. Their administration was poor, and the approach to their target population was charity oriented. Consequently, working with this first group was consuming in time and resources. The solidarity group programs faced great difficulties in overcoming barriers related to nonsubsidized credit, self-sufficiency, and scaling-up operations.

The second generation of members was made up of ACTUAR Antioquia, ACTUAR Tolima, Corporacion Mundial de la Mujer (CMM) Medellin, Fundacion Mundial de la Mujer (FMM) Popayan, and Fundacion Mario Santo Domingo (FMSD). Although membership criteria were not yet fully established, AGS sought the benefits of working with organizations with strong private sector support, credit experience, and a more entrepreneurial orientation. The results of this strategy were positive and the programs grew rapidly. A significant difference in this generation of members was that they requested participation in the AGS group as opposed to being asked to participate; therefore, they were more open to implementing recommendations. They all paid a technical assistance fee to ACCION for the implementation of the solidarity group program. ACTUAR Antioquia used its own resources to create the revolving fund.

The rapid success of the second-generation programs set up the pattern for membership expansion. The main lessons learned were to work with institutions that already had financial support, and a board of private sector business people with a sense of belonging to their local communities. These lessons gave birth to the AGS membership selection criteria and the third generation of members: ACTUAR Bogota, ACTUAR Quindio, ACTUAR Caldas, FUNDICAR, FMSD Cartagena, Fundacion PISINGOS, and Corporacion Mundial de la Mujer (CMM) Bogota. The new members complied with requirements that included the following:

- A successful solidarity group program implemented with technical assistance from ACCION and already in operation for at least six months prior to incorporation to AGS;
- Financial capabilities to cover all operating costs of the program's first year of operations and contribute at least 50 percent of the expected loan portfolio with its own resources;
- Legal status and operations for at least two years prior to membership application (in practice this requirement has been waived several times);
- Recommendation from ACCION and an active member of AGS; and
- Payment of affiliation fees.

A distinct characteristic of the third generation was that most member organizations were actually created with the assistance of AGS. ACTUAR Bogota, Caldas, and Quindio were the product of a promotion venture of AGS and ACTUAR ANTIOQUIA. ACTUAR Tolima was created with grants received after the Nevado del Ruiz mudslide. Catholic Relief Services funded both the technical assistance from ACCION and the revolving fund for a two-year period. AGS saw in this strategy a way to apply the lessons learned from two generations of members and a way to ensure the incorporation of institutions with high potential for success. The results were beyond expectations. After two years of operation, ACTUAR Bogota had 10,000 beneficiaries who represented 25 percent of the AGS network's

outreach. ACTUAR Tolima in three years reached a C\$100 million loan portfolio, while first-generation CVD reached only C\$30 million in seven years.

FINANCIAL RESOURCES

Sources of Funds

The first solidarity group programs in Colombia got under way with financing from CRS, PACT, and UNICEF. These donors financed technical assistance costs and some start-up operating costs at the program level, but the bulk of support went to capitalizing the revolving loan fund of the four initial programs. Many of the 17 affiliated institutions have also received international support directly from U.S. and European donors.

At the national level, support from FES (Fundacion para la Educacion Superior) and the local private sector have been important. Some resources, although not significant in magnitude, have also been received from local government.

The credit portfolio currently outstanding at the national level includes resources from PACT, UNICEF, CRS, IAF, MISEREOR, ACCION, FES, and the Public Welfare Foundation. It also includes several European donors and substantial local funding, mostly as grants from the private sector but also, increasingly, loans from the formal financial sector.

In the case of ACTUAR/Tolima, substantial resources were received from the government and international donors after the Nevado de Ruiz mudslide in 1985. Two other programs have also received modest government support.

AGS's funding sources include CRS, ACCION, CIDA, CALMEDOW, IAF, FES, and FORD. As shown in Table 2, most resources have been designated for the programs' credit fund, and to a lesser extent to cover AGS's operational expenses.

SERVICES

AGS carries out several activities and provides an array of services to its membership that can be classified in four main categories: methodology implementation, institutional capacity building, promotion of new programs, and financial intermediation (Figure 1).

Methodology services include training and technical assistance to member institutions in the implementation of solidarity group and *famiempresa* programs. Training and technical assistance are provided in savings mobilization, promotion techniques, credit policies, credit analysis, business assistance to microentrepreneurs, training content, and pedagogy. These services are mainly addressed to new members.

Institutional strengthening concentrates on such areas as board composition and role, organizational structure, planning and programming, staff management, financial management, cost control, budgeting,

portfolio management, and loan collection. An important aspect of the institutional strengthening is the provision of technical assistance in proposal writing and in developing negotiation skills.

TABLE 2
AGS FUNDING SOURCES AND DESTINATIONS (8/87 to 3/91)

	Programs Credit Fund	Programs Operational Subsidies	AGS Fixed Investments	AGS Operating Expenses
CRS (i)	\$212,000	\$20,250	\$ ---	\$ 15,250
ACCION	50,000	---	---	In Kind (5)
CIDA (2)	157,850	35,440	---	21,350
CALMEADOW (2)	---	---	3,000	38,800
IAF	25,000	---	5,000	80,000
FES (3)	25,000	---	---	---
FORD	---	---	30,000	20,000
TOTALS:	\$469,850 (6)	\$55,690	\$38,000(4)	\$173,000

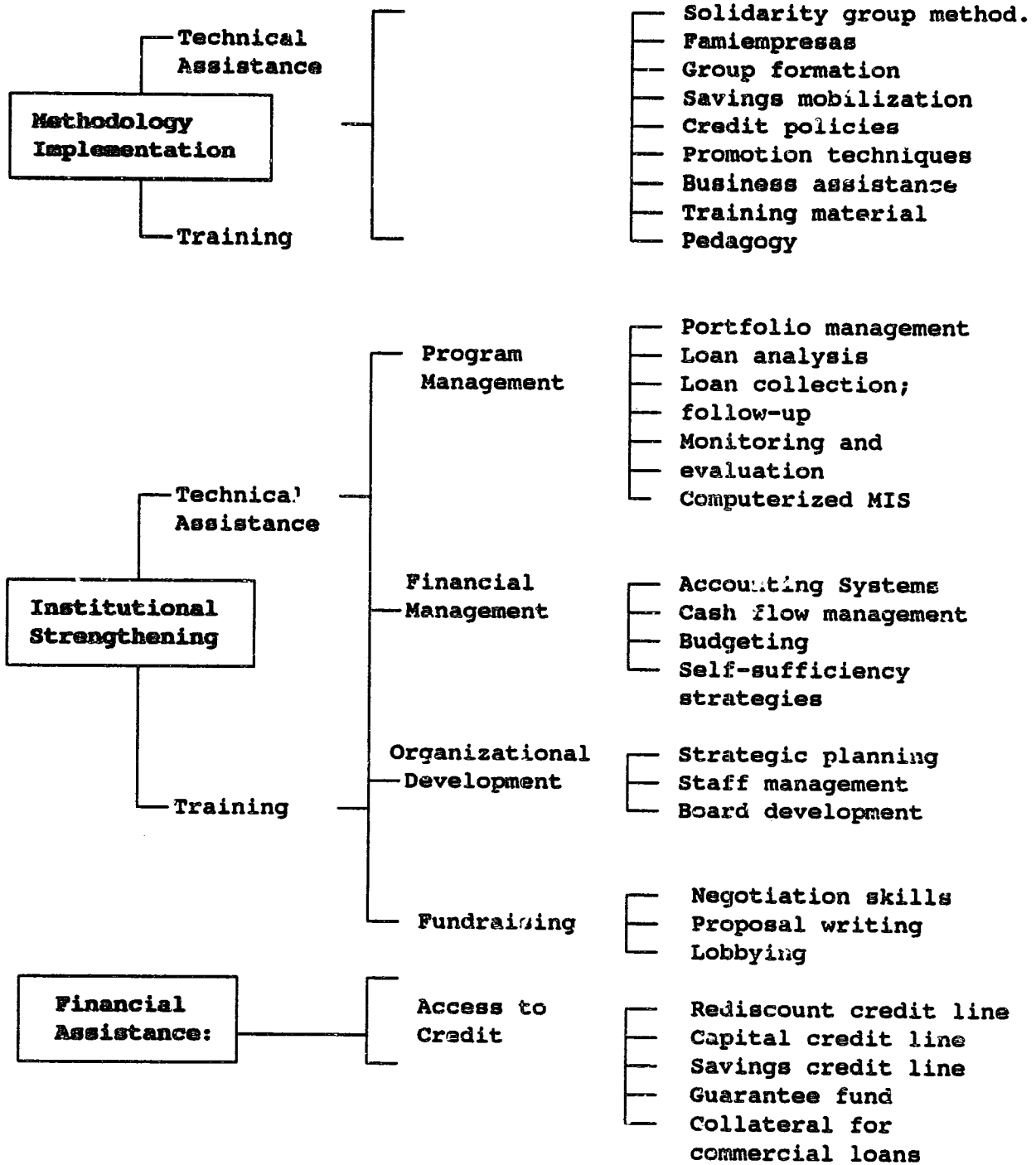
- (1): Includes funds from the CRS Omnibus Project, direct funding for workshops, repayments of CIDES grant and project for ACTUAR/Caldas.
- (2): CIDA and Calmeadow grants are presented at an average exchange rate of US\$1.00 = Cnd\$0.80.
- (3): Calculated at the exchange rate at time of disbursement since the grant was in Colombian pesos.
- (4): Refers exclusively to the acquisition of computers for the AGS and the program.
- (5): An average of \$70,000/year since late 1987.
- (6): Represents close to 18 percent of the combined portfolio of all regions.

During the past few years, AGS has promoted systematized accounting, portfolio management, program monitoring, and evaluation. In support of these efforts, computer equipment is provided to all members, and two employees of AGS are devoted full-time to software development and technical assistance activities. The computer equipment is lent at no cost (except insurance and maintenance) for an indefinite period. It has to be returned if the institution leaves AGS or if the computer is not used in the solidarity group program.

The promotion of new programs, currently linked to methodology implementation, takes three forms: (1) expansion of solidarity group programs through regional branches, (2) implementation of *famiempresa* programs, and (3) promotion of new organizations to operate solidarity group and *famiempresa* programs. AGS has mainly concentrated on promotion of new programs with the direct participation of ACCION and ACTUAR, usually ACTUAR ANTIOQUIA. ACTUAR carries out all the activities related to promotion, selection of a board of directors, and legal aspects related to the registration of the organization; ACCION and the AGS provide the technical assistance in program

Figure 1

AGS: Summary of Services Provided



implementation. After a year in operation, the newly created organizations become members of AGS. Since 1986, AGS has also been providing technical assistance to individual credit programs, targeted toward new or recently created microenterprises. The *famiempresas* methodology used was developed by ACTUAR/Antioquia.

Technical assistance and training are provided at no cost to the members. Nonmembers who want to implement the solidarity group methodology must pay a technical assistance fee of US\$10,000 to ACCION. On average, four two-day technical assistance visits are carried out annually to each existing program. Visits are scheduled according to an annual plan and subject to request by each member. New programs get a minimum of six visits during the first year of operation.

AGS also promotes "horizontal technical assistance" or exchange visits by which staff members from one institution visit another AGS affiliate for several days to learn a particular program area. Training takes place through three-day workshops. Sessions are addressed by directors, field promoters, trainers, evaluators, and midlevel managers. They target specific program areas and are expected to produce manuals and how-to guides.

In addition to the training, and technical and financial assistance provided to the members, AGS is also involved in lobbying with donor agencies and representing the members at the National Plan for Microenterprises.

FINANCIAL INTERMEDIATION: THE AGS COOPERATIVE

Origins

During the first years of operation, the role of AGS in financial intermediation was mainly oriented to fund raising for the programs' credit portfolio and for some operating costs. Financial resources for operational expenses were given as donations. A revolving fund provided soft term credit at an interest rate of 18 percent, while the market rate reached 48 percent. Financial intermediation was limited to technical assistance to member agencies in negotiating lines of credit from formal sector financial institutions and in preparing proposals for international donors.

With the expansion in both membership and program outreach during 1987-1989, AGS realized that significant scale-up in the programs was not possible based on international grants. It also realized that there were local financial resources that could be tapped through an appropriate financial mechanism. For instance, lines of credit made available by the National Plan, with resources from the Inter-American Development Bank (IDB) and the World Bank, were channeled through commercial or cooperative banks and financial corporations. Most importantly, the mandatory savings feature of the Grupos Solidarios programs gave the AGS potential access to an average of US\$200,000 monthly savings from its network (40,000 beneficiaries saving a minimum of US\$5 a month). This meant that the long-term future of the solidarity groups and *famiempresa* programs would be tied to their capacity to mobilize domestic resources through financial intermediation. The question remained what mechanism would best serve the objectives of AGS and its membership.

The idea of forming a bank or finance company was discarded given the restrictions of the Colombian legislation on bank operations:

- Seed capital requirements were very high (close to US\$10 million);

- Monetary policies aimed at controlling inflation required high legal reserves;
- Bank expansion was limited to 10 times the initial capital while the opening of new branches was also controlled; and
- The SuperIntendencia de Bancos (SIB), the government entity ruling bank operations, had not authorized new banks in recent years under the argument that the market was already saturated.

The creation of a savings and loans cooperative was, in contrast, very appealing. Because cooperatives were perceived as development institutions, entrance to the movement was accessible. There was no minimum capital requirement nor was previous experience in managing loans and savings needed. Moreover, the cooperative movement was a well-developed network that could open a wide range of financial possibilities to AGS. Most importantly, cooperatives had the legal right to mobilize savings.

In 1990, AGS created the Cooperativa Grupos Solidarios de Colombia. Its main objective is to mobilize the country's internal savings to finance the programs' expansion. A distinctive characteristic of AGS-COOP is that its membership is made up of institutions, not persons. The idea was to keep decision making in the same hands that control the Association, to maintain a unity of objectives, and to ensure that financing would be used only for microenterprise development.

There are two major phases in the development of this new institution. During the first phase (1990 to 1993), AGS-COOP will operate as a closed cooperative serving only its associates. This means that it will not be able to legally mobilize program beneficiaries' savings, as they are not direct members. In the second phase (1993), the Coop will become open and thereby entitled to accept deposits from the public and to manage the savings of all the beneficiaries of the solidarity groups and *famiempresa* programs. To achieve open status, AGS-COOP must have capital of US\$310,000 and three years of experience in managing savings and loans.

Resource Mobilization and Services

AGS-COOP currently operates two lines of credit for its associates: the capital resources line and the rediscount line.

The capital resource line was created with the US\$30,000 start-up capital pooled by AGS members for the creation of the Coop. Loans under this line are provided on relatively soft terms. The interest rate is presently set at 23.4 percent, paid quarterly (effective rate is around 33 percent); in contrast, the prevalent market rate is 38 percent with an inflation of 25 percent as of May 1991. The members relend these resources at a nominal rate of 42 percent, plus commissions. Loan terms usually range from 1 to 36 months for amounts of up to five times the member's participation in the COOP's capital. For every loan, it is mandatory for the borrower/associate to capitalize 10 percent. This regulation is aimed at increasing the Coop's capital up to US\$300,000 to meet the requirements for becoming an open cooperative. The capital funds have increased to US\$50,000 from the original US\$30,000 pooled by the members in 1990.

Additional funding for the capital resources line will come from donations. It is expected that the Inter-American Foundation will grant US\$250,000 to the Coop through AGS. AGS will loan the resources to the associates at no interest and for an undefined term, under the contractual condition that they will place this money as a capital contribution for the Coop.

The **rediscount line**, on the other hand, operates with funds obtained from cooperative banks and financial institutions. In this way, it has received financing from COOPDESARROLLO for C\$10 million, and UCONAL (Union Cooperativa Nacional Financiera) for C\$15 at a 31.07 percent interest rate (paid up front on a quarterly basis).

The funds are relent to AGS members at 33.07 percent interest for onlending to the microentrepreneurs to cover the Cooperative's running costs. The average loan term is three years. These resources are coming through the rediscount line of the government-owned Banco de la Republica. The interest rate charged by the Banco de la Republica on this line (DTF) is determined by the average market interest rate paid on fixed deposits plus a fixed percentage. The DTF is readjusted on a quarterly basis. The bank operates with inflation rates and so does AGS-COOP under this line.

Parallel to the provision of credit, AGS-COOP offers the associates financial technical assistance in managing the funds received. The Coop also assists the members in negotiating credit from financial institutions, particularly commercial banks. In the near future it will place deposits in financial institutions to guarantee credit to members for up to four times the amount deposited. Meanwhile it accepts returns equivalent to what is paid to savings accounts. Under these conditions, lines of credit for US\$350,000 have been approved. These lines have been obtained under quite favorable conditions in the Colombian financial context, allowing the institutions enough of an interest rate spread to cover additional operating costs incurred in expanding their credit operations.

TABLE 3

AGS-COOP LINES OF CREDIT

Credit Line	Loan Term	interest rate	Loan amount	Funding source
Capital	long	23%	5:1	AGS-COOP capital + 10% forced donations savings
Rediscount	short medium	33%	5:1	Banco de la Republica Financing from DANCOOP and UCONAL
Savings (*)	short medium	market	3:1	Program beneficiaries' savings
C.D.T.A.(*)	short	market	3:1	Certificates of deposit

(*) To be open in 1992

Most loans are long term, with amortization of capital annually or biannually, at interest rates of 26-28 percent a year. The below-market interest charges were possible by taking the savings accounts of the programs' beneficiaries (in the case of ACTUAR and Fundacion Familiar) to the lending institutions. Since savings accounts in Colombia pay only 21 percent a year, the cooperative negotiated a break in the interest rate on the loan while allowing the banks to obtain a normal spread.

As part of its services, AGS has provided collateral for its members including acting as a cosigner for the loan to Fundacion Familiar and ACTUAR/ Tolima, mortgaging a warehouse donated to ACTUAR by Resurgir after the Nevado del Ruiz mudslide, and providing its own investments in the lending institution as partial guarantee. AGS also cosigned loans provided by a commercial bank to CMM/Bogota for US\$80,000. In addition, ACCION, under an agreement with AGS, has provided letters of credit worth US\$275,000 to guarantee local lines of credit provided by commercial banks to ACTUAR/Bogota for US\$395,000.

During Phase II, after the Coop is open and program beneficiaries start making their monthly savings deposits, the Coop will open a third credit window to the associates. Based on each program's contribution in savings deposits, the Coop will provide lines of credit to the member organizations with a leverage of three to five times the deposits. Most loans under this line would be short term (12 months), at market interest rates. Borrowers/associates are expected to capitalize 5 percent of the total loan amount. Interest rates on savings deposits are expected to be higher than those of commercial banks. By 1995, AGS-COOP expects to be able to mobilize US\$375,000 in monthly savings from its projected network of 75,000 beneficiaries.

AGS-COOP also contemplates a role in managing excess liquidity that members may have at any point in time. For instance, each member maintains reserves for bad loans averaging C\$10 million. For liquidity purposes, they also maintain current accounts averaging C\$3 to C\$5 million, which earn no interest at the bank. To capitalize this liquidity, AGS-COOP will create a "liquidity fund" in the form of certificates of deposit (CDs) to be placed in the fiduciary market at an interest of 32-36 percent. It will pay an interest of 27 percent to the associates on their certificates and open a fourth line of credit with these resources. CD holders will be able to receive short-term loans for amounts of up to three times the value of the deposits at market interest rates. Interest would be paid up front on a quarterly basis, in addition to a mandatory capitalization of 5 percent of the loan.

Advantages of AGS-COOP Services

AGS-COOP services, from the associates' perspective, offer many advantages over other financial sources. The two major advantages are access and opportunity. Credit from the financial markets in Colombia is closed; bank reserve requirements are 100 percent at the moment. Although some "underground" financial transactions in the form of overdrafts have been made, interest rates have gone as high as 50 percent nominally, in contrast to the 26-33 percent charged by the Coop. Most importantly, AGS loans are readily accessible to the members. Because AGS closely monitors and maintains updated information on each program, the transaction period is kept to a minimum. It averages three days from the loan application submission. Associates single out opportunity as the factor that they appreciate the most in AGS-COOP credit. The loan is repaid in up to three years as opposed to the prevalent short-term loans of the "undergrown" financial markets. Collateral is flexible and negotiable.

AGS-COOP credit, notwithstanding, has several drawbacks. Funds available under the different lines of credit are limited and so are the loan amounts. For example, ACTUAR Bogota alone could absorb the total fund availability, although the Coop has to meet fund requirements for the 17 programs. Another limitation from the associates' perspective is that, in the rediscount line, the spread is only 3-5 percent. Although this is true in nominal terms, in effective terms it ranges much higher as most program portfolios rotate three to four times a year. Another limitation is that, in the rediscount line, they use high effective interest rates.

Nevertheless, the smaller and newer programs, particularly those implemented by institutions that are not financially strong, will not be ready for financial intermediation for some time. They will need grants or soft loans to achieve operational self-sufficiency and enough of a net worth for financial institutions to consider them a good credit risk. This is the case of at least half of the programs. For them, the Coop is particularly important as it will lend to small and new programs while the banks will not. Many of the AGS affiliates need to increase both volume and productivity of credit activities if they wish to expand lending operations to any significant scale through financial intermediation.

IMPACT OF AGS

Impact on Members: Program Performance

The impact of AGS on the members as measured by program performance is presented in Table 4. As the figures indicate, under the assistance of AGS, all the programs have grown over the years in number of beneficiaries reached and loans disbursed. When comparing the situation of the program during the first year of operation with that in 1990, the results indicate significant changes.

Program efficiency, measured by self-sufficiency levels, cost per peso loaned, and default rate, also presents positive results. The figures in Table 4 indicate that, as of December 1990, 15 of 19 (80 percent) of the programs are self-sufficient (100 percent and above). That is, their income from interest on loans covers the operational costs of the programs. Those programs operating below self-sufficiency levels are CIDES Manizales (65 percent); CORFAS (64 percent), and the recently created programs of ACTUAR Quindio (63 percent) and FMS Cartagena (15 percent).

The administrative cost per peso loaned is below 0.09 cents for 15 (80 percent) of the 19 programs. For eight (42 percent) of them, this cost is equal or below 0.05 cents. With cost above 0.10 cents are CORFAS (0.35), FMM Bucaramanga (0.11), ACTUAR Quindio (0.16), and FMSD Cartagena (0.55). The latter has been in operation for only seven months.

Portfolio default rates for AGS programs are very low. As of December 1990, 15 programs (80 percent) have default rates equal to or below 9 percent. Eight programs (37 percent) maintain rates below 5 percent of the total portfolio. Programs with default rates above 10 percent are WWB Cali (17 percent), WWB Medellin (13 percent), CDV Cartagena (11 percent), and CORFAS (34 percent).

Comparing impact based on length of time as an AGS member, the differences among them are significant (Table 5). The performance of the third-generation members (1987-1990) is far more impressive than that of the first-generation ones (1983-1985). This reflects the experience developed by the AGS over the years in selection of partners and provision of technical assistance. As the table show, members from the first generation, with 6 to 7 years in operations, account for only 13 percent of the total of program beneficiaries.⁷

The average number of beneficiaries per year among first-generation members ranges from 509 (WWB Cali) to 142 (CIDES Manizales). In contrast, third-generation members, with one to three years in operation, account for 70 percent of the total. The average number of beneficiaries per year ranges from 3,469 (ACTUAR Bogota) to 355 (ACTUAR Caldas). The second generation, with five years of

⁷ Figures are calculated on the basis of average number of beneficiaries per year.

operation, accounts for 17 percent of the beneficiaries. This group shows a higher average program outreach than that of the first generation group, ranging from 905 (ACTUAR Antioquia) to 201 beneficiaries (FMM Bucaramanga).

TABLE 4
PERFORMANCE OF THE AGS NETWORK

PROGRAM	Year Membership	No. Clients as of 1990	AVG increase		No of loans as of 1990	AVG year	Arrears		Self Suff rate %
			no. clients p/ year No.	%/T			%	Cost p/\$ Loaned	
CIDES BOGOTA	1983	2018	288	2%	15550	2221	-	0.06	92%
WWB CALI	1983	3562	509	4%	27641	3949	17%	0.17	86%
FF CALI	1983	2585	369	3%	21330	3047	7%	0.08	106%
CDV CARTAGENA	1983	1875	268	2%	18977	2711	11%	0.05	102%
CIDES MANIZALES	1984	854	142	1%	5600	933	8%	0.13	65%
CORFAS BUCARAMANGA	1985	1713	343	3%	606	1213	34%	0.35	64%
				15%					
ACTUAR ANTIOQUIA	1985	4524	905	8%	6658	1332	6%		
FMM POPAYAN	1985	1479	296	3%	16408	3282	9%	0.07	111%
CMM MEDELLIN	1985	1735	347	3%	5494	1099	13%	0.07	65%
FMM BUCARAMANGA	1987	602	201	2%	2446	815	7%	0.16	95%
FMSD BARRANQUILLA	1987	2807	936	8%	13578	4526	9%	0.04	171%
				24%					
ACTUAR TOLIMA	1987	3769	1256	11%	13055	4352	6%	0.04	301%
PISINGOS BOGOTA	1988	911	456	4%	2799	1400	3%	0.05	139%
ACTUAR BOGOTA	1988	6937	3469	30%	12050	6025	3%	0.12	99%
CMMC BOGOTA	1989	653	435	4%	1504	1003	5%	0.02	589%
ACTUAR CALDAS	1989	533	355	3%	924	616	8%	0.05	158%
ACTUAR QUINDIO	1990	445	445	4%	788	788	6%	0.16	63%
FUNDICAR GUAJIRA	1990	462	462	4%	1458	1458	0%	0.04	194%
FMSD CARTAGENA	1990	39	39	0%	220	220	3%	0.55	15%
				60%					
	37503	11521		100%	172546	40990	9%	0.12	140%

There are substantial differences between the programs of the organizations created by AGS and those of organizations already in operation when they joined AGS. In the creation of ACTUAR Bogota, ACTUAR Quindio, and ACTUAR Caldas, AGS carefully applied all the lessons learned from the first two generations of members: (1) build strong boards; (2) concentrate on one main program and avoid multiplicity of programs that disperse efforts; (3) develop an efficient technology for credit analysis, delivery, and follow-up; (4) develop a strong managerial capacity; and (5) develop supportive MIS systems. The results of this strategy have been significant. By December 1990, ACTUAR Bogota, after only two years in operation, accounted for 59 percent of the AGS program beneficiaries of the June-December period.

TABLE 5
PERFORMANCE BY GENERATION OF MEMBERS

PROGRAMS	Year Membership	No. Clients by 1990	Avg no. Clients p/year	Accum. clients first 2 yrs	Arrears %	Cost p/\$ Loaned	Self- Suff rate
<u>First Generation</u>							
CIDES BOGOTA	1983	2018	288	680	-	0.06	92%
WWB CALI	1983	3562	509	1468	17%	0.17	86%
FF CALI	1983	2585	369	496	7%	0.08	106%
CDV CARTAGENA	1983	1875	268	822	11%	0.05	102%
CIDES MANIZALES	1984	854	142	186	8%	0.13	65%
CORFAS BUCARAMANGA	1985	1713	343	702	34%	0.35	64%
Group average			320	726	15%	0.14	86%
<u>Second Generation</u>							
FMM POPAYAN	1985	1479	296	704	9%	0.07	111%
ACTUAR ANTIOQUIA	1985	4524	905	2387	6%	-	111%
CMM MEDELLIN	1985	1735	347	303	13%	0.07	65%
FMM BUCARAMANGA	1987	602	201	425	7%	0.16	95%
FMSD BARRANQUILLA	1987	2807	936	869	9%	0.04	171%
Group average			537	936	9%	0.09	118%
<u>Third Generation</u>							
ACTUAR TOLIMA	1987	3769	1256	2351	6%	0.04	301%
PISINGOS BOGOTA	1988	911	456	911	3%	0.05	139%
ACTUAR BOGOTA	1988	6937	3469	7194	3%	0.12	99%
CMMC BOGOTA	1989	653	435	937	5%	0.02	589%
ACTUAR CALDAS	1989	533	355	1494	8%	0.05	158%
ACTUAR QUINDIO	1990	445	445	914	6%	0.16	63%
FUNDICAR GUAJIRA	1990	462	462	1346	0%	0.04	194%
FMSD CARTAGENA	1990	39	39	967	3%	0.55	15%
Group average			983	2164	4%	0.07	195%
TOTAL		37503	10242	25819	9%	0.12	136%

Although ACTUAR Bogota reached 2,541 beneficiaries, first-generation FF, WWB Cali, and CORFAS reached only 360, 240, and 68 beneficiaries, respectively. Also, ACTUAR Caldas in seven months of operation generated a loan portfolio that represented 82 percent of that generated by FMM Bucaramanga in three years, and 40 percent of that generated by F.F. Cali in seven years. ACTUAR Tolima in three years has reached C\$100.0 million in the loan portfolio while CDV in seven years has been able to disburse only C\$30.0 million.

Program performance also differs based on the characteristics of the implementing organization. Table 6 shows the results of comparing program performance by group. The ACTUAR group has strong boards, entrepreneurial management, and a heavy focus on credit. The FMSD group also has strong and aggressive boards but its efforts are dispersed in the provision of an array of services. The WWB group mainly focuses on credit among other services but has less aggressive boards and management. A third group is made up of those organizations with a more charitable orientation (Fundacion Familiar, CDV, CORFAS, and so on). The performance of the ACTUAR group is far more impressive than that of the fourth group for all the indicators. The ACTUAR group is characterized by a strong orientation towards

sound management, scaling-up, and the provision of a few, related services. The average increase in the number of clients per year is 2,868 for the ACTUAR group, 1,268 for the FMSD (45 percent of that of ACTUAR), 618 for the WWB (23 percent of ACTUAR), and 282 for the fourth group (10 percent of ACTUAR). Self-sufficiency rates are the highest among the ACTUARs (173 percent average) and the lowest among less aggressive or more charity-oriented organizations (85 percent average).

TABLE 6
PERFORMANCE BY SUBNETWORKS

PROGRAMS	Year Membership	No. Clients by 1990	AVG increase # clients P/ year	ACCUM. clients first 2 yrs	Arrears as % portfoli o	Self- Suff rate
a ACTUAR ANTIOQUIA	1985	4524	905	2387	6%	111%
a ACTUAR TOLIMA	1987	3769	1256	2351	6%	301%
a ACTUAR BOGOTA	1988	6937	3469	7194	3%	100%
a ACTUAR CALDAS	1989	533	355	1494	5%	158%
a ACTUAR QUINDIO	1990	445	445	914	16%	194%
Group average			1286	2868	7%	173%
b FMSD BARRANQUILLA	1987	2807	936	869	9%	171%
b PISINGOS BOGOTA	1988	911	456	911	3%	139%
b FUNDICAR GUAJIRA	1990	462	462	134	0%	194%
b FMSD CARTAGENA	1990	39	39	934	3%	15%
Group average			618	1042	4%	168%
c WWB CALI	1983	3562	509	1468	17%	86%
c CMM MEDELLIN	1985	1735	347	303	13%	65%
c FMM POPAYAN	1985	1479	296	704	9%	111%
c FMM BUCARAMANGA	1987	602	201	425	7%	95%
c CMMC BOGOTA	1989	653	435	937	5%	149%
Group average			358	767	10%	101%
d CDV CARTAGENA	1983	1875	268	822	11%	102%
d FF CALI	1983	2585	369	496	7%	106%
d CIDES BOGOTA	1983	2018	288	680	0%	92%
d CIDES MANIZALES	1984	854	142	186	8%	65%
d CORFAS BUCARAMANGA	1985	1713	343	702	34%	64%
Group average			282	577	12%	86%
TOTAL		37503	13783	29799		

Impact on the Membership: Qualitative Changes

AGS has raised substantial resources that, for most new programs, have gained them access to seed capital for their loan funds. Many of those programs would not have gotten off the ground if this seed capital had not been available. In the case of FUNFAMILIAR, 100 percent of the resources have been obtained from or through AGS. When the program started in 1983, it had only two employees. With

AGS funding, it now manages a program with seven employees and has established itself beyond its original expectations.

All members have received donated computer hardware and software. Nine programs already operate the PICK system. AGS has fostered the importance of systematization and provided the means to achieve it. Currently, AGS members collect information related to 18 indicators. These statistics have made an important contribution to the learning process of the members, as well as to building the credibility of the network.

AGS has given the membership and their programs a more entrepreneurial approach to development. As a result of these efforts, 90 percent of the programs operate at or near self-sufficiency. FUNDICAR was disbursing 10 loans a year; with the solidarity group program it began disbursing 10 loans a day. Programs that had a welfare approach like Fundacion Familiar, CORFAS, and PISINGOS are now operating with positive interest rates. The semipublic CDV is going through a process of privatization with the assistance of AGS.

The intermediary role played by AGS when a member faces a crisis has been crucial to program survival. This has proved true for the CMM Bogota, the youngest of the WWB programs in Colombia. After the executive director and the main staff members resigned in early 1991, AGS took over the management of the institution until new staff were hired. This intervention was instrumental in avoiding the program's collapse and in building the new management structure. The CMM Bogota is back in operation with strong administrative and technical support from AGS.

The professionalization of the programs' staff constitutes an important contribution of AGS. With the assistance of AGS, the programs have improved the selection criteria and increased the requisites of professionalism of both management and field staff. The impact of this action is reflected in the sustained growth in program performance.

Impact on the Economic Environment

Legitimacy Before the Public Sector

The lobbying efforts and ability to show impressive aggregate results at the national level have given the solidarity group and *famiempresa* methodologies credibility and legitimacy before the public sector. A major goal of AGS since its inception was achieved in late 1988 when AGS and its affiliates were accepted into the National Plan for Microenterprise Development. In addition to public recognition, acceptance in the PNDM made AGS programs eligible for IDB funding, which will be available in late 1991.

Changes in Attitudes Towards Interest Rates

AGS has helped to change attitudes toward positive interest rates at the national level. The network's statistics have given the government, private sector, and international donors empirical proof that it is possible to operate a development credit program with market interest rates. A result is that the IDB now requires that all its grantees charge market interest rates. This is a significant victory for this methodology, as the IDB had previously favored only soft loans. Similarly, after the AGS became part

of the PNME, all microenterprise credit programs, including those under the Carvajal methodology, have adopted the market interest rate approach of the AGS network.

Replication of the AGS Model by Other Networks

The AGS model has been replicated by the Asociacion para la Microempresa (ASOMICRO), Ecuador; the Federacao de institucoes de Brasil; and the Asociacion de Instituciones para Programas de Microempresas (Carvajal programs) of Colombia. Interestingly enough, the latter was promoted by the Vice President of AGS and director of Fundacion Mario Santo Domingo. This member NGO also operates a microenterprise program under the CARVAJAL methodology.

APEX ORGANIZATIONS: ISSUES FOR REPLICABILITY⁸

The AGS Model: Strengths and Weaknesses

Participation and Board Structure

The governing structure of the institution, including the board, is in the hands of the affiliates' executive directors (Figure 2). This has been instrumental in ensuring that the services provided by AGS respond to the need of the membership. It has also facilitated communication and a close relationship between AGS and its membership.

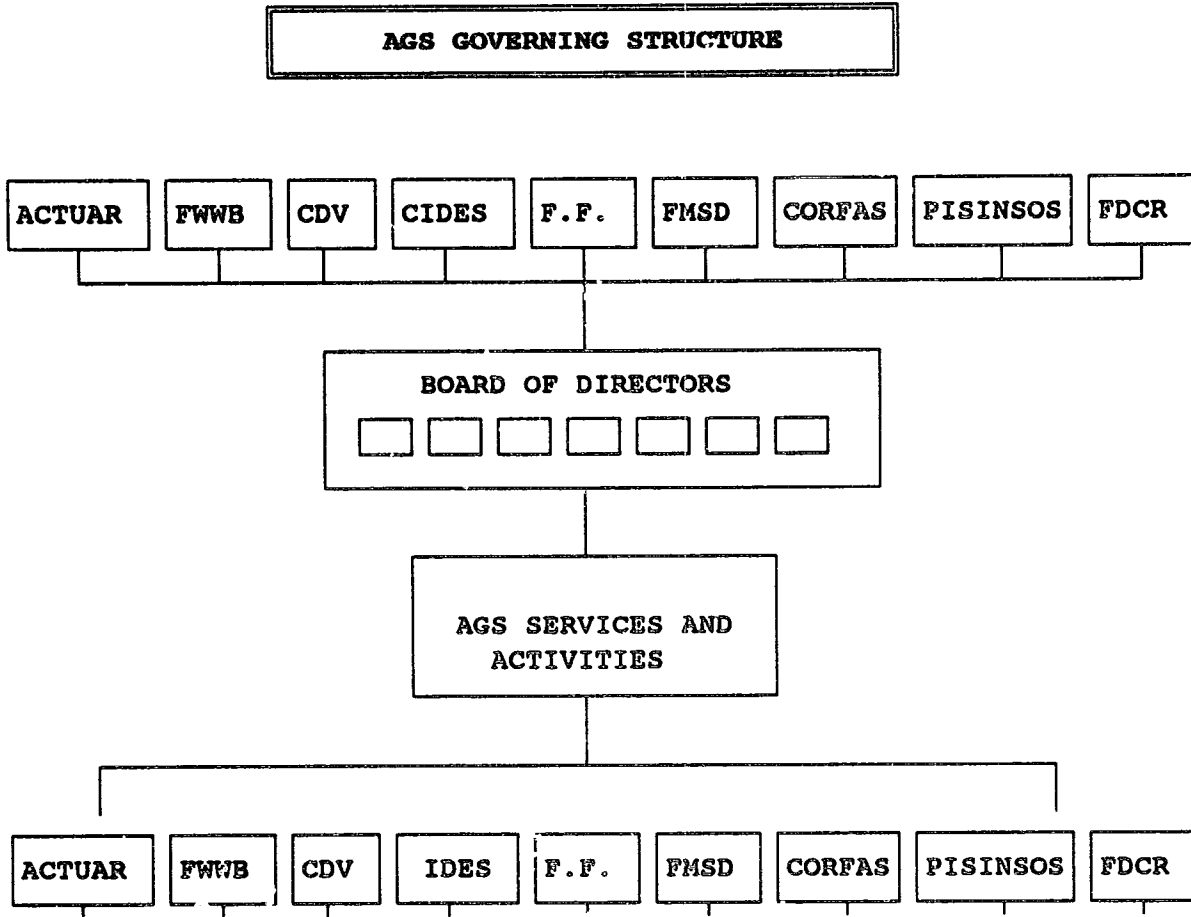
Nonetheless, the fact that the directors are making decisions that directly affect their own organizations has had a negative impact on the objectivity of the process. Policy decisions seldom take into account a larger vision beyond the parochial concerns of the members. This is particularly the case when the long-term benefit of AGS and its members requires short-term sacrifices among some or all of the affiliates. Typical examples are the strong opposition of some board members to increases in the interest rates charged by AGS and implementation of fees for services.

The AGS participatory governing structure and the "judge and jury" role played by the executive directors have had negative implications in the life of AGS. The growth of the organization and its long-term sustainability have been sacrificed in favor of cheap money and free services for the membership. The governing structure of AGS, like that of many membership organizations, is basically weak because the beneficiaries of the services provided by the Association are the same agencies that control the institution.

The executive directors are accountable to their own boards. Therefore, while acting as AGS board members, they cannot make decisions without previous authorization from their own boards. The result has been a slowing down in the decision-making and implementation processes. For example, when the AGS board was discussing the creation of the Coop, most members could not make the decision of contributing US\$600 without the consent of their own board.

⁸ An apex organization is one that coordinates several other organizations and provides services to its members. The term is used commonly in the small enterprise development field.

Figure 2



ACCION's Role in AGS

Ties to ACCION have given AGS access to international resources, experience, and innovations that have contributed to an accelerated learning process at the program level. At a national level, ACCION has given AGS credibility and support before the government, private sector, and donor agencies. The perception among the membership is that AGS would not have been nearly as successful without ACCION's tutelage. The members also see their linkage to this network as their window to outside experience and the international community.

ACCION's presence has been instrumental in ensuring that the services provided by AGS are of high quality. It has also contributed to keeping objectivity and a technical perspective in the board's decision making. The problems with the participatory governing structure of AGS have had less effect on the organization than they otherwise would have because of the technical balance provided by ACCION. Technically, ACCION has given direction, quality, and coherence to the work of AGS and its members. Financially, it has provided the means to achieve them. These two factors by themselves have made ACCION's presence crucial to AGS growth and sustainability.

Nonetheless, ACCION's presence in the life of AGS has been so strong that it has inhibited a sense of identification of the membership with AGS. The members identify AGS and its directors with ACCION to the point that most refer to AGS and ACCION interchangeably. The fact that ACCION's Country Director has also been the Executive Director of the AGS has contributed to this confusion. Worth noting is that ACCION staff are Colombian.

The commitment of member agencies toward the Association is affected as well. Because the director is not paid by AGS, it is sometimes perceived that the board does not have complete authority over his actions. There is a sense that ACCION will solve all the problems of AGS, thereby creating the perception that the board has a less important role in the institution. Thus lack of a "participatory space" for the affiliates, because of the strong influence of ACCION, has not allowed the Association to be perceived as an institution that truly belongs to its members.

Membership Expansion

The rapid growth in membership has been a source of tension in AGS. The first members argue that, given the limitations in human, technical, and financial resources, the Association should concentrate its services and subsidies on the existing members and thus help to consolidate their programs. The staff, and some of the younger members, see AGS as an instrument for an aggressive expansion strategy of programs at the national level and therefore see many advantages in membership growth.

With a larger number of members and a pie — in resources for the credit fund — that is growing only slowly, the older members become resentful of newer ones. This is true in terms of services as well. Technical assistance demands are heavy for new programs while older ones face new and complex problems in their attempts to scale up. The result is that AGS staff are spread too thin, and at the same time some of the services AGS offers are not particularly relevant to some of the larger programs. Dealing with this issue, which could be seen as a conflict between quantity and quality (although it does not have to be if creative solutions are adopted), is one of the most challenging tasks facing AGS in the near future.

The heterogeneity in membership has produced problems as well. Although it has promoted creativity, because each one is trying something new, it has also made program implementation and introduction of changes difficult. The variety of views and approaches to serving the poor has generated strong differences on issues of scale of operations, and of minimalism or pluralism in services. This variety of views has negatively affected policy changes towards self-sufficiency. The result has been vast differences among members in size and soundness of their programs that pose severe limitations to AGS's technical capabilities to serve such a variety of points of views and program needs.

In addition, the fact that most AGS members (11 out of 17) are affiliated to networks other than AGS presents a potential problem of accountability. Five members belong to the Women's World Banking Network, five to ACTUAR, and two to the CARVAJAL network. These organizations might be more accountable to their own networks than to AGS. Moreover, AGS is creating organizations such as ACTUAR Bogota and ACTUAR Tolima that are not necessarily identified with AGS but with the ACTUAR network, when all the transfer of technology in every aspect of the programs has been accomplished by AGS. ACTUAR does the promotion work, usually through ACTUAR Antioquia, and forms a board with prominent members of the local business communities. The five ACTUARs receive strong corporate support through their very active boards. In the event of a disaffiliation, they would take with them over 60 percent of the AGS network's activity in terms of numbers reached, loans used, and so on. The ACTUAR network association, however, is not very active mainly because of lack of funding.

Finally, there are no technical criteria or mechanism for disaffiliation of those members that are not in tune with the AGS approach. Under present circumstances, disaffiliation could only occur if a member for any reason calls off the solidarity group program. In fact, AGS is not satisfied with the performance of several members but no action has been taken partially because of the lack of criteria. Meanwhile the AGS devotes time and human and financial resources to "inefficient" members that could be far more effective if placed somewhere else.

Services

Similarity of objectives and programs allows AGS to take advantage of economies of scale. AGS provides evaluation, staff training, fund raising, and other services that would be more expensive for each institution to finance separately. These services are essential to scaling-up operations. Recently this has been most evident in fund raising, the computerization of the programs, and the design, development, and implementation of permanent information and evaluation systems.

The quality of the AGS services is high, and so is the quality of the staff. The membership regards them as among the most important assets of the Association. Timing in providing those services is good as well. AGS responds quickly and effectively to the problems that members face. Methodology transfer to new programs is done efficiently, and supported with manuals, guidelines, and systems for every aspect of the programs' operations.

Some services have become outdated, however. Technical assistance demands are heavy for new programs while older ones face new and complex problems in their attempts to scale up. The result is that the AGS staff are spread too thin, and at the same time some of the services offered are, in some cases, not particularly relevant to the larger or older programs. The fact that most members have not claimed the visits assigned to them in the annual plan is an indicator of the situation.

AGS-COOP

With the creation of the Coop, AGS has set in motion a financial strategy that contemplates innovative ways of intermediation. Its main strength lies in the capacity to mobilize local resources and in particular the savings of the programs' beneficiaries.

The Cooperative has united two sectors, microenterprise and cooperative, that have worked separately in the past. AGS-COOP seeks in the microenterprise sector a source of social and productive development, and, in the cooperative movement, a well-developed network that opens a wide range of financial possibilities to AGS. It also seeks to devise innovative ways to attract resources from its affiliates, and to develop comparative advantage over the banking system by offering attractive interest rates and quick disbursement.

An important development in the services of the Coop is the use of market interest rates on loans, thereby moving AGS toward self-sufficiency and its members toward more efficient management. Easy access to credit and rapid transaction procedures are among the main strengths of the Coop.

Despite all the financial benefits brought by the Coop, the role of AGS as an allocator of resources to member institutions has generated conflicts. There is a prevalent feeling that each member, just because of its affiliation, has a right to the same share of resources.

In coordination with the members, the staff were able to develop complex criteria for allocating resources based on technical grounds including quality and risks of the credit portfolios, the program's prospects for growth, and financial perspectives of the implementing agency. The feeling among some members, however, is that such criteria provide an advantage to certain institutions that, due to "external" reasons (quality and interest of board members, location, and so forth) are doing relatively well in terms of scaling-up. In reality, those so-called "external" factors are mostly the reflection of a good program implemented by a solid institution.

A second conflict derives from the fact that the Coop is doing financial intermediation and so is AGS; AGS provides technical assistance and so does the Coop. Although expected to become the technical arm of the Coop, the role of AGS has not yet been fully defined.

Sustainability

At present, AGS depends partly on outside funds to cover its operational expenses. Support for this purpose has come from IAF, CIDA/Canada, the Calmeadow Foundation/Canada, the Ford Foundation, and CRS (see Table 2). ACCION has covered the salaries of the AGS Executive Director and Operational Director, as well as some travel expenses. Part of the income to cover AGS operating costs, particularly during 1989 and 1990, came from the interest charged to members on the funds received from donors for the programs' credit operations. Beginning in 1991, AGS has also been receiving monthly income from investment returns of a capitalization fund, belonging to the Fundacion para la Educacion Superior, which was created with interest income from monthly balances of grant funds (CIDA, Calmeadow, IAF, ACCION, and Ford) that are managed through FES. Finally, AGS, with CRS and CIDA funds, has also provided US\$55,690 in subsidies to cover the programs' initial operating costs.

As of March 1991, income from interest on loans covers 69 percent of the AGS operational expenses (Table 7). This figure does not include ACCION's subsidies for the salaries of the directors,

which, if considered, reduce the self-sufficiency rate to 34 percent. Starting in 1992, local directors will be hired; this action is expected to reduce salary expenses at least 50 percent.

TABLE 7
AGS SELF-SUFFICIENCY
(March 1991) (US\$)

	(a)	(b)
Interest on loans	46,511	46,511
Operational expenses	67,420	137,420(c)
SELF-SUFFICIENCY	69%	34%

- (a) ACCION subsidies not included
 (b) ACCION subsidies included
 (c) AITEC's salaries subsidies included.

AGS sustainability is supported by a sound administration led by a highly qualified staff at both management and field levels. The operations are strengthened by comprehensive and efficient management information systems, accounting systems, short- and long-term planning, staff training, and operations manuals.

With respect to the creation of AGS-COOP in 1990 and a more aggressive role in financial intermediation, AGS expects that income generated from interest on loans will fully cover the running costs of both the AGS and the Coop by 1993. At present, however, AGS depends on ACCION's financial and administrative support: financially, to cover the salaries of the main staff members, administratively, to run AGS.

Problems with AGS self-sufficiency are related partly to its participatory governance structure: program policies are dictated by the membership itself at the board level. Currently, all technical assistance services are provided free of charges, including those involving credit line negotiation on behalf of the members, and proposal writing.

Many proposals and credit lines have been approved under the condition that AGS would supervise the implementation. In fact, 10 proposals to the IDB were approved under such conditions. Ten members will together receive over US\$5 million for their revolving funds and US\$1 million for technical assistance. Yet AGS will receive nothing for its part in proposal writing, lobbying, and supervision. Five members have verbally agreed to use part of the resources from the IDB to contract some services from AGS, but this is only a verbal commitment.

Another factor affecting self-sufficiency is that AGS provided the funds raised for credit operations of the programs at a relatively low cost to its members. This was done at the insistence of the members themselves, through their membership on the AGS board. AGS began charging 5 percent in 1988, then 8 percent in 1989, 12 percent in 1990, and 18 percent in 1991 for these funds. The last two increases were difficult to approve even though the AGS costs were increasing because of the additional services provided at the request of the members. The members have become accustomed to receiving many services without fully paying for them.

The money charged for the funds provided to capitalize the members' credit funds does not even maintain the purchasing power of those resources (the inflation rate, since 1988, has ranged from 23-31 percent a year). Moreover, all the income received in this way goes to cover part of AGS's running costs (the balance has been covered with grants and income from the FES capitalization funds, as explained previously). Thus the purchasing power of the funds that produce a substantial part of AGS income is diminishing dramatically, by the equivalent of the inflation rate, every year. Still, the members perceive that those interest charges are to cover the costs of the services, not the cost of the funds, as should occur. Thus the future is one of increasing costs and diminishing operational income in both nominal and real terms. The members would like AGS to be financed with grants but the limits of this strategy are already evident. Not many donors finance consortia (as opposed to grass-roots programs), particularly one that has already received substantial international support. Long-term sustainability of AGS, in its present form, is therefore a critical issue.

It is important to reiterate that AGS is seen by its affiliates as an instrument to subsidize programs. Cheap resources for programs that, in most cases, charge upward of 42 percent a year on their loans to microentrepreneurs represent a direct subsidy to the programs by the AGS. It provides them with a substantial margin (presently 24 percent a year) on part of their credit portfolio at the expense of the purchasing power of AGS assets in real terms. It is a double subsidy, however, because the little interest paid by members on these resources does not go to maintain even part of the purchasing power of the fund but to cover the running costs of the organization or, in other words, the services provided to members. This without even mentioning the direct subsidies provided to the programs with international grants during 1988 and 1989.

Finally, the AGS role as a fund raiser of resources for the programs has also brought AGS into conflict with some members because of competition for national and international donors. This has particularly been the case when a donor, which sees the importance of supporting what it perceives as a national strategy, prefers to channel its resources through AGS instead of the implementing institutions. Lately this has caused some members to keep information from AGS, and vice versa. This problem has also hurt the cohesiveness of the institution.

STAGES IN THE DEVELOPMENT OF AGS

In its eight years, AGS has moved through a series of growth stages marked by differences in objectives, the role of ACCION, type of membership, services provided, and orientation of those services. These stages reflect both the evolution of its individual members over time and the particular dynamics of a member-owned, service organization (Figure 3).

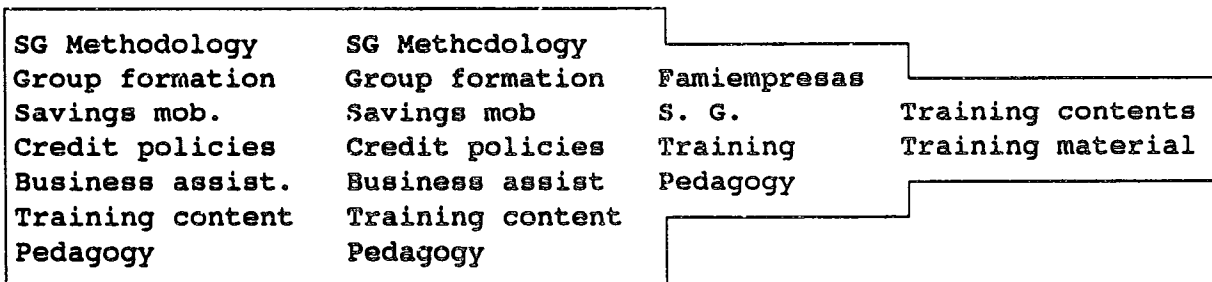
Stage One in the development of AGS took place during 1983-1984. Four organizations agreed to work with ACCION and to use the solidarity group methodology. ACCION played the central role in providing services and leading the group. Originally, the group was not formed to serve the needs of its members, but existed independently, and sought members to carry out its own purpose and methodology.

The main objective during this stage was teaching and monitoring solidarity group methodology. This goal constituted the main focus of formal and informal meetings, training sessions, and technical assistance. A second important goal, built into the first one, was to improve the managerial capacity of the participating organizations and to promote a more entrepreneurial approach in managing the programs.

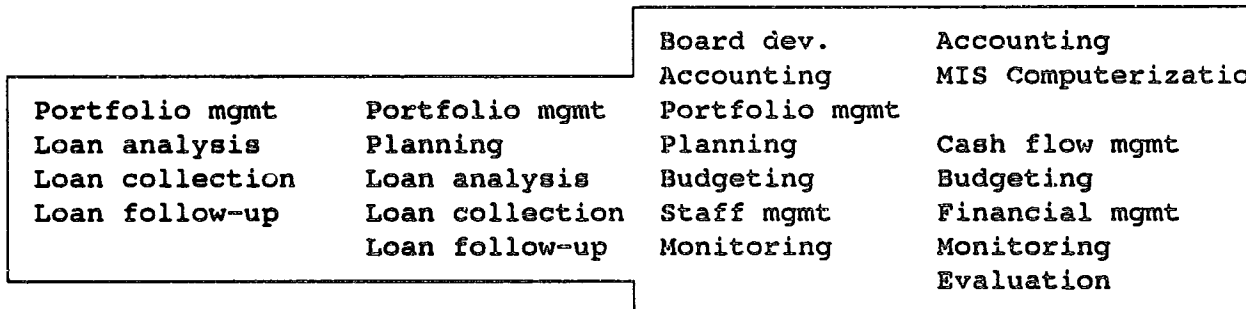
Figure 3
Evolution of the Services Provided by AGS



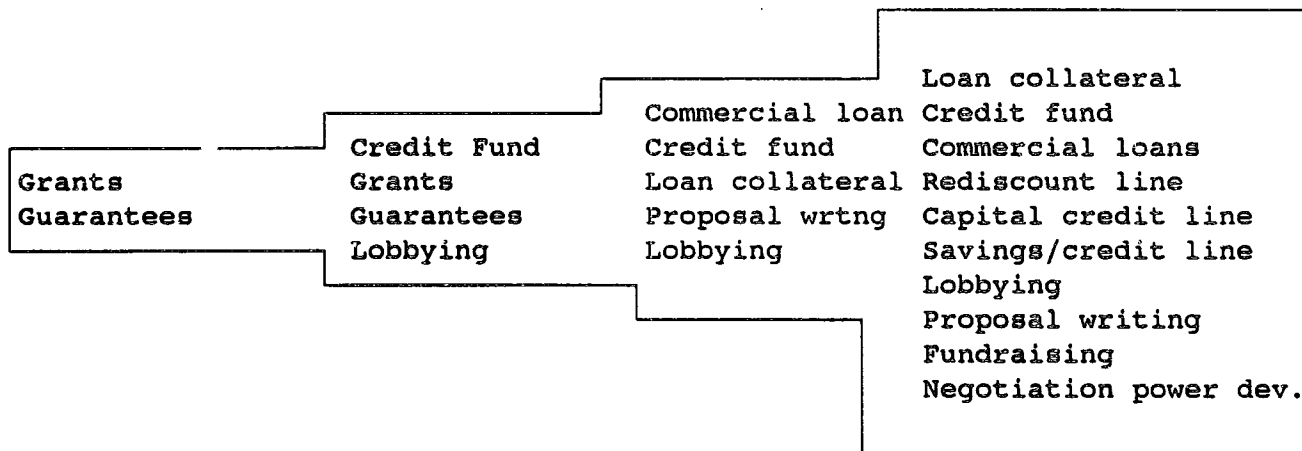
Methodology implementation service/activities



Institution capacity building service/activities



Financial intermediation services/activities



Services were concentrated on training provided directly by ACCION. Financial services consisted only of the provision of seed capital for revolving funds and operational expenses. The approach to services for the participating organizations was paternalistic: no service fees were charged for training or technical assistance; seed capital was donated or provided at low-interest for revolving funds.

The members during this stage were FMM/CALI, FUNFAMILIAR, CIDES, and CDV. There were no selection criteria in choosing partner organizations. Because the new solidarity group methodology was the driving program focus, those willing to try were automatically welcome. As a result, membership was heterogeneous in origin, nature, and objectives; no common institutional values or goals were sought, only a common operating philosophy.

The methodology tied the group together but members' interest in working with ACCION was mainly fund-driven. ACCION and its methodology were unknown to most NGOs in Colombia but ACCION offered ongoing financial and technical support. FUNFAMILIAR, FMM/Cali, and CDV were small, weak, and unfunded. In joining the group they saw the opportunity for free technical assistance and soft-term financial resources. CIDES, the credit and savings cooperative, also saw the opportunity for attracting new members and savings. The solidarity group methodology had a mandatory savings component, which could mean additional resources for the cooperative.

The solidarity group programs worked at the small-scale level. Efforts towards self-sufficiency were constrained by low credit volume, inadequate managerial skills, and lack of an entrepreneurial vision at the board level.

Stage Two covered the period 1985-1987 and was marked by two separate events: the incorporation of ACTUAR ANTIOQUIA into the group, and the decision to create a centralized institution. These factors influenced the programs' administration and, particularly, the AGS approach to membership expansion. ACTUAR brought in a strong private sector leadership, an entrepreneurial management, and a minimalist approach to serving the poor. The idea of a centralized body made the group's objectives and activities more long term in orientation.

ACCION still played the leading role in the group; however, decision making became more collective and member's participation more active. The solidarity group methodology was already on track and objectives concentrated on strengthening the program's managerial and self-sufficiency capabilities, improving program performance, as well as obtaining recognition and legitimacy in the eyes of the government.

Training and technical assistance were provided directly by ACCION. A methodology for individual loans (*famiempresa* programs) was introduced in 1986. Some financial assistance was still provided by ACCION to cover, at least partially, the technical assistance expenses for all programs but ACTUAR. The revolving funds began to get independent funding and performance began to show positive results.

The new members during this stage were ACTUAR Antioquia, ACTUAR Tolima, CORFAS, and the Women's World Banking affiliates in Medellin, Popayan, and Bucaramanga. Selection criteria were still undefined but ACCION had learned the benefits of working with organizations with strong private sector and financial support. For these organizations, interest in joining the AGS group was mainly methodology-driven as opposed to fund-driven. They had to cover their operational expenses and some put in the seed capital for the revolving fund from their own resources. This fact by itself established a generational difference between the members in the first and second stage. The programs in this second

group all operate with market interest rate and most had a stronger orientation towards achieving self-sufficiency and scaling-up outreach.

Stage Three (1987-1990) began with the creation of AGS in September 1987. During this stage, the objectives were to scale up program operations, strengthen AGS and its services, and become accepted as members of the National Plan.

ACCION started playing a lower-profile role in the life of AGS as decision making became institutionalized through a Board of Directors, and ACCION's country representative appointed as the director of the AGS. Services focused on strengthening programs' operational capabilities for scaling-up and on establishing monitoring and evaluation systems. Although in previous stages activities involved group training, during this stage they involved mainly technical assistance on an individual basis, given the different levels of development in the programs. AGS also promoted exchange visits among the programs.

Scaling-up operations required high levels of financial assistance, so AGS became more aggressive in financial intermediation. AGS created a credit fund for the affiliates and activities expanded into active fund raising for the programs at both national and international levels; assistance in negotiating lines of credit with financial institutions, including the provision of guarantee funds from the AGS; and proposal writing. Technical assistance was provided free of charges while the AGS credit fund operated with heavily subsidized interest rates (12 percent versus 36 percent market rate).

Membership expansion took a new trend during Stage Three. AGS had polished the methodology and learned to identify the institutions with high potential for success. Eligibility criteria for membership were established and, with the lessons learned from two generations of members, AGS itself embarked on the creation of organizations and promotion of new programs within existing ones. The results of this strategy were ACTUAR Bogota, ACTUAR Quindio, ACTUAR Caldas, FUNDICAR, FMSD Barranquilla, FMSD Cartagena, PISINGOS, and CMM Bogota.

During this stage, the original members outgrew both the need and the desire for "methodology services"; they began to see themselves as seasoned implementors with very specialized needs, and they did not wish to pay their apex for the old services. With an expanded membership, however, the costs to AGS were such that only standardized assistance could be given. It could not afford to design individual software packages, for instance, although this is what members wanted.

The programs currently are in different stages of development and adjusting the services to the different needs become a difficult task for AGS. Moreover, several programs are not in tune with the AGS scale-up objectives. The limited human and financial resources force AGS to concentrate on those members with the highest growth potential, most of them found among the newer members. New stars rise — ACTUAR Bogota, Mario Santo Domingo — among the young programs, and old stars resent the displacement.

At Stage Three, the older members become jealous of the newer members, feeling that they receive more services. And newer members do, because they can still use the modular, standardized methodology training packages. More importantly, AGS has specifically sought out these new members to carry out its own agenda — scaling-up, professionalization, visibility. So the newer members are, in many ways, more desirable. The older members sense this, and have begun to express their dissatisfaction through their role as governors — members of the board of directors. A potentially lethal dynamic of board members versus AGS staff sets up; a resolution must be reached to make AGS services more in tune with the needs of all members. The creation of the Cooperative and the growing skill of

AGS in financial intermediation are key to a successful resolution. AGS still has a skill — brokering funds for loans — that the members do not and cannot have. This makes AGS very desirable to them, and will quell some of the more disruptive discontent.

Stage Four began with the creation of the AGS-Cooperative in 1990. Objectives in this stage are to fully concentrate on scaling-up operations through the mobilization of local resources and savings. The Coop opened two lines of credit and actively assists some members in negotiating commercial loans. Financial services offered to the affiliates took a new orientation; market interest rates are charged on the Coop loans.

All programs operate with near or market interest rates. Most have reached self-sufficiency levels and several of them are using commercial loans to expand their operations. Yet, there are strong differences on issues of "massification" specifically among the older and most conservative programs. The newer programs, in particular, expand very rapidly leaving the older ones far behind.

During this stage, no new members have been incorporated to AGS, although ACCION is currently promoting FUNDECOR (Fundacion para el Desarrollo de Cordoba) as a potential member. FUNDECOR's board has representatives from all the powerful sectors of the region: chambers of commerce, unions, and banks.

Ties to AGS are no longer methodology- but fund-driven, particularly for the older members. Most have already outgrown the need for methodology-related services, so the Coop and its financial services have become the bond holding the group together. AGS, in turn, has become the technical assistance arm of the Coop. Members are highly satisfied with the creation of the Cooperative and perceive it as the "motor" that will speed up the expansion of their programs.

LESSONS FOR REPLICABILITY

The experience of AGS demonstrates that apex organizations can be an excellent strategy for institutional strengthening of development organizations, program expansion, and channelling of financial resources. The successes and problems encountered by AGS in its development provide important lessons for replicability:

1. Evolution of the Model

- The model goes through an evolution from heavy concentration on methodology implementation to heavy concentration on financial intermediation, as AGS adjusts to the changing needs of its members. Institutional capacity building accompanies every stage. This component keeps steady in intensity but changes significantly in content according to the program evolution. The needs for institutional strengthening are constantly present, but over time the focus changes and the needs become more sophisticated.
 - Program implementation: (promoting the methodology; developing credit delivery and collection mechanisms);
 - Consolidation: (increasing management capacity for scaling-up); and

Scaling-up: (increasing access to funds and improving negotiation skills).

- As the programs become stronger and operations scale-up, the role of the apex organization moves into one of a financial intermediary. The program's needs evolve from increasing technical capacity to manage the program to increasing the financial capacity to expand it. The larger the managerial capacity of the programs, the more important the role of the apex as a financial intermediary. In the case of AGS, the increasingly relevance of this role was the factor behind the creation of the Cooperative.
- Time period between stages can vary depending on how strong the organizations are, the amount of resources available, the experience of the apex in implementing the methodology, the development of the management information systems, and the degree of homogeneity in the membership. Due to the continuous inclusion of new members, it took AGS several years to assume fully a role as a financial intermediary.

2. A Common Philosophy

- To maximize impact, an apex organization should be created by institutions joined by a common development philosophy and a similar methodology. The focus on solidarity group and *famiempresa* programs was the key factor behind the creation of AGS and of its success. It allowed the Association to develop specialized services, and to adapt those services to the changing needs of its membership.
- An apex organization can best seize the opportunity for economies of scale, and thus cost efficiency, with a group of institutions with common programs — it can minimize the technical assistance, training, and supervision costs involved in implementing the programs. The apex can provide these and other services that are more expensive for each institution to finance separately and that, as experience has shown, are essential to institutional strengthening and scaling-up operations.
- The process of developing a common philosophy starts with those who make program policies and those who implement them: board and staff members. At the institutional level, there must be an educational process with board members and the staff to develop a philosophical consensus regarding the scaling-up of operations with all the implications in operational and financial self-sufficiency. There should be consensus on interest rate policies; the role of training and business assistance; and, given limitations in resources, the importance of not getting directly involved in development programs that are not related to income generation. The key here is the vision that the institutions must have about their roles as development agencies.
- Strong political clout is one of the main assets of an apex organization. A group of many institutions joined by a common development philosophy and a similar methodology has stronger political influence than a single institution with regional subsidiaries. AGS members are able to influence local politicians and bring regional pressures to bear at the national level. The clout of AGS was what made the government admit most of AGS-affiliated institutions into the National Plan for Microenterprise Development.

3. Selection of Partners

- Well-defined eligibility criteria are mandatory in the selection of members. The experience of AGS demonstrates that choosing members solely on the basis of willingness to participate was a wrong approach in promoting the solidarity group program. High performance is evidenced among those members whose objectives are aligned with those of AGS, whose management is based on efficiency, whose target population is well defined, and which have an approach to service that concentrates on a provision of a few specialized/related services.
- Organizations do not move easily to self-sufficiency and scale-up if they do not start with those as operational objectives. The process of changing a charitable organization into an entrepreneurial one consumes time and resources, particularly when the change comes as a donor requirement rather than because of conviction.
- It is important to limit the number of partners to those with the highest potential (management, outreach, effectiveness) and to avoid a multiplicity of partners that do not add to an overall program of wide scope. This is an instrumental factor in determining the cost-effectiveness of the apex, particularly when financial resources are limited. Again, well-defined eligibility criteria for the selection of partners are crucial.
- AGS's most successful member organizations show the following characteristics:
 - Strong commitment towards self-sufficiency: willingness to use private sector tools in their management style and decision making;
 - Strong commitment towards scaling-up: willingness to make the necessary adjustments for rapid increases in productivity;
 - Strong commitment towards specialization: willingness to make the solidarity group and *famiempresa* the main programs;
 - Solid administrative structure: capacity to manage expansion;
 - Experience in credit and savings programs;
 - Sources of funds other than AGS;
 - Strong interest in the program: willingness to bring counterpart resources;
 - Use of management information systems as a management and decision-making tool; and
 - Flexibility: capacity to learn from error, respond quickly to changes, and make the necessary program adjustments.

4. Institutional Strengthening

- In a context where the implementing organizations are inexperienced in managing credit programs or introducing new methodologies, or when the administration is weak, the efforts

of the apex organization must concentrate initially on strengthening the capacity of the implementing organizations in managing the program. Institutional strengthening is particularly essential to program expansion. As the experience of AGS indicates, scaling-up objectives could not be achieved without solid administrative structures in the implementing NGOs. For example, the success of the ACTUAR group within AGS has been directly related to its strong managerial capacity.

- Key factors in institutional strengthening are training and technical assistance to NGOs' management and field staff in portfolio management, credit analysis, delivery and follow-up, as well as cost-effective extension methods for promotion and provision of technical assistance to program beneficiaries. Improvements in these areas would have a positive effect on program financial sustainability, because financial self-sufficiency is intimately tied to the interest policy and the productivity of the programs.

5. Support Systems

- Any scaling-up attempts of an apex organization need to be supported by well-developed monitoring systems. The ability of AGS to closely monitor and evaluate program changes has been essential in providing effective services to the membership, and in learning better ways of operating programs.
- An apex can provide technical assistance and training to members in developing data collection, monitoring, and evaluation mechanisms. The apex can also play a role in teaching the NGOs the use of program statistics as key tools in management, decision making, and in leveraging financial resources from donors. Computerization of the management information systems is instrumental in increasing productivity, and management and monitoring of program expansion. Critical tasks in accounting, portfolio management, impact evaluations, determining staff performance, and developing effective internal control systems require the use of computers.

6. Services

- Services provided by an apex must be oriented to assist the implementing organizations in carrying out the program; they should not directly target program beneficiaries. The assumption here is that by strengthening the organizations in providing their services, the benefits will trickle down to the beneficiaries through strengthened programs.
- Services provided by an apex organization to the membership must be dynamic to adapt to program development. AGS experience indicates that implementation of methodology, on which most AGS activities concentrated during the first years, is relevant only for new members. Old members began to demand more assistance on financial management, proposal writing, lobbying, and negotiation. As their operations grew, they also had more agency-specific needs that made serving them both difficult and expensive for the apex. Furthermore, differences in the needs among first, second, or third generation members can create a potential for destructive dynamics between the apex and its members.
- The strengths of the services of an apex organization lie in the qualifications of the staff providing those services. AGS has put a strong emphasis on keeping a small but highly

qualified staff to ensure effectiveness and efficiency in the technical assistance to its membership. This has been crucial in accelerating the learning process of both AGS and its members as well as in improving program performance. However, it creates problems when members evolve to the point of needing specialized assistance beyond the competence of a small staff to provide.

7. Financial Intermediation

- An apex can play a key role as financial intermediary that cannot be played by NGOs separately:
 - Channelling external financial resources;
 - Tapping local resources, particularly program beneficiaries' savings; and
 - Facilitating access to credit from financial institutions.

The mobilization of domestic resources is particularly important as NGOs' access to external financial resources is becoming difficult. This financial intermediary role is essential for NGO achievement of scaling-up goals as well as for the apex's achievement of its own financial self-sufficiency.

- An apex organization has significant advantages in raising both national and international resources. Most donor agencies interested in supporting microenterprise programs prefer to provide large grants through an apex organization rather than limited financing through small programs. As increasingly recognized by most donors, it is desirable to promote the creation of umbrella organizations that can serve the needs of several implementing agencies and provide funders with a vehicle to allocate scarce development resources more efficiently. This is particularly true in countries like Colombia where the system of allocation favors national institutions that have some clout in the public and private sectors.

8. Role of a Donor Agency

- A donor agency can play a catalytic role in the development of apex institutions: a vehicle for methodology implementation, program expansion, and channeling financial resources. The role played by ACCION in the case of AGS was crucial in assuring financial support and transferring know-how to the programs. The donor's technical assistance concentrates on institutional development and financial issues while the apex's staff take over the role of assisting the programs in methodological and operational issues.
- The model requires large subsidies for the first years of operations while the organization develops experience and capacity to generate internal resources. The Federation ACTUAR has been unable to take off for lack of this experience. In contrast, subsidies from ACCION enabled the creation and rapid growth of AGS. As the organization became more aggressive in financial intermediation and closer to self-sufficiency, its dependency on subsidies tends to disappear.
- Externally promoted apex organizations might face a crucial conflict from the start, between the donor's need (ACCION and the solidarity methodology in this case) and that of the members. At the beginning, in the case of AGS, their needs coincided completely, and all

went well. However, as the apex expanded its membership while the political and methodological agendas were successfully carried forward, the goal of scaling-up became more significant. The apex began to recruit specific members, and to create criteria for membership. It is no longer a grouping based on completely open membership; members are seen — at least to some extent — as serving the needs of the apex organization.

9. Issues of Participation

- Apex organizations with participatory governance structure face problems of conflicting interests. The dual "judge and jury" role played by the AGS board members negatively affected objectivity in decision making and AGS's own growth. Satisfied members tend to seek out their own benefits and dissatisfied one tend to act out their grievances in their role as governors, rather than in their role as members.
- An apex should explore the alternatives of expanding its boards with representatives from the private sector who are not connected in any way with its affiliates. Criteria and mechanisms for resource allocation among its members must be developed so that the existing conflicts of interest, where the board makes such decisions, can be resolved. An independent Project Selection Committee is an alternative that should be seriously considered.

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APPENDIX A
LIST OF PERSONS INTERVIEWED

LIST OF PERSONS INTERVIEWED**BANCO INTERAMERICANO DE DESARROLLO**

Fernando Palacio
Especialista Local
Bogotá

ASOCIACION GRUPOS SOLIDARIOS DE COLOMBIA

Carlos Eduardo Castello
Director Ejecutivo
Diego Guzman
Director Operativo
Bogotá

CORPORACION ACCION POR BOGOTA - ACTUAR /Bogotá

Oscar Giraldo
Director Ejecutivo
Bogotá

CORPORACION ACCION POR TOLIMA - ACTUAR/Tolima

Martha Arboleda
Directora Ejecutiva
Fabio Barbosa
Director Programas de
Crédito Individual
Victor Hugo Bastos
Director Programa de
Grupos Solidarios
Ibagué

CORPORACION FINANCIERA POPULAR

Camilo Cabal
Presidente
Clemencia Guzman
Asesora Especial para la Presidencia
Bogotá

CORPORACION MUNDIAL DE LA MUJER COLOMBIA / BOGOTA

Luz Betty Fuentes
Presidenta
Claudia Jaramillo
Directora Ejecutiva
Bogotá

COOPERATIVA DE AHORRO Y CREDITO GRUPOS SOLIDARIOS DE COLOMBIA

Martínez Claudio Higuera
Gerente General
Bogotá

COOPERATIVA MULTIACTIVA DE DESARROLLO SOCIAL - CIDES

Francisco Larrota
Gerente
Bogotá

EMBAJADA AMERICANA

James Smith
Representante A. I. D.
Bogotá

FUNDESCOL

Gabriel Reyes
Director
Bogotá

FUNDACION FAMILIAR

Francisco Garibello
Subdirector
Cali

FUNDACION LOS PISINGOS

Beatriz de Bernal
Directora Ejecutiva
Luis Orlando Cárdenas
Asesor Programa de
Grupos Solidarios
Bogotá

FUNDACION MARIO SANTO DOMINGO

Marciano Puche
Director Ejecutivo
Grace Maria Garzon
Subdirectora de Planeación
Barranquilla

FUNDACION WWB COLOMBIA

Alma Milena Lopez
Directora Ejecutiva
Cali

GEMINI PUBLICATION SERIES

GEMINI Working Papers:

1. "Growth and Equity through Microenterprise Investments and Institutions Project (GEMINI): Overview of the Project and Implementation Plan, October 1, 1989-September 30, 1990." GEMINI Working Paper No. 1. December 1989. [not for general circulation]
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