FINCA International
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# FINCA - USAID
# Matching Grant II:

# *Fourth Annual Report*

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## Executive Summary

In the fourth year of the Matching Grant, FINCA affiliates around the world disbursed over $29 million in village bank loans, and ended the year with nearly 93,000 borrowers, a 33% increase in clients compared to the previous year Looking at the network as a whole, FINCA's most important accomplishment was to transfer the Regional Technical Assistance Hub system developed in Central America in the early years of the Matching Grant to Africa and the Commonwealth of Independent States (CIS) to support continued affiliate growth By the end of the fiscal year, these two new regional offices were up and running, providing assistance to three FINCA affiliates in each region Under this new network structure, the regional Hubs assume primary responsibility for providing technical assistance to the affiliates and monitoring their performance, while Headquarters provides more limited technical assistance and plays more of a supporting role to the regional offices

In FY98, the Latin American Hub provided ongoing support to the region's affiliates by adding to and disseminating and implementing the FINCA Operating System's key manuals and procedures Foremost among these contributions was assistance in the installation of the FINCA Affiliate Financial System (FAFS), installed in three additional Latin countries (bringing the total to four FAFS programs fully installed in Latin America by year's end) The Latin American Hub also took a strong monitoring role through participating in diagnostics, analyzing monthly affiliate reports, and regular country visits The LA Hub oversaw the creation of a new affiliate in Guatemala, to be used to test the latest methodological and operational innovations, and shared its experience with the new Hubs in Africa and the CIS

The new Hub in Africa consisted of a regional director and assistant by fiscal year end (a Ugandan finance specialist has since joined the team) In spite of its small size, the Africa Hub provided important support to the region's affiliates by providing assistance to Uganda and Malawi in key transition periods, participating in diagnostics, contributing to the African FAFS, and by assisting the start-up of FINCA Tanzania Finally, the CIS Hub provided ongoing support to FINCA's existing affiliate in Kyrgyzstan, and oversaw the creation of two new affiliates in the Caucasus

Judging from affiliate performance, the results of this new approach to providing technical assistance were impressive By year end the three African affiliates held a collective portfolio of one and a quarter million dollars and were serving more than 26,000 borrowers (a 70% increase in clients for the two established affiliates) In the former Soviet Union the three affiliates held a collective portfolio of $942,000 and over 11,000 borrowers (a 91% increase in clients over the previous year) In Latin America, FINCA's affiliates held a portfolio of nearly $5 5 million (a 59% increase) and over 55,000 village bank clients (a thirteen percent increase) Of the eleven affiliates that had existed for more than a year, one had reached economic self sufficiency on an annualized basis, five more were operationally self sufficient, and three were over 93% self-sufficient Across the network, portfolio at risk in the village banking programs was less than five percent

FINCA Headquarters is less involved in providing day to day assistance to the affiliates, but plays a critical role in supporting the regional offices, fund raising, managing reporting requirements, and technical assistance in key areas Headquarters manages the exchange of methodological innovations and operating procedures between regions In FY1998, the financial services manager supervised the installation of the FAFS in four countries, issued the first credit enhancement for FINCA Honduras to access a local line of credit through the Village Bank Capital Fund, and performed diagnostics of three affiliates to consider their candidacy for access to the VBCF The Finance Department increased efficiency through better applications of its Deltek accounting system and better financial reporting formats F/I managed the human resource needs of the network promoting from within to create new opportunities for existing staff, and bringing new talent on board The Development Department raised more than $1 4 million in private donations, and FINCA developed relationships to receive *pro-bono* consulting services in research and new product development

**FINCA Field Activities.**

**Hub Services Provided**

**Affiliate Results**

## FINCA Field Activities

*Global Implementation, FINCA's Regional Hub System*

FINCA's technical support to the affiliates is now largely provided by three regional offices, known as Hubs and staffed by technical specialists within the Programs Department In FY99, FINCA transferred the "Technical Assistance Hub" (TA Hub) concept to Africa and Commonwealth of Independent States (CIS) to serve all affiliates around the globe

The creation of these regional TA Hubs is one of the key outputs of the Matching Grant The idea of a Hub, put forth in the Matching Grant proposal and described in greater detail in previous annual MG reports, is to provide the FINCA affiliates with rapid, appropriate responses to technical needs, at lower cost than if the technical advisors were based at Headquarters Geographic proximity permits the Hub advisors to maintain closer contact with the affiliates, helping them to set goals, and to identify and respond to priorities What's more, region-specific assistance is more targeted and effective

The Hubs are increasingly taking on program management and monitoring functions as well, keeping track of overall affiliate performance as well as observance of appropriate institutional and financial practices In light of the success of the Hub in Guatemala, (developed and implemented in the first years of the Matching Grant), and FINCA's rapid growth in Africa and the CIS, in FY98 FINCA transferred two of the strongest overseas employees from their respective single-country positions to the newly created posts of regional directors for Africa and the CIS By the end of FY1998, the Africa Hub (in Kampala, Uganda) and CIS Hub (in Tblisi, Georgia) each consisted of the regional director and an assistant, with plans to grow in the coming years, commensurate with affiliate needs

**Hub Regional Conferences**

To strengthen the Hub system, FINCA held two regional director conferences in FY98 to share the experiences of the Latin American Hub (LA Hub), plan affiliate growth targets for FY99, and to prioritize needs (and provision for human and financial resource allocations) for the coming year Key outputs of these two meetings include the following

1 The regional directors, director of programs, and executive director agreed to the goal of reaching at least 120,000 clients by the end of the next fiscal year (7,000 more clients than the target in the Matching Grant's Detailed Implementation Plan)

2 The key bottleneck in continued expansion is installation / implementation of appropriate management information systems (the FINCA Affiliate Financial System, or FAFS) Installations of the FAFS in affiliates to date (Mexico, CAM, Honduras, Guatemala, Malawi) demonstrate a marked improvement in efficiency and transparency of reporting, facilitating key management decisions The regional directors, in conjunction with the financial services manager (who is supervising the

selection and implementation of the FAFS), set the goals for continued FAFS installation in FY99 At a minimum, information systems will be installed in Kyrgyzstan Georgia, Uganda, Ecuador, Nicaragua, and Tanzania by year end FAFS will also be installed in the remaining countries (Azerbaijan, Georgia, Haiti, Russia and Peru), depending on urgency of need and availability of resources

3 The regional directors agreed on responses to the following questions a schedule for the implementation of the FINCA Operating System (FOS) in key affiliates, the need for a stronger internal audit function at FINCA International, and a basic plan for technical assistance fees to be charged to affiliates (a key CGAP requirement) to decrease Hub dependence on grant funding

4 Sharing experiences, ideas, and concerns is a central element of these meetings The LA Hub shared its experiences and lessons learned to date At a regional conference held at the Guatemala Hub, the African and CIS regional directors examined the LA Hub's planning model, and discussed in detail about how their Hubs may expect to grow, and the functions they should expect to take on at different stages

**Results of the Hub System**

| Country | Clients | Self Suffiency | Country | Clients | Self Sufficiency |
|---|---|---|---|---|---|
| Nicaragua | 12,667 | 128%* | Uganda | 16,400 | 93% |
| CAM | 15,505 | 112% | Malawi | 9,106 | 65% |
| Honduras | 15,429 | 119% | Tanzania | 757 | 19% |
| Ecuador | 3,756 | 132% | Kyrgyzstan | 9,891 | 96% |
| Mexico | 2,887 | 86% | Azerbaijan | 236 | NA |
| Peru | 4,832 | 96% | Georgia | 1,118 | 50% |
| Guatemala | 65 | 147% | | | |
| Haiti | 139 | 112% | Grand Total | 92,788 | Clients |

Self Sufficiency indicators reported above are for the month of August 1998 and are based on monthly portfolio income / operating expenses (including loan loss reserves and financial expenses) FINCA/Nicaragua had 128% economic self sufficiency as of 8/31/98 which takes into account the effect of inflation on equity Malawi s self sufficiency levels were below normal in August (usually above 100%) due to investments to scale up operations and Kyrgyzstan fell below 100% due to staff incentive pay outs for surpassing year end expansion goals

Though the successful performance of FINCA's affiliates reflects primarily on the hard work performed in each country, it is also a testament to the support received from the Technical Assistance Hubs in each region Across the network, nearly 93,000 clients were receiving credit from FINCA as of 8/31/98, with a network-wide average loan size of $139 The newest affiliates (Tanzania, Georgia and Azerbaijan), have the lowest self-sufficiency indicators, but are on target with growth projections established for them Most of the older affiliates in Latin America were self sustaining Of particular note is the CAM, which is now consistently covering its operating expenses with portfolio income for the first time since the affiliate was founded Established programs in other parts of the world (Kyrgyzstan, Uganda, and Malawi) have reached 100% self sufficiency in some months over the past year, and are expected to do so consistently as increases in portfolio income catch up with the costs the programs have incurred in scaling up capacity to manage future growth

**FINCA Field Activities, Latin America**

**Hub Services Provided**

**FINCA Affiliate Performance**

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### *Services Provided, Latin American Hub*

In the course of the past year, the Latin American Hub has provided ongoing support to the affiliates in Honduras, El Salvador, Nicaragua, Mexico, Ecuador and Peru, and has supervised the creation of a new affiliate, FINCA Guatemala The LA Hub is now fully staffed with a regional director/financial specialist, a planning specialist, an internal controls specialist, and an assistant The director of programs (previously based in Washington) also works from the Guatemala office *

**FINCA Operating System, Latin American Hub**
The FINCA Operating System, or FOS, may broadly be thought of as "FINCA in a box " or all of the systems, manuals, and tools required to create and manage an affiliate In FY98 the Hub contributed to the FOS by updating and/or creating manuals on Internal Controls, Employee Incentive Plans, Village Bank Credit, and Microenterprise Credit These manuals, along with those detailed in previous matching grant reports, are being implemented by the Latin American affiliates, although not comprehensively In order to make adoption of these manuals more complete, the LA Hub plans to showcase their usage at the CAM, where all manuals will be implemented and fine tuned over the next year Manual usage will expand completely throughout Latin America in the period that follows In the case of the new FINCA Guatemala, all activity is based on these manuals, this practice will continue as the new affiliate expands The regional directors of Africa and the CIS prioritized their needs for key FOS documents at the second regional director's conference, allowing FINCA to translate these manuals into English and Russian based on demand for them Please see annex for greater detail on FOS products

Another key area of assistance provided to affiliates by the LA Hub was the implementation of the integrated strategic plan, operating plan, and results tool developed in FY97 The Hub's training seminar for Latin Affiliates in FY97 used a fictitious affiliate to train the country directors and finance managers how to use the electronic planning system, in FY98 all affiliates applied this comprehensive planning system to their respective situations By the end of calendar year 1997, every Latin affiliate had developed five-year outreach and financial projections, and had an outreach and financial operating plan for the year beginning January 1, 1998 This information was linked to a detailed spreadsheet to monitor performance, and also linked to "Fin-track," the reporting form sent to F/I to report monthly outreach and financial performance

***FINCA Operating System FAFS, Latin American Hub***
The assistance provided by the LA Hub to support the implementation of the new FINCA Affiliate Financial System (or FAFS) may have been the Hub's most important contribution to network advancement this year The FAFS is a key component of the overall FINCA Operating System The financial services manager (who is based in the United States) is responsible for the identification of an appropriate management information system (MIS), working with programmers to fine tune the MIS to FINCA s

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In FY98 Rocael Garcia, a Guatemalan was promoted from regional director for Latin America to director of programs for F/I Mr Garcia continues to be based in Guatemala and to perform his functions as director of programs through the Latin American Hub office in coordination with the Washington office

needs, negotiating contracts, and overseeing the installation process However, changing information systems is an enormous undertaking for a credit program, requiring a great deal of advance preparation of the information, training, and ongoing support Hub staff worked in close coordination with the financial services manager to provide the assistance required to assure successful installation and implementation at each affiliate By year end, FINCA Mexico, FINCA Honduras, FINCA Guatemala, and CAM had fully implemented the new information system

Hub staff were involved in this process from the very beginning, providing comments on the design of the FAFS, and then helping the affiliates prepare to receive this new management system Hub staff were present at the initial introduction of SoftCorporation (the programmers who engineered the Spanish FAFS software), to the affiliates, as well as at all training sessions and meetings subsequently held to assist in explanations and limit resistance to adopting the new system As part of the preparation to receive the new system, the affiliates required assistance to bring their accounting records up to a standard that would allow the FAFS to perform reliably This tedious, detail-driven work required exhaustive assistance from the Hub staff In some cases (CAM), implementation of the new system required Hub assistance in designing new affiliate operating policies and procedures in order to integrate the new system successfully Finally, once the FAFS was installed, Hub staff were again called upon to provide ongoing support and trouble shooting during the vetting period when the new system was put into use

The efforts of the Hub, SoftCorporation, and the affiliates were rewarded with a fully installed FAFS operating in real time in F/Mexico, El Salvador (CAM), F/Honduras, and F/Guatemala by year's end In FY98, F/Ecuador received visits from SoftCorporation, and the specifications were determined on the type of hardware to be acquired to run the FAFS F/Ecuador also received initial training in preparation to receive the system F/Ecuador and F/Nicaragua are slated to receive the system early in FY1999

**Monitoring, Latin American Hub**

A significant responsibility for the Hub is providing ongoing oversight of affiliate performance The Hub must monitor in-country activities on a number of levels How are the countries doing relative to goals established in significant grants received? What is their performance relative to their strategic plan? What problems at the management level are constraining growth? What complications at the operations level are causing clients to drop out, or target groups not to be reached? The Hubs must keep a watchful eye for early indications of problems in all of these areas (and many others), and, separately, provide technical assistance to allow the affiliates to increase outreach while maintaining the institutional capacity to manage this growth sustainably

The Hub performs these functions in a number of ways As part of their required reporting, every month the Latin American affiliates provide the Hub with Fin-track (attached), FINCA's new report which informs the Hub and headquarters of monthly outreach indicators, portfolio quality, income statement and balance sheet information, and key performance ratios in the same format across the network This information is carefully reviewed at the Hub before forwarding it on to headquarters, along with the

even more detailed monthly monitoring report of accomplishment relative to goals (linked to the strategic plan and annual operating plan) This allows Hub staff to spot performance problems early

During visits to the affiliates, Hub staff review performance compared to plan at a more in depth level with the local country directors Regular affiliate visits provide a critical means for FINCA staff to monitor performance Not only do people speak louder than spreadsheets, but Hub staff observations are central to the Hub's ability to develop an appropriate technical assistance plan for each affiliate's needs Additional monitoring functions performed by the Hub in FY98 included supervision of the completion of the USAID Nicaragua award, verifying that key terms of the agreement had been reached and participating in the final evaluation of the results of the grant The Hub also provided ongoing supervision of developments at FINCA Honduras, which received an IGP grant in FY97

Finally, in addition to the monitoring tools, Fin-track, and periodic visits, Hub staff work with the Financial services manager to perform diagnostics, evaluating the affiliates formally for access to the Village Bank Capital Fund, or VBCF FINCA recognizes that there is a bit of a conflict in having Hub staff evaluate the results of their own work with the affiliates, for this reason, Hub staff never serve as lead evaluators, but only assist the financial services manager to perform the diagnostics * Last year, Hub staff participated in the diagnostic performed on FINCA Nicaragua, which qualified the affiliate to access the VBCF The Hub continues to closely monitor F/Honduras' performance, now that a VBCF credit enhancement has been issued

**Technical Assistance, Latin American Hub**

In addition to the areas noted above, the Hub provides technical assistance to the affiliates in other ways as well The Latin American Hub is taking stronger role in assisting in affiliate board meetings, both in helping the affiliates to prepare for these meetings, and by attending these meetings to provide substantive, technical comments on issues that arise This not only helps the Hubs to be informed on the key needs of the affiliates as determined by their boards, it allows the boards to benefit from the insights of the Hub on the challenges faced by the affiliates and the technical options available to overcome them

The Guatemala Hub hosted a regional country directors' conference, held in July in Nicaragua The Hub presented three key products of the FINCA Operating System the Village Bank Credit Manual, containing some enhancements of the VB model, the Individual Lending Model, with new methodology and implementation strategies (based on Hub research of leading microenterprise lenders), and the Field Staff Incentive Manual (already implemented at the CAM) The Hub also presented its technical assistance plan for each affiliate for FY99, fine-tuning the plan for assistance and products based on country director comments

* In FY99, FINCA will hire a VBCF manager (based in Washington) to perform diagnostics and manage the Village Bank Capital Fund

Finally, in addition to all of these "planned" activities, the Latin American Hub is able to provide regional support to affiliates for incidental technical assistance needs that arise on a day-to-day basis Such support ranges from providing comments and advice to affiliates on challenges in new local regulation (F/Honduras faces new challenges in light of the Honduran government's expressed intent to regulate all micro-credit practitioners), to problems concerning regionalization of operations, to assistance in preparation and completion of external audits Every FINCA affiliate faces very complex problems every day regardless of its size After four years of activity, the affiliates appear to recognize the value of the assistance provided by the Hub, and turn to the Hub technicians as needed for guidance and support

The LA Hub played an important role in helping FINCA to develop funding possibilities from non USAID-sources, and to provide assistance and oversight for donor grants already won or ending In addition to assisting in the management of the previously mentioned USAID grants in Nicaragua and Honduras, the LA Hub played a critical role in negotiating the terms of the grant received from CGAP (funds received in November 1997, supporting the Africa Hub and part of the LA Hub), and played an important role in discussions with IFAD and the IDB/MIF program (negotiations ongoing)

**Village Bank Capital Fund, Latin America**
In the fourth year of the matching grant, FINCA issued its first credit enhancement FINCA Honduras was approved to receive up to $200,000, and an initial letter of credit of $100,000 was established on the affiliate's behalf with Bancahsa, a local Honduran bank Bancahsa has made a total of $300,000 available to F/Honduras, based on this letter of credit F/Honduras' credit enhancement may be increased, based on demand and continued quality performance on the part of the affiliate

FINCA Nicaragua underwent a diagnostic evaluation in FY98 and received initial approval for a VBCF credit enhancement Due to the extremely efficient management of FINCA Nicaragua's portfolio, the program did not require a local line of credit to finance FY98 growth FINCA/Nicaragua will be receiving the new FAFS in FY99 The efficiencies gained through this new reporting system are expected to permit the program to continue to grow rapidly, creating the need to access borrowed capital in the coming year

**Latin America Hub Activities, FY 99**
In the coming year, the Latin America Hub will continue its role of providing technical assistance and monitoring functions in the region The Hub will expand the implementation of key FOS manuals, and will provide support to F/Ecuador and F/Nicaragua to receive the FAFS The Hub will work closely with FINCA Guatemala to test new approaches to Village Banking, and to test these new products in El Salvador and Honduras Additionally, the LA Hub will begin to provide training outside of the FINCA network as part of a grant negotiated in FY98 and expected in FY99 from IFAD (a second agreement with the MIF is also pending for this same purpose) These grants provide funds for the Hub to develop a series of workshops to be provided to selected donor staff and micro-credit practitioners

*Latin American Affiliate Performance*

| FINCA/Ecuador | 31-Aug-97 | 31-Aug-98 | % change |
|---|---|---|---|
| Number of Village banks | 113 | 165 | 46% |
| Number of Village bank Clients | 2,379 | 3,756 | 58% |
| Outstanding Portfolio | 158,506 | 204,400 | 29% |
| Outstanding Savings Mobilized | 108 091 | 122 690 | 14% |
| Self Sufficiency | 119% | 132% | |

**FINCA/Ecuador (Anchor Country)**
In FY98, FINCA Ecuador's client base grew by 58% to 3,756 borrowers, all of whom are women Operations expanded in a previously limited area of activity (Guayaquil), and were initiated in a new region in the north (Imbabura) Most clients were poor *mestizos* however FINCA also provided loans to indigenous women and to a growing number of Afro-Ecuadorians With an average loan size at year end of $131, portfolio at risk was very low (98% current), and had noticeably improved compared to last year (93 9% current, August 1997) The program's sustainability indicators had also improved compared to last year, with operational self sufficiency consistently over 100% in FY98, and very close to financial self sufficiency (96% in August 1998) – a significant accomplishment in a country with an annual inflation rate well over 30 percent Due to the effects of currency devaluation, the portfolio increased only 29% in dollar terms to $204,000 by year end (in local currency, the portfolio increased by 87% to end the year at S/1 13 billion) Savings grew 48% in local currency, but only 14% in dollar terms

As an institution, FINCA Ecuador jumped in stature this year, from a small program with informal procedures to a more formal institution The new field activities in Ibarra and expanded operations in Guayaquil changed the structure of the institution, in terms of personnel, control needs, and oversight capabilities New operating procedures were put into effect, and by year end, the program was running 30 village banks out of the Ibarra office, 40 banks out of Guayaquil, with the remaining 95 banks in the greater Quito area In FY99, FINCA Ecuador will further formalize by dividing staff and space in the Quito office between field operations for the Quito region, and National office operations to supervise and manage all three regions

FINCA Ecuador developed a strategic plan in FY98 based on the planning model of the LA Hub The plan calls for 240 village banks by the end of calendar year 1998 FINCA Ecuador plans to expand aggressively in the area between Quito and Ibarra, eventually uniting these two areas of operation, and to expand north into the Chota valley, which is home to an extremely poor population of Afro-Ecuadorians Additionally, FINCA will expand on the coast significantly FINCA/Ecuador negotiated a three-year agreement with Plan International in which Plan will provide funds for operating expenses for expanded affiliate outreach on the coast, and FINCA will provide portfolio to grow in Guayaquil and expand into Santa Elena and Daule F/Ecuador will receive the first $90,000 to initiate these activities in January 1999 Growth in the north will be funded

by an increase in the funding received from USAID, based on the affiliate's successful performance to date

From a macroeconomic perspective, Ecuador reveals a clear need for FINCA's microcredit interventions GDP growth has slipped from a meager 2 9% in '96 to 2 4% last year Price stability has wavered as inflation rose to 32% in 1997, from 26% the year before Unemployment has also risen, from 8 5% in '96 to between 12 and 14% in '97 Moreover, the Ecuadorian economy is defined by its number of underemployed, or its population employed only in temporary, seasonal, or part-time work With an underemployment rate of over 53%, there is a real demand for expanded self-employment opportunities, and for support for existing entrepreneurs *

| FINCA/Guatemala | 31-Aug-97 | 31-Aug-98 | % change |
|---|---|---|---|
| Number of Village banks | | 2 | |
| Number of Village bank Clients | | 65 | |
| Outstanding Portfolio | | 4 766 | |
| Outstanding Savings Mobilized | | 1 094 | |
| Self Sufficiency | | 100% | |

**FINCA/Guatemala (Anchor Country)**
FINCA launched a new FINCA Guatemala this year This new affiliate will not only provide credit services to the severely poor, but also serve as a testing ground for the most current technologies developed within the network Due to lack of funding, at year's end the new affiliate had only two village banks (65 clients total) with two more groups in promotion, however FINCA expects this program to expand in the coming year As of the end of August, the program had an outstanding portfolio of $4,766, a total of $1,094 in savings mobilized, and no portfolio at risk

The new FINCA Guatemala is driven by two operating concepts 1) Long-term affiliate success is powered by client demand for services, and 2) until funding for start-up investments is found, the program must be self sustaining from the outset FINCA recognizes that in order to attract and retain clients in today's more competitive credit market FINCA must review the implicit and explicit costs to its borrowers of village bank participation as currently structured Tangible, financial incentives should be built into the methodology to encourage prompt repayment and loyalty to FINCA

FINCA Guatemala's modified methodology is consistent with earlier applications in terms of the size and structure of the village banks, the solidarity guarantee, the role of the promoter, and the terms of the loan, with an initial loan size of 800 Quetzales (about $125) However, FINCA has added the concept of clients earning a score of "C," "B," "A" and "AA," based on their performance in each cycle The scores of the individual members are aggregated to score the village banks in the same terms

* US Department of Labor *Ecuador Labor Trends* 1998

For example, a member who repays on time at every meeting in the two cycles and saves more than 20% will earn the ranking of AA FINCA will remit to that client 10% of the interest she paid in the second loan cycle, and will permit her to request an additional 20% in her next loan request, in addition to what she would normally receive (previous loan amount plus average of accumulated savings) The bank as a whole will receive AA ranking if it has no more than two B clients (neither of whom are on the village bank's board), if all payments to FINCA were made on time, and if the group has saved more than 25% of the last loan received Clients who miss payments will be ranked as B, or C clients (depending on the frequency of repayment lapses), with C clients paying a small fine for their lack of punctuality, and starting over at a loan of $125 After a series of cycles AA banks are permitted to cut back to bi-monthly meetings, and to access the internal account for additional in-cycle loans Moreover, these clients may receive additional, seasonal loans (50% of last loan received, loaned for a two-month period) during periods of high demand (Christmas and Mother's Day)

One of the many attributes of this system is that each borrower can literally wipe the slate clean in the next loan cycle C clients can become A clients in the new loan cycle, assuming prompt repayment and strong savings The bank rating system creates incentives for the bank as a whole to perform well Implicit in the ranking system are incentives to encourage client retention and larger village banks Banks requesting loans above $4,000 will pay 10% less in interest over the four-month period, banks requesting less than the established minimum will pay a small fine (encouraging larger group sizes)

The response to these incentives is startling FINCA is organizing banks in the same neighborhoods where three other micro-credit programs are already operating, there are fifteen women on the waiting list to join one of the existing village banks, and some of the women in the current banks came from the other credit programs They say that their attraction to the new FINCA Guatemala is based on these new incentives

FINCA Guatemala benefits from operating from the outset with all of the manuals and policies developed to date by the Hub, and the new FINCA Affiliate Financial Services system already installed FINCA Guatemala will put into effect the employee incentive system developed by the Hub and already in place at the CAM , allowing promoters the possibility of nearly doubling their salaries, based on number of clients served, portfolio size and repayment history Currently, the program has one promoter, a second will be hired once the program has funds to open more than eight banks The first promoter will supervise the second, and will continue to open new banks as well Hub staff are managing accounting and planning functions

Of course, promising results to date at FINCA Guatemala are partially due to the fact that these methodology revisions are being tested in a program starting from scratch Some innovations will work extremely well, others should be discarded, especially when applied to some of FINCA's larger affiliates FINCA intends to pilot test these changes in El Salvador and Honduras, beginning in January 1999 (when demand for credit typically falls after the holidays) FINCA will keep abreast of successes and problems with these innovations through market research work performed by founder John Hatch

Dr Hatch will take an active role in monitoring the results of these methodology revisions, performing client surveys to establish a baseline and gathering client and staff opinions after five months, ten months, and at periodic junctures thereafter The pilot projects will be implemented in the San Salvador region of CAM activities, and in F/Honduras's Tegucigalpa region These testing activities should dove-tail nicely with the recommendations provided by Water Street Group* (in which Dr Hatch is also playing an active role), also expected in the coming year

| FINCA/Nicaragua | 31-Aug-97 | 31-Aug-98 | % change |
|---|---|---|---|
| Number of Village banks | 335 | 565 | 69% |
| Number of Village bank Clients | 9 130 | 12 667 | 39% |
| Outstanding Portfolio | 754,905 | 1,067 134 | 41% |
| Outstanding Savings Mobilized | 312 657 | 393 108 | 26% |
| Self Sufficiency | 77% | 128% | |

**FINCA/Nicaragua**

FINCA Nicaragua continued to be one of the star performers of the FINCA network in FY1998 By year end, the program was managing 565 village banks in four urban districts (Managua, Masaya, Carazo, and Granada), and reaching 12,667 clients This outreach well surpasses expectations set in the Matching Grant DIP, which projected 304 village banks and 8,208 clients, or 186% and 154% accomplishment of respective targets Outstanding portfolio totaled over a million dollars (157% of target), and savings mobilized came to over $393,000 (200% of target)

In attaining these impressive levels of outreach, FINCA Nicaragua has also shown that it can achieve and sustain self sufficiency, while maintaining its focus on severely poor women As of fiscal year end, F/Nicaragua was the only affiliate to have consistently reached economic self sufficiency (which takes into account the effect of inflation on portfolio value), registering 128% economic self sufficiency in the month of August, 1998, and 118% economic self sufficiency over the first eight months of 1998 This accomplishment is all the more impressive when one factors in the small size of the loans provided, average loan size in August was still only $165, with less than one percent portfolio at risk

FINCA Nicaragua is working hard to improve and expand the services it offers to its clients The program is investigating causes of client turnover, and experimenting with providing a one-week grace period at the beginning of the cycle The program is also investigating the provision of insurance services through the village banks, in conjunction with local insurance companies

* Please see Support to Regional Hubs and Affiliates Headquarter s Strengthening Policy section of report for greater detail

| El Salvador (CAM) | 31-Aug-97 | 31-Aug-98 | % change |
|---|---|---|---|
| Number of Village banks | 734 | 695 | -5% |
| Number of Village bank Clients | 16 459 | 15 505 | -6% |
| Outstanding Portfolio | 1 202 677 | 1 416 182 | 18% |
| Outstanding Savings Mobilized | 753 296 | 855,404 | 14% |
| Self Sufficiency | 67% | 112% | |

**CAM/El Salvador (Anchor Country as of August 98)**
In FY1998, the CAM solidified its financial performance, showing an average of 105% operating self sufficiency over the first eight months of 1998 This was an important improvement over the previous fiscal year, when program income covered operating expenses in only a handful of months This relentless focus on self sufficiency, and the lack of significant portfolio growth in FY98 might appear at first glance to be a misallocation of priorities For FINCA, however, securing CAM self sufficiency has been the key challenge to ensure the permanence of the program in the future With no major donors in sight to subsidize operations, and a (previously) weak financial structure that made it ineligible for a line of credit, the CAM had to cover its costs, quickly, in order to continue operations

The CAM succeeded in meeting this challenge By moving to a smaller national office, and combining space with the San Salvador regional office, installing the new FAFS (which improved efficiency and cut administrative staff), and developing and sticking to a strategic plan, the CAM is in a much safer financial position to now expand the provision of financial services to poor Salvadorans By year end, the affiliate was managing 695 village banks groups serving 15,505 clients, with an outstanding portfolio of $1 4 million and $855,000 in savings mobilized The average loan disbursed was $169 This represents a slight decrease in number of clients served compared to last year (-6%), but an increase in portfolio (18%), and savings(14%) As part of the switch to the new FAFS, a number of inactive banks were removed from the CAM's records (which also reduced year end outreach figures) With a solid financial performance base and only 3 3% portfolio at risk, the CAM is now well positioned to expand in the years ahead

| FINCA/Honduras | 31-Aug-97 | 31-Aug-98 | % change |
|---|---|---|---|
| Number of Village banks | 688 | 826 | 20% |
| Number of Village bank Clients | 14,760 | 15 429 | 5% |
| Outstanding Portfolio | 1 197,524 | 1 641 969 | 37% |
| Outstanding Savings Mobilized | 658 838 | 819 747 | 24% |
| Self Sufficiency | 115% | 119% | |

**FINCA/Honduras**
FINCA Honduras ended FY98 with 15,429 village bank clients (4 5% increase over last year), 826 village banks (20% increase over last year), and a 37% increase in outstanding loan portfolio of $1 64 million Village bank savings totaled $820,000 (24% increase over last year), and the average loan size was $184 The affiliate's average level of

operational self sufficiency was 120% over the first eight months of 1998, (119% in the month of August), and 97% economically self sufficient in this same period

FINCA Honduras benefited from the installation of the FAFS, which was running in 'real time" by year end Reaching this point took enormous effort on the part of F/Honduras (and Hub) staff, partly due to the complexity of the affiliate's fund accounting requirements FINCA Honduras manages more major funding sources than any other affiliate, and must observe the fund management and reporting requirements of each Also, clients repay to F/Honduras weekly (as opposed to monthly payments to the affiliate), which creates an enormous amount of data entry and paperwork to keep the program up to date Since the continued growth of the affiliate is dependent on a fully functional FAFS, top management needed to focus on resolving these implementation challenges, at the expense of an increase in outreach over the last four months

FINCA Honduras faces stiff competition from other micro-credit programs in attracting and retaining both village bank clients and field staff To address this problem, FINCA Honduras will be implementing the staff incentive system of the Hub, and will be participating in Hub testing of pilot methodology changes in the Tegucigalpa region to improve client retention (please see FINCA Guatemala section for greater detail) F/Honduras is also benefiting from a USAID/IGP grant, which is providing funds to strengthen the regional offices and decentralize some management functions of the affiliate The Resident Advisor recently completed a new organizational manual, developed in close coordination with affiliate staff, which provides an operating plan and institutional structure to increase responsibilities at the regional level F/Honduras expects to resume significant growth in client outreach as a result of implementing this organizational manual and the new methodology introduced by the Hub in the coming year

| FINCA/Mexico | 31-Aug-97 | 31-Aug-98 | % change |
|---|---|---|---|
| Number of Village banks | 73 | 140 | 92% |
| Number of Village bank Clients | 1 321 | 2 887 | 119% |
| Outstanding Portfolio | 128,124 | 299,549 | 134% |
| Outstanding Savings Mobilized | 88 919 | 167 783 | 89% |
| Self Sufficiency | 85% | 86% | |

**FINCA/Mexico**

FINCA Mexico maintains the strongest portfolio in Latin America, with only 0 37% portfolio at risk in August, and 0 3% average portfolio at risk over the last eight months This is all the more impressive given that clients pay weekly to the affiliate, which can create the tendency for portfolio at risk to be slightly higher than if payments are made to the affiliate monthly What's more, the affiliate grew significantly this year, increasing the number of village banks managed (140 groups, a 92% increase over last year) and the number of clients served (2,887 clients, or 119% growth) by year end At the end of August, F/Mexico's portfolio stood at $299,550 (134% growth), with $167,780 in

savings mobilized (89% growth) Operating self sufficiency was 86% for the month of August, and averaged 83% for the first eight months of 1998

Impressive though these growth levels are, FINCA Mexico knows the portfolio must continue to grow to generate sufficient revenue to cover expenses FINCA Mexico has been challenged to attract and retain capable promoters F/I is assisting the Mexican affiliate in this regard by bringing one of FINCA's most energetic promoters, the current country director of F/Nicaragua, to Mexico to provide a series of training sessions on village bank promotion and management FINCA Mexico is benefiting from the new efficiencies of the fully functioning FAFS, which allow the affiliate to keep administrative costs down as the portfolio expands

| FINCA/Peru | 31-Aug-97 | 31-Aug-98 | % change |
|---|---|---|---|
| Number of Village banks | 173 | 194 | 12% |
| Number of Village bank Clients | 4 549 | 4 832 | 6% |
| Outstanding Portfolio | 678 104 | 844 580 | 25% |
| Outstanding Savings Mobilized | 829 836 | 1 353 379 | 63% |
| Self Sufficiency | 86% | 96% | |

**FINCA/Peru**

FINCA Peru was serving 4,832 clients at the end of FY98 (6% increase over last year), with an outstanding portfolio of $844,600 (24% growth in the last year) and $1 35 million in savings mobilized Savings continue to outstrip F/Peru loans to borrowers due to the level of activity of the affiliate's internal account, which offers more client options to access these funds * The program registered 101% average operational self sufficiency for the seven-month period ending in July, but only 96% self sufficiency in the month of August

In May, FINCA Peru submitted a proposal to authorize the organization of an Entity for Development of Small and Micro-enterprises (EDPYMES) to the Superintendency of Banks and Securities of Peru This proposal to formalize FINCA Peru was followed by several meetings with the Superintendency, and the proposal is continuing to advance within the Peruvian regulatory agency As part of this process, FINCA Peru was visited by the National Superintendency of Tax Administration, who found the affiliate's accounting books and documents in order FINCA Peru expects to receive the authorization for the EDPYMES, but acknowledges that the process of obtaining the operating license for a financial entity can take up to two years in Peru

The FINCA network is eager to draw on the successes of the FINCA Peru methodology in client savings and investment activities but is proceeding with caution given the risks implicit in expanded internal account activity (investment of client savings) One option FINCA is exploring is using the VBCF to provide security to savers

| FINCA/Haiti | 31-Aug-97 | 31-Aug-98 | % change |
|---|---|---|---|
| Number of Village banks | 4 | 5 | 25% |
| Number of Village bank Clients | 108 | 139 | 29% |
| Outstanding Portfolio | 11 364 | 7 842 | -31% |
| Outstanding Savings Mobilized | 7 447 | 2,188 | -71% |
| Self Sufficiency | 120% | 112% | |

**FINCA/Haiti**

FINCA Haiti was directly supported by headquarters in FY98, but this responsibility will be transferred to the LA Hub in FY99 Haiti also benefited from Hub products (such as the Hub's affiliate planning and projection model) over the past year FINCA Haiti has improved the quality of its operations by promoting new, well-trained Village Banking groups, and encouraging growth at the strongest existing banks Also, FINCA worked on building the capacity of newly hired staff and opening a regional office in Les Cayes, the sight of the current portfolio (previously, the program had been managed from Port au Prince) Membership increased to 139, with an outstanding portfolio of $7,842 FINCA Haiti continues to receive an overwhelming number of requests for credit services from interested local women, but has lacked the funds to invest in start-up investments necessary to create a more solid local institution In light of the local demand for credit services and the obvious need of the Haitian people, in FY99 FINCA will allocate human resources to build the affiliate, and redouble its efforts to locate the funding necessary for expansion (conversations with USAID and other donors were well advanced by year end)

**FINCA Field Activities, Africa.**

**Hub Services Provided**

**FINCA Affiliate Performance**

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### *Services Provided, African Hub*

One of the key accomplishments of the present Matching Grant is the successful transfer of FINCA's experience in Latin America to Africa This transfer relates not just the creation of individual country affiliates, but also to the transfer of the Hub system The costs of the Africa Hub are primarily covered by the World Bank CGAP program, and are being applied to the Matching Grant cost share Currently made up of a regional director (Michael McCord) and executive assistant,* the Africa Hub is emulating the success of its counterparts in Latin America by providing technical assistance to the African affiliates at many levels, and working to advance the FINCA network as a whole In comparison to the Latin American Hub, the Africa Hub (and CIS Hub) spends more time on provision of technical assistance and monitoring than on new product development (the FINCA Operating System) In spite of this overall emphasis, important innovations in operations and methodology come out of Africa, which FINCA encourages and seeks to share throughout the network

At the network development level, the regional director (RD) participated actively in F/I's annual planning process, and invested much time and effort in new business development for the network, working on feasibility studies to establish affiliates in Mozambique and South Africa The RD also assisted in planning a technical assistance fee system to be implemented in FY99, which will help cover the cost of technical assistance to the affiliates, (such a system is being encouraged by CGAP)

Another area worthy of note was African Hub assistance in coordinating with key European donors FINCA is reaching agreements with the British aid agency, DFID to provide funding to all three existing FINCA affiliates in Africa, in part because of relationships developed by the RD This newly developed accord is of great significance, not only to the individual affiliates (who benefit from the increased funding), but to USAID's microenterprise initiative as a whole The success and expansion of the international micro-credit movement is partially contingent upon donor consistency in support of best practices programs, those that have demonstrated the most promise in providing sustainable financial services to an ever-expanding client base of the world's poor FINCA's agreements with DFID leverage investments already made by USAID to reach this end

**African Hub Assistance, Uganda**

At FINCA Uganda, Mr McCord trained the finance director (a Ugandan) to fill the position of country director for the affiliate, a position formerly filled by the regional director himself This required intensive training in areas such as staff management, donor relations, new business development, and the operations side of portfolio management The regional director is also taking the lead to address the question of identifying and installing the best FAFS to manage F/Uganda's accounting and portfolio information Mr McCord worked extensively with the programmer of the Malawi system, and F/I's financial services manager in this regard over the past year By year

* A Ugandan financial specialist was hired in October, 1998

end, the GMS system (from the United States) had been selected, and a plan for its installation developed

The RD also assisted F/Uganda in developing new donor relations (DFID), and continuing those already established (the USAID/Uganda/PRESTO program, also relations with Austrian and Belgian donors) Additionally, the RD played a central role in managing a visit from the president and first lady of the United States in March Preparing for this visit required enormous effort, and by all accounts the visit went perfectly The public exposure of F/Uganda's success advanced the cause of microenterprise worldwide, caused the president of Uganda to express an interest in supporting microenterprise more broadly in his country, and improved F/Uganda's name recognition as it expands into new geographic areas

**African Hub Assistance, Malawi**
The regional director made five trips to Malawi over the past year He was active in performing monitoring functions, assisting in performing a formal diagnostic of F/Malawi together with FINCA's financial services manager on one of his trips F/Malawi was approved to access a line of credit through the VBCF, although the affiliate has not yet done so Based in part on recommendations made in this diagnostic, the RD provided insight on drafts of F/Malawi's business plan, providing useful comments based on the diagnostic and his experience in opening regional offices in Uganda Subsequently, the RD played an important role in developing and implementing an operating plan following the untimely death of the Malawian country director, assisting F/I's resident advisor (who became the country director) to maintain continuity, limit staff morale problems, and keep a focus on program growth Finally, Mr McCord was present at all board meetings for F/Malawi, providing technical opinions which assisted the board in identifying key problems faced by the affiliate, and finding appropriate solutions

**African Hub Assistance, Tanzania**
The regional director also provided support to F/Tanzania, an affiliate with needs very different from those of F/Malawi F/Malawi is a seasoned program, F/Tanzania began operations in the second half of FY1998 On his first visit, the RD began the registration process for F/Tanzania, and met with the local USAID mission and other relevant parties to coordinate efforts Mr McCord provided detailed oversight of the training of the new Tanzanian country director, planning one week at F/Uganda and the African Hub and two weeks at F/Malawi as part of her training plan Mr McCord followed up with additional trips to Tanzania, providing extensive support to the country director by reviewing and commenting on key operating manuals (the credit officer's manual, village banking manual, and personnel handbook), and providing recommendations on operating policies and procedures The RD also provided planning tools and marketing plans, and discussed operational strategies for growth with the country director Mr McCord also worked with the F/Tanzania staff to develop a system for initial book keeping, and providing training in financial statement preparation and assistance in external audit preparation Finally, the RD facilitated the transfer of one of the most experienced credit managers

from F/Uganda to F/Tanzania, allowing the new affiliate to benefit from her knowledge developed at the more mature affiliate in Uganda

**African Hub Activities, FY99**
In the coming year, the Africa Hub will work to provide a more expanded array of services to the African affiliates FINCA plans to have three technical specialists at the Hub (the regional director, a financial specialist, and a third technician, probably a planning specialist) who will be assisting affiliates in the following areas financial strengthening and initiating transformation, "branching" and decentralization issues, specific marketing issues, and improving controls The regional director projects that all three existing affiliates with have a fully functioning FAFS to manage accounting and portfolio Based on the experience in Latin America, however, maintenance of this system may require ongoing Hub support

## *African Affiliate Performance*

| FINCA/Uganda | 31-Aug-97 | 31-Aug-98 | % change |
|---|---|---|---|
| Number of Village banks | 268 | 504 | 88% |
| Number of Village bank Clients | 8 473 | 16 400 | 94% |
| Outstanding Portfolio | 621 154 | 963 528 | 55% |
| Outstanding Savings Mobilized | 464 901 | 703,115 | 51% |
| Self Sufficiency | 76% | 93% | |

**FINCA/Uganda (Anchor Country)**
FINCA Uganda continued to provide credit services to a very poor segment of Ugandan society in FY98 Over the year, the program disbursed over $5 6 million in loans to its clients, 100% of whom were women, with an average loan of $95

The program's success at reaching the very poor received international acclaim when President Clinton visited the program on his tour of Africa, accompanied by the First Lady, the USAID Administrator, the US Labor Secretary, National Security Advisor, the Assistant Secretary of State for Africa, and the President and First Lady of Uganda The group visited one of the program's oldest village banks in the Jinja region, and the Presidential couples visited individually with four of the village bank's borrowers, discussing how each managed her business In his presentation, the President commented "I wish we were giving $100 million instead of $2 million I can't think of anything else where we have invested money that has a 98 percent success rate It is a stunning thing "

The most salient development at FINCA Uganda this year was surely its impressive growth The program was operating four regional offices by year-end (two new offices), managing 504 village banks (236 more than last year, or 88% growth), and serving a total of 16,400 clients (94% growth since August 1997) Portfolio growth and quality was strong ($963,500 in loans outstanding or a 55% increase over the previous year), but the

portfolio grew more slowly than the increase in the number of new clients due to currency devaluation Savings growth was similar, with $703,000 mobilized by year end (51% increase over FY97)

FINCA Uganda's strategy has been to expand to the national level, and then to consolidate its client base The program's name recognition benefited from the Clinton visit in March, this publicity, together with the demand for services offered by FINCA, have helped the regional operations to be well received among poor women in these new areas However, start up costs have caused overall operating expenses to run ahead of portfolio income as a result of this approach, with operating self sufficiency between 80% and 90% for much of the year Now that FINCA Uganda has made these investments to operate regionally, the program expects the portfolio to grow significantly, generating sufficient income to cover its costs

FINCA Uganda will improve the efficiency of its operations in the coming year by gradually delegating some functions to the regional offices Currently, the headquarters office manages almost all aspects of program, accounting, and portfolio management, the regional offices, staffed by branch managers and credit officers, receive checks from HQ for disbursements, and monitor and report on loan repayment FINCA Uganda will devolve some functions to the regional level, beginning with tasks such as loan approval paperwork and limited access to a local account for office operating expenses Over time, additional functions may be delegated, though much depends on the capabilities of the GMS system, still to be installed and fine tuned to F/Uganda's needs

Another important change at F/Uganda this year was the change in personnel directly managing the affiliate When the former country director was promoted to his current position of regional director, the financial manager of F/Uganda was promoted to replace him, and the senior accountant (who has been with the affiliate nearly since inception) was promoted to financial manager FINCA is pleased to have such capable local staff assume these positions of responsibility in managing the affiliate

Uganda's remarkable economic take-off in the mid-nineties has slowed, underscoring the importance of FINCA's microcredit efforts there GDP fell in 1997 and inflation remained at 7 6% during 1997 * In spite of the country's economic growth, according to the most recent UNDP Human Development Report, Uganda still ranks as a country in the lowest tier of countries measured by human-based development standards **

* "Uganda Country Profile", The Economist Intelligence Unit, 1998-99
** "Human Development Report" United Nations Development Programme, 1998

| FINCA/Tanzania | 31-Aug-97 | 31-Aug-98 | % change |
|---|---|---|---|
| Number of Village banks | | 24 | |
| Number of Village bank Clients | | 757 | |
| Outstanding Portfolio | | 40 783 | |
| Outstanding Savings Mobilized | | 9 409 | |
| Self Sufficiency | | 19% | |

**FINCA/Tanzania**

FINCA Tanzania began operations in 1998, and by the end of the fiscal year was close to its targets for number of clients served and number of village banks established By the end of the project's first year (30 September), the affiliate had reached key targets established in the USAID grant, serving 1,015 clients through 33 village banks, and managing a portfolio of $42,000 with zero delinquency and nearly $18,000 in savings mobilized

The affiliate benefited from the transfer of key human resources within the network The Country director has two years of experience as programs director of FINCA Kyrgyzstan, and the methodology advisor, a Ugandan, was transferred from F/Uganda F/Tanzania has had difficulty in obtaining its duty free status, presenting a challenge to obtaining some of the fixed assets necessary to support itself, but this problem is expected to be resolved soon To its credit, F/Tanzania negotiated a very important agreement with the local commercial bank to allow the village bank groups to receive loan disbursements at a spare office in the bank, limiting security issues With a staff of sixteen (11 of whom are credit officers), F/Tanzania is poised to expand operations significantly in the coming year

| FINCA/Malawi | 31-Aug-97 | 31-Aug-98 | % change |
|---|---|---|---|
| Number of Village banks | 205 | 292 | 42% |
| Number of Village bank Clients | 6,499 | 9 106 | 40% |
| Outstanding Portfolio | 367 809 | 216 181 | -41% |
| Outstanding Savings Mobilized | 388 374 | 257 533 | -34% |
| Self Sufficiency | 132% | 65% | |

**FINCA/Malawi**

FINCA Malawi grew steadily this year, reaching 9,106 clients (100% women) by the end of the year FINCA Malawi was operating 292 village banks, and had secured funding to open regional outlets in four towns located one to four hours from Blantyre Portfolio did not grow in dollar terms due to currency devaluations, however, it grew 36% in local currency FINCA Malawi's initial loan size is $60, however, as part of a funding agreement with GTZ in the southern region, F/Malawi will run a pilot program offering loans as low as $30

F/Malawi suffered a tragic loss when the country director of four years died suddenly of malaria in early April FINCA's human resource recovery plan included having the resident advisor step into the CD position, and recruit and train a finance manager and a operations manager, one of whom would be selected to become CD within the year A new operations manager was hired by the end of the year, and FINCA had some promising candidates for the finance manager position Also this year, F/Malawi developed a business plan to initiate and expand credit services in the Central Region (Lilongwe and secondary cities in the area) on a large scale, using funds received from USAID/IGP and from DFID to do so A final significant development for F/Malawi this year was the identification, installation, and implementation of a management information system for affiliate accounting and portfolio management Developed by a local NCR representative who worked for the Central Bank of Malawi, this African version of the FAFS was modified by its author to suit F/Malawi's needs and is now fully functional

**FINCA Field Activities, Commonwealth of Independent States**

**Hub Services Provided**

**Affiliate Results**

## *Services, Provided, Commonwealth of Independent States HUB*

Information on the Hub in the CIS is briefly included to complete the picture of the globalization of the Hub system of technical assistance By fiscal year end the CIS Hub consisted of a regional director, a planning specialist, and an assistant The regional director moved from Kyrgyzstan to Azerbaijan in March (where he began establishing the F/Azerbaijan program, the country director arrived in April), and then on to Georgia, where he began the process of starting up this affiliate and providing technical assistance to all three programs Selected staff from F/Kyrgyzstan traveled with him to the Caucasus to assist in starting up these new programs Their presence was critical to the transfer of successful elements of the FOS developed in Kyrgyzstan to Azerbaijan and Georgia Given these human resources and the transfer of systems initially developed in Kyrgyzstan, the F/Georgia program began lending activities within six weeks of his arriving in country Azerbaijan has faced greater challenges getting legally registered, but this program was also lending by the end of the fiscal year

In the coming year, the regional director will expand the capabilities of his Hub office To do so, he recently hired an individual with extensive knowledge of software applications to become the planning specialist for the CIS The CIS Hub will also oversee the creation of an affiliate in Armenia, as well as a new commitment to start a sustainable micro-credit program in the Russia-Samara region

## *Commonwealth of Independent States Affiliate Performance*

| FINCA/Kyrgyzstan | 31-Aug-97 | 31-Aug-98 | % change |
|---|---|---|---|
| Number of Village banks | 486 | 853 | 76% |
| Number of Village bank Clients | 5 876 | 9,891 | 68% |
| Outstanding Portfolio | 328,144 | 831,319 | 153% |
| Outstanding Savings Mobilized | 129 160 | 405,958 | 214% |
| Self Sufficiency | 127% | 96% | |

**FINCA/Kyrgyzstan**

FINCA Kyrgyzstan far exceeded its targeted goals for the fiscal year 1998 Compared to its size at the end of FY97, the number of village banks grew by 68% (853 by the end of the year), the number of clients served increased 62% (9,891 by the end of the year, 90% of whom were women), and the outstanding portfolio stood at $831,320 (149% growth since the beginning of the year) Year-end bonuses were paid out to all F/K employees for exceeding the year-end targets established in the affiliate's operating plan Overall, operational self sufficiency was 123% for last quarter of the year, but dipped slightly below 100% in August due to the year-end incentive payout Even so, the program's self sufficiency was running well ahead of targeted projections

The program's geographic coverage expanded this year, with lending activities beginning in Issyk-Kul in July Promoters out of the Issyk-Kul regional office are in the process of

investigating market potential in the oblast just south of Issyk-Kul, which would give F/K a presence in five of the six Kyrgyz oblasts

All Village Banking groups affected by the flooding in the southern region of Kyrgyzstan in May, 1998 paid off their loans in their entirety, and all but one of the eight groups have been recapitalized F/K's commitment to the village bank members has played a substantial role in rebuilding this community by giving the flood victims the means to start their businesses again and contribute to the economic recovery of their community

| FINCA/Azerbaijan | 31-Aug-97 | 31-Aug-98 | % change |
|---|---|---|---|
| Number of Village banks | 0 | 23 | |
| Number of Village bank Clients | 0 | 236 | |
| Outstanding Portfolio | 0 | 17 100 | |
| Outstanding Savings Mobilized | 0 | 2,440 | |
| Self Sufficiency | 0 | NA | |

**FINCA/Azerbaijan**

FINCA Azerbaijan finished fiscal year 1998 with an outstanding portfolio of $17,100, having disbursed a total of nearly $25,000 since it began lending activities in June FINCA Azerbaijan exceeded outreach goals for the fiscal year by more than 38%, reaching a total of 236 clients

FINCA staff with prior experience in Kyrgyzstan first arrived in Azerbaijan in March By year end, FINCA Azerbaijan employed 5 credit officers and a support staff of 4 By using the Village Banking methodology and adhering to best practices principles, F/Azerbaijan quickly established itself as a leader in the provision of microcredit services in the country The sizeable refugee population has led to an influx of humanitarian aid, nevertheless, F/Azerbaijan's portfolio remains strong and its prospects for expansion are good The program's success to date and promise for the future can partly be attributed to the strength of the start-up team, and consistent technical assistance from the Caucasus Hub in Georgia

FINCA/Azerbaijan has not been able to expand as quickly as originally planned due to the complexities of the legal environment in Azerbaijan Local registration is still in process (as it has been for the past six months), and FINCA is unable to promote its credit services in the markets until this process is completed At present, FINCA is lending only in very remote areas FINCA/Azerbaijan is registering as a humanitarian agency, and as a branch of FINCA International (F/I established a limited liability company to serve as the parent) FINCA is pushing to complete this process as quickly as possible, however, it could take as much as another six months, based on the experience of humanitarian agencies already established in the country

| FINCA/Georgia | 31-Aug-97 | 31-Aug-98 | % change |
|---|---|---|---|
| Number of Village banks | 0 | 95 | NA |
| Number of Village bank Clients | 0 | 1 118 | NA |
| Outstanding Portfolio | 0 | 93 303 | NA |
| Outstanding Savings Mobilized | 0 | 5 607 | NA |
| Self Sufficiency | | 50% | |

**FINCA/Georgia**

FINCA Georgia finished fiscal year 1998 with an outstanding portfolio of $93,303, with 1,118 clients in 95 village banks Approximately $200,080 in loans were disbursed to clients over the period After five months of operations, FINCA/Georgia recorded operational self-sufficiency of 50% Client savings totaled $5,607, 17% over target Most credit activity occurred in the Tblisi area, however, FINCA plans to open a satellite office in Rustavi (thirty minutes to the east of Tbilisi) early in FY99

F/Georgia benefits from the transfer of many of the FOS technologies developed in Kyrgyzstan In August, F/Kyrgyzstan's MIS officer transferred and installed three critical databases (developed in Kyrgyzstan) – Credit Bureau, Schedule DB and Personnel DB Three Georgian nationals were trained in the operation and maintenance of the software F/Georgia staff also received training from F/I's training and micro-lending specialist for the CIS (who has worked in recent years for F/Kygyzstan) This individual developed a proposal for additional funding for the "bridge" product that was submitted to Shorebank (the prime contractor in the Caucasus project), and she created product manuals specific to the Georgian and Azeri markets

*Affiliate Performance Compared to Goals, Matching Grant DIP*

| Country | Village Banks | Members | Loan Portfolio | Savings |
|---|---|---|---|---|
| **UGANDA** | | | | |
| **Year 4 Target** | 273 | 7 371 | 606 456 | 187 060 |
| **Achieved as of August 1998** | 504 | 16 400 | 963 528 | 703 115 |
| **% Achieved for Year (Actual)** | **185%** | **222%** | **159%** | **376%** |
| **ECUADOR** | | | | |
| **Year 4 Target** | 126 | 2 520 | 223,115 | 74 769 |
| **Achieved as of August 1998** | 165 | 3,756 | 204 400 | 122 690 |
| **% Achieved for Year (Actual)** | **131%** | **149%** | **92%** | **164%** |
| **NICARAGUA** | | | | |
| **Year 4 Target** | 304 | 8 208 | 678,778 | 192 340 |
| **Achieved as of August 1998** | 565 | 12 667 | 1,067 134 | 393 108 |
| **% Achieved for Year (Actual)** | **186%** | **154%** | **157%** | **204%** |
| **HONDURAS** | | | | |
| **Year 4 Target** | 304 | 8 208 | 678,778 | 192 340 |
| **Achieved as of August 1998** | 826 | 15 429 | 1 641,969 | 819 747 |
| **% Achieved for Year (Actual)** | **272%** | **188%** | **242%** | **426%** |
| **MEXICO** | | | | |
| **Year 4 Target** | 261 | 6 525 | 743 735 | 238 767 |
| **Achieved as of August 1998** | 140 | 2 887 | 299 549 | 167,783 |
| **% Achieved for Year (Actual)** | **54%** | **44%** | **40%** | **70%** |
| **CAM/EL SALVADOR** | | | | |
| **Year 4 Target** | 1 130 | 30 510 | 8,279 758 | 2 861 399 |
| **Achieved as of August 1998** | 695 | 15 505 | 1,416,182 | 855 404 |
| **% Achieved for Year (Actual)** | **62%** | **51%** | **17%** | **30%** |
| **GUATEMALA** | | | | |
| **Year 4 Target** | 401 | 8,020 | 738,790 | 252,997 |
| **Achieved as of August 1998** | 2 | 65 | 4,766 | 1,094 |
| **% Achieved for Year (Actual)** | **0%** | **1%** | **1%** | **0%** |
| | | | | |
| **SUB-TOTAL, ACTIVE MG** | | | | |
| **Year 4 Target** | 2,799 | 71 362 | 11,949,410 | 3,999 672 |
| **Achieved as of August 1998** | 2 897 | 66,709 | 5 597 528 | 3 062 941 |
| **% Achieved for Year (Actual)** | **104%** | **93%** | **47%** | **77%** |

## *Affiliate Performance Compared to Affiliate Planning Projections*

| Country | Village Banks | Members | Loan Portfolio | Savings |
|---|---|---|---|---|
| **MALAWI** | | | | |
| **August 1998 Target*** | 276 | 8 280 | 463 800 | 437 500 |
| **Achieved as of August 1998** | 292 | 9 106 | 216 181 | 257 533 |
| **% Achieved for Year (Actual)** | **106%** | **110%** | **47%** | **59%** |
| *from F/Malawi Business Plan Spring 1998* | | | | |
| **TANZANIA** | | | | |
| **August 1998 Target*** | 31 | 868 | 46 830 | 2 444 |
| **Achieved as of August 1998** | 24 | 757 | 40 783 | 9 409 |
| **% Achieved for Year (Actual)** | **77%** | **87%** | **87%** | **385%** |
| **from F/Tanzania Business Plan August 1997* | | | | |
| **KYRGYZSTAN** | | | | |
| **August 1998 Target*** | 901 | 9 902 | 600 123 | 240 049 |
| **Achieved as of August 1998** | 853 | 9 891 | 831 319 | 405 958 |
| **% Achieved for Year (Actual)** | **95%** | **100%** | **139%** | **169%** |
| *from Revised Projections Submitted to USAID 1997* | | | | |
| **GEORGIA** | | | | |
| **August 1998 Target*** | 0 | 0 | 0 | 0 |
| **Achieved as of August 1998** | 95 | 1,118 | 93 303 | 5 607 |
| **% Achieved for Year (Actual)** | | | | |
| *from Workplan Submitted to USAID May 1998* | | | | |
| **AZERBAIJAN** | | | | |
| **August 1998 Target** | 13 | 132 | 8 654 | 3 462 |
| **Achieved as of August 1998** | 23 | 236 | 17 100 | 2 440 |
| **% Achieved for Year (Actual)** | **177%** | **179%** | **198%** | **70%** |
| *from Workplan Submitted to USAID May 1998* | | | | |
| **PERU** | | | | |
| **August 1998 Target*** | 202 | 5 674 | 1 232 500 | 1 212 600 |
| **Achieved as of August 1998** | 194 | 4 832 | 844,580 | 1 353 379 |
| **% Achieved for Year (Actual)** | **96%** | **85%** | **69%** | **112%** |
| *from F/Peru Strategic Plan January 1998* | | | | |
| **HAITI** | | | | |
| **June 1998 Target*** | 7 | 210 | 10 000 | 2 000 |
| **Achieved as of June 1998** | 5 | 139 | 7 842 | 2,188 |
| **% Achieved for Year (Actual)** | **71%** | **66%** | **78%** | **109%** |
| *from Preliminary Haiti Targets Memorandum 1998* | | | | |
| **SUB-TOTAL, New Countries** | | | | |
| **August 1998 Target** | 1,430 | 25,066 | 2 361,907 | 1 898,055 |
| **Achieved as of August 1998** | 1486 | 26 079 | 2 051,108 | 2 036 514 |
| **% Achieved for Year (Actual)** | **104%** | **104%** | **87%** | **107%** |
| **SUB-TOTAL, ACTIVE MG** (previous page) | | | | |
| **Year 4 Target** | **2,799** | **71,362** | **11,949,410** | **3,999,672** |
| **Achieved as of August 1998** | **2,897** | **66,709** | **5,597,528** | **3,062,941** |
| **% Achieved for Year (Actual)** | **104%** | **93%** | **47%** | **77%** |
| ***GRAND TOTAL*** | | | | |
| ***MG Grand Total Target, Yr 4**** | **3,402** | **93,002** | **17,064,397** | **5,130,728** |
| ***Achieved as of August 1998*** | **4,383** | **92,788** | **7,648,636** | **5,099,455** |
| ***% Achieved for Year (Actual)*** | **129%** | **99 8%** | **45%** | **99%** |
| ***Year 4 Grand Total Target taken from DIP and includes programs which are no longer active in the F/I network*** | | | | |

**FINCA Headquarters Activities:**

**Support to Regional Hubs and Affiliates**

**Strengthening the Network**

## Headquarters Activities

FINCA International in Washington is proud of the accomplishments of the FINCA affiliates and regional offices, and seeks to improve constantly the quality of services it provides to them In the past year, FINCA has moved towards a model it believes will eliminate a key bottleneck in headquarters responsiveness to affiliate needs The new director of programs holds a vision of the Programs Department as a provider of quality, technically specific services to affiliates rather than a clearinghouse for questions throughout the network By year end, the Programs Department in Washington was smaller (in inverse proportion to the growth of the Regional Hubs), and other headquarters departments, rather than working through the Programs Department, worked directly with affiliates on an as needed basis

### *Programs Department*

The Programs Department continued to focus on the provision of technical and support services to the network, through its efforts at Headquarters, the regional Hubs, and advisors working at the affiliate level The Programs Department is central to FINCA's annual performance, its principle contributions may be seen in the preceding pages on field activities The present section discusses tasks performed by the Programs Department based in Washington

FINCA International Washington put into effect its plan to create three functional managers at headquarters with good results The FINCA Operating System (FOS) manager improved the transfer of information within the network, through collecting, translating and disseminating manuals, and conference planning (two Hub conferences and one regional affiliate conference) The financial services manager monitored affiliates through the newly developed Financial Tracking System (Fin-track), performed diagnostics, managed the Village Bank Capital Fund, and supervised the selection and installation of the FINCA Affiliate Financial System (the FAFS, or electronic accounting and portfolio management system) The budget and award manager concentrated the management of all aspects of fund management, budgeting, and grant management in one position, resulting in greater efficiency, improved on time reporting and better budget planning

A key accomplishment of the Programs Department last year was the full implementation of "Fin-track", a uniform reporting format for outreach indicators, levels of delinquency, and simplified financial statements This information is provided monthly to F/I HQ (after passing through the Hubs for review) via email attachments, allowing FINCA to track and use the information provided more efficiently This reporting is a breakthrough for an organization such as FINCA, with all affiliates using the same forms and defining expenses and revenues in the same way, meaningful comparisons across countries and regions are now possible Due to the uniform definitions and policies FINCA has established, (for example, the definition of portfolio at risk and the loan loss reserve policy) the network is able to maintain a consistent performance standard, based on established benchmarks

The financial services manager played an extremely important role in providing assistance to FINCA's affiliates He managed the contract with SoftCorporation for systems installation at three affiliates in Latin America (El Salvador/CAM, Honduras, and Guatemala) The financial services manager also evaluated and provided comments on the FAFS developed in Malawi, approving this locally developed system to manage the growth of this affiliate Additionally, the FS manager performed diagnostics of FINCA Malawi, FINCA Nicaragua, and FINCA Kyrgyzstan, and processed the first draw down against the VBCF guarantee for F/Honduras

**Programs Department, FY99**
As part of the Programs Department's increased focus on technical services to affiliates fund management and budgeting functions will shift to the Finance Department in the coming year FINCA expects this change to improve communication and increase headquarter's responsiveness In addition, the financial services manager will hire a person with skills similar to his own in the new position of VBCF manager This individual will perform affiliate diagnostics and manage credit enhancements while the FS manager works on FAFS installations around the world The FOS manager position will continue to support cross-fertilization between the regional hubs and affiliates The end result will be a Programs Department at Headquarters which is smaller, but better tailored to act as a service center in support of the affiliates

***Planning***

Planning was again an integral part of FINCA's annual activities FINCA International/Washington's planning system, developed in earlier years, was again put into effect in FY98 to plan for FY99 with good results The operating plan is based on field input and is realistic, with clear priorities and a detailed budget Both the plan and the budget were approved by F/I's board of directors in July

In addition to operating plan and budgeting activities at F/I-Washington, planning tools developed at the Latin America Hub in Guatemala were put into full use at all affiliates in Latin America (described in greater detail under the Hubs) These planning devices not only allow the affiliates to plan their growth over the next several years and monitor results, they also allow the Hub to plan for the technical needs of the affiliates year-by-year (information which is, in turn, incorporated into FINCA International's annual allocation planning of human and financial resources) The LA Hub planning tool's versatility allowed it to be modified slightly to prepare F/Malawi's business plan, and the winning proposal to implement the new Russia - Samara start-up project

**Planning, FY99**
In the coming year, FINCA will fine-tune this planning system to assist all Hubs and affiliates to use the best planning model for their needs, and to institutionalize this flow of planning from the field level to headquarters Key tasks identified for F/I to perform in FY99 also include the installation of accounting and portfolio software (the FINCA Affiliate Financial System, or FAFS), and to implement the FINCA Operating System

(the best policies and manuals of the network) in at least one affiliate, with implementation increasing at the rest of the affiliates

### *Research*

In FY1998, F/I developed a relationship to receive *pro-bono* services from the Water Street Group, a collection of consultants specializing in restructuring commercial banks * The Water Street Group (WSG) is helping FINCA to address a number of key strategic issues Among the most important areas investigated are 1) *marketing* how might FINCA affiliates modify current products and add new ones to improve client retention and better serve client needs, 2) *affiliate transformation and network sustainability* what should be FINCA's overarching strategy, and what responsibilities and objectives should each of the three key players have (affiliate, Hub and Headquarters), and 3) *preserving the 'mistica*", how can FINCA attain financial sustainability at all levels without deviating from its overarching mission to alleviate severe poverty? The Water Street Group attended the Latin American country directors' conference, as well as the regional directors' conference, in order to investigate these questions FINCA expects to receive recommendations from WSG in FY99 and begin work on implementing them in coordination with methodology innovations developed by the Hub

### Research, FY99

The Water Street Group work is only one of several avenues FINCA is taking to review and possibly modify its Village Banking methodology As FINCA's monitoring systems have improved, the high cost of client turnover to affiliate sustainability is becoming increasingly apparent FINCA has negotiated an agreement with CGAP to change the use of CGAP funds previously earmarked for a savings study Of greater urgency, FINCA and CGAP agree, is developing and pilot testing revisions to the methodology to improve client satisfaction while continuing to serve the very poor CGAP funds will be redirected to finance Latin American Hub investigation of this issue (please see F/Guatemala section for greater detail)

### *Fund Raising*

FINCA made important advances in diversifying sources of funds in FY98, both from public and private sources Regarding public funding, in November, FINCA signed an agreement with CGAP to fund the Latin American Hub and to start the African Hub Discussions continued with IFAD and MIF to secure additional Hub funding, though no agreement had been reached by year end FINCA received funding from USAID to create affiliates and/or expand those already in existence FINCA received start-up funds for a new affiliate to provide village banking and small enterprise lending program in the Russia - Samara region FINCA also received $1 million from the USAID/G/EGAD/MD/IGP program to help FINCA Malawi expand operations into the central region of the country

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* The contributions of the Water Street Group are provided independently of Oliver Wyman and Company the New York-based consulting firm employing these individuals

FINCA made tremendous progress in developing the scope and depth of its private funding base as well The Development Department raised $1,426,213 -- fully 35% over its goal for the year FINCA's success in surpassing its goals stems from a number of new developments Strategic mass mailings expanded FINCA's donor base by 1,000 -- double its goal for the year Moreover, F/I added 4 new members to its advisory board, increasing our capacity to partner with major individual donors Grants from foundations exceeded expectations, as well, by 25% Major grants were received from the Wallace, McKnight, and SG Foundations

FINCA not only succeeded in raising resources, but also in initiating department innovations which will lead to strengthened relationships between the department and funders at all levels, from small donors to corporations and foundations As a result of FINCA's successful pilot monthly giving plan, we anticipate gifts to be given more frequently, amounting to significantly larger total gifts to FINCA Corporate relationships have been cultivated this past year, resulting in over $75,000 in funding And with a new manager hired for corporate fund raising, FINCA anticipates even greater results next year

**Fund Raising FY99**

FINCA's private fund raising goals are higher for FY99, at over $1 5 million To meet our goal, FINCA will send out a one-million-piece mailing that should triple its small donor base, additional goals include adding five new members to its advisory board, and winning grants from three additional large foundations The Development Department will also introduce cost-related marketing and in-kind contribution fund raising techniques to further broaden its development efforts, as well as training and engaging affiliates in fund raising practices FINCA believes these innovations will increase significantly corporate and individual giving, and empower affiliates to expand their resource base In the public sector, FINCA hopes to finalize agreements with IFAD and the MIF to support the Hubs and Latin American affiliates, and will pursue possibilities with the United Nations Development Program to fund its efforts in Africa FINCA will also request another Matching Grant, focused on attaining the sustainability of the network as a whole

***Finance Department***

In FY98, FINCA's Finance Department benefited from the leadership and vision of a new chief financial officer, who brings years of experience in both the banking sector and not-for-profit organizations to the job His changes in the department are allowing FINCA to improve its management of the increasingly complex task of fund accounting as the volume and complexity of funds managed grows in the coming years, and to respond to the needs and requests of affiliates and other headquarters departments with greater speed

Among the principal changes made in the last year is the increase in usage of the Deltek accounting system, installed in FY95 The increased application of Deltek has reduced human errors in reporting, and greatly increased the efficiency of many department

functions The CFO also developed a new budget planning tool based on an Access database instead of Excel spreadsheets The new format is easier to understand and can produce budget "roll-ups ' in minutes, a change that permits FINCA to fine-tune its budgets to a much greater extent during the annual budgeting process Overall reporting formats were simplified, of particular use was a clearer, more informative format developed by the CFO for monthly financial reporting to the executive director and the board The CFO also assisted in reorganizing the internal audit function to report directly to the F/I board

**Finance Department FY99**
In the coming year, FINCA's overall efficiency in managing donor funds will be further improved by transferring key elements of fund management from the Programs Department to the Finance Department and improving coordination with the Development Department This will further eliminate duplication of functions and miscommunications, and improve the Finance Department's responsiveness The CFO will also begin planning a cost-based budgeting system to improve tracking of the costs and benefits of FINCA activities

***Personnel & Administration***

Facing the tightest labor market in decades, HR's priority focus in FY98 was on recruiting, employee retention, training and career development throughout the network FINCA encourages promotion from within as new positions become available, and seeks to assist staff in developing new skills in their current jobs To enhance this process, P&A staff designed and implemented a career development tool and process FINCA also revised some of the benefits offered to be more responsive to the changing needs of its workforce To further our staffing goals, P&A staff formalized our volunteer/intern program and actively marketed it at local universities, resulting in an increase in quantity and quality of our intern staffing This increase was most notable in the Research Department and overseas, but also resulted in increased intern activity in the Finance Department FINCA management benefited from corporate training on interviewing and selection of quality staff Finally, to take a fresh look at total compensation, FINCA has hired a consultant to work with us on innovations for salary administration systems and to implement appropriate incentive programs

As noted earlier, FINCA is working to improve efficiency and the quality of assistance provided to the regional offices and affiliates by having individual departments work directly with overseas staff and affiliates, rather than through the Programs Department This has resulted in a shift of responsibility for technical assistance in human resource management from the HQ Program Department to the P&A Department As part of this effort, personnel coordinator traveled to Honduras to share her technical expertise in performance evaluations and clarification of job descriptions, such efforts are expected to expand considerably in FY99 Separately, another accomplishment that has resulted in increased productivity was the introduction of the Franklin Covey Time Quest time management system to all FINCA HQ and Latin American country directors

In the area of Information Technology, FINCA installed a new e-mail system and leased a T-1 communication line, a direct link to the internet, that has improved the speed and accuracy of our e-mail communications as well as our access to the worldwide web FINCA provided assistance to the affiliates in gaining e-mail access as well Now that the entire network has e-mail capability, communication costs have dropped and efficiency is improved by the ability to send electronic attachments This new technology allows affiliates, regional offices, and headquarters to circulate important information quickly and cheaply, such as draft documents for comments or revisions (for example, work plans and job descriptions), and reporting requirements (fintrack)

**Personnel and Administration, FY99**
In FY99, FINCA will hire a full-time recruiter to work with the regional directors on sourcing and selecting the most qualified candidates from a growing global network of practitioners Technical assistance to the affiliates will expand In preparation for these new responsibilities for the P&A Department, staff will develop a diagnostic tool to evaluate the human resource management "health" of affiliates This product will be tested in Nicaragua and introduced throughout the network in FY99 FINCA also plans to provide training to extend the Franklin-Covey personal planning system throughout the network in FY 99

***Policy***

As mentioned in the year three Matching Grant report, FINCA's role in policy development within the micro-credit community is significant enough to bear brief mention in the Matching Grant reports, although these activities are not funded by Matching Grant

FINCA continued its policy work with the bilateral and multilateral development banks in FY98 FINCA's mission to provide sustainable assistance to the very poor, especially women, has made FINCA a useful resource for several key players FINCA provided comments and recommendations on the organizational structure of the micro-credit division of the IDB (recommending a model along the lines of USAID, which was partially adopted), and provided comments to the AfDB, and IFAD, urging their policies to emphasize institutional capacity building (rather than simply providing lines of credit to practitioners that may not yet have the capacity to manage them) Among the most significant of FINCA's contributions to this donor community was putting forth the "one dollar, two dollar" simplified system of distinguishing severe poverty (*per capita* income of less than one dollar per day), from generalized poverty (*per capita* income between one and two dollars), and the disadvantaged non-poor (*per capita* income above $2 per day) While this approach remains highly controversial, this basic definition was adopted by the World Bank in its *World Bank Development Indicators, 1997*, and is also gaining a growing number of converts

**Policy FY99**
In FY99, FINCA's policy division will continue its efforts to solidify the support of key policy makers, allowing FINCA and other practitioners to expand the successes achieved in poverty alleviation to date by the micro-credit community

## Matching Grant Matching Contributions, Year 4

FINCA had raised 90% of the total cost share match required by the Matching Grant by the end of FY99 These counterpart contributions come from the savings, program income, and borrowed capital of four "anchor" countries (Uganda, Ecuador, and Guatemala with El Salvador/CAM added in August 1998), and FINCA International fund raising to support these countries, the regional Hubs, and Headquarters In total fifty two percent of the match to date has been generated by activities at the affiliate level, and forty eight percent came from private grants, non-federal public funds (CGAP) and *pro-bono* contributions to FINCA

| Sources of Funds | Actual, August-97 | Actual Year 4 | Life of Project, August-98 |
|---|---|---|---|
| Grants/Donations | 1 809 355 | 323 606 | 2 132 961 |
| Interest Income | 265 931 | 362 970 | 628 901 |
| Borrowed Capital | 147 121 | 83,000 | 230,121 |
| Savings | 1 209 628 | 284,099 | 1,493,727 |
| Total | 3,432 035 | 1 053,675 | 4,485,710 |

## Conclusion

The present Matching Grant transformed FINCA into an organization with global presence and impact The Matching Grant covered the initial expenses to initiate, test, and develop the idea or regional technical assistance providers, replacing the previous Washington-based system The first Hub in Latin America proved to be so successful, not only in terms of assistance provided to the affiliates but also in the new ideas developed there, that two new Hubs were opened in the fourth year of the Matching Grant Funded by a more diverse, less USAID-dependent donor base, the Hubs provide constant support to the affiliates by introducing the best operating manuals and systems of the network (and actively contributing to the creation of new ones), monitoring performance, and plain old problem-solving technical assistance One affiliate director estimated that, during FAFS installation, she called her Hub twice a day, every day

The best indication of the Hub system, however, is in affiliate performance The FINCA Network was serving more than 23,000 new clients by the end of the grant year, with a forty percent increase in portfolio, very high sustainability indicators across the network, and repayment rates envied by commercial banks serving more well-to-do clients FINCA's goal of reaching 150,000 poor clients by the end of the century appears to be within reach

# ANNEX 1

**FINCA - USAID Matching Grant**
**Life of Grant to Date**
**September 1994 through August 1998**

**SUMMARY REPORT**

| | FINCA | | USAID | | TOTAL | |
|---|---|---|---|---|---|---|
| | BUDGET | ACTUAL | BUDGET | ACTUAL | BUDGET | ACTUAL |
| **DIRECT COSTS** | | | | | | |
| DOMINICAN REPUBLIC | 522 674 | 76 694 | 0 | 0 | 522 674 | 76 694 |
| ECUADOR | 432 280 | 273 803 | 0 | 0 | 432 280 | 273 803 |
| UGANDA | 349 291 | 302 432 | 0 | 0 | 349 291 | 302 432 |
| GUATEMALA | 0 | 727 958 | 0 | 0 | 0 | 727 958 |
| CAM | | 65 898 | | | | |
| HEADQUARTERS FINCA | 70 101 | 393 324 | 1 665 730 | 2 076 311 | 1 735 831 | 2 469 635 |
| CENTRAL AMERICAN HUB | 186 230 | 86 258 | 646 339 | 840 950 | 832,569 | 927,209 |
| AFRICAN HUB | | 61 827 | | | | |
| TOTAL DIRECT COSTS | 1 560 576 | 1 988 195 | 2 312 069 | 2 917 261 | 3 872 645 | 4 905 457 |
| Indirect Costs | | | 813 323 | 1 249 186 | 813 323 | 1 249 186 |
| TOTAL COSTS | 1 560 576 | 1 988 195 | 3 125 392 | 4 166 447 | 4 685 968 | 6 154 642 |
| LOAN CAPITAL | | | | | | |
| External Loan Capital | 1 473 254 | 1 003 787 | 0 | 0 | 1 473 254 | 1 003 787 |
| Internal Loan Capital | 691 237 | 1 493 727 | 0 | 0 | 691,237 | 1,493,727 |
| TOTAL | 2 164 491 | 2 497 514 | 0 | 0 | 2 164 491 | 2 497 514 |
| TOTAL MG PROGRAM | 3 725 067 | 4 485 710 | 3 125 392 | 4 166 447 | 6 850 459 | 8 652 157 |
| SOURCES OF FUNDS | | | | | | |
| A I D Matching Grant | 0 | 0 | 3 125 392 | 4 166 447 | 3 125 392 | 4 166 447 |
| Interest Income | 629 415 | 628 901 | 0 | 0 | 629 415 | 628 901 |
| Borrowed Capital | 640 845 | 230 121 | 0 | 0 | 640 845 | 230 121 |
| Savings | 691 237 | 1 493 727 | 0 | 0 | 691 237 | 1 493 727 |
| Grants/Donations | 1 763 570 | 2 132 960 | 0 | 0 | 1 763 570 | 2 132 960 |
| **GRAND TOTAL** | **3,725,067** | **4,485,709** | **3,125,392** | **4,166,447** | **6,850,459** | **8,652,156** |

**FINCA USAID Matching Grant**
**Year Four**

# SUMMARY REPORT

| | FINCA | | USAID | | TOTAL | |
|---|---|---|---|---|---|---|
| | BUDGET | ACTUAL | BUDGET | ACTUAL | BUDGET | ACTUAL |
| **DIRECT COSTS** | | | | | | |
| DOMINICAN REPUBLIC | 0 | 0 | 0 | 0 | 0 | 0 |
| ECUADOR | 2 400 | 194 694 | 0 | 0 | 2 400 | 194 694 |
| UGANDA | 0 | 213 475 | 0 | 0 | 0 | 213 475 |
| GUATEMALA | 0 | 2 075 | 0 | 0 | 0 | 2 075 |
| CAM | 0 | 65 898 | 0 | 0 | 0 | 65 898 |
| HEADQUARTERS FINCA | 0 | 139 751 | 154 930 | 279 486 | 154 930 | 419 237 |
| CENTRAL AMERICAN HUB | 96,464 | 83 717 | 224,114 | 202 046 | 320,578 | 285,763 |
| AFRICAN HUB | 217,910 | 61,827 | 0 | 0 | | |
| **TOTAL DIRECT COSTS** | 316 774 | 761 438 | 379 044 | 0 481 532 | 695 818 | 1 242 970 |
| Indirect Costs | 134 087 | 0 | 145 342 | 243 383 | 145 342 | 243 383 |
| **TOTAL COSTS** | 316 774 | 761 438 | 524 386 | 724 915 | 841 160 | 1 486 352 |
| **LOAN CAPITAL** | | | | | | |
| External Loan Capital | 0 | 8 138 | 0 | 0 | 0 | 8 138 |
| Internal Loan Capital (Savings) | 175 528 | 284,099 | 0 | 0 | 175,528 | 284,099 |
| **TOTAL LOAN CAPITAL** | 175 528 | 292 237 | 0 | 0 | 175 528 | 292 237 |
| **TOTAL MG PROGRAM** | **492,302** | **1,053,675** | **524,386** | **724,915** | **1,016,688** | **1,778,589** |
| **SOURCES OF FUNDS** | | | | | | |
| A I D Matching Grant | 0 | 0 | 524 386 | 724 915 | 524 386 | 724 915 |
| Interest Income | 0 | 362 970 | 0 | 0 | 0 | 362 970 362 970 |
| Borrowed Capital | 0 | 83 000 | 0 | 0 | 0 | 83 000 83 000 |
| Savings | 0 | 284 099 | 0 | 0 | 0 | 284 099 284 099 |
| Grants/Donations | 492 302 | 323 606 | 0 | 0 | 492 302 | 323 606 323 606 |
| **TOTAL SOURCES OF FUNDS** | **492,302** | **1 053,675** | **524 386** | **724 915** | **1,016,688** | **1,778,589 1,778,589** |

| Country | Total |
|---|---|
| **Ecuador** | |
| Interest Income | 136,512 |
| Borrowed Capital | 41,000 |
| Grant Donations | 17,182 |
| **Total** | **194,694** |
| **Uganda** | |
| Interest Income | 160,160 |
| Borrowed Capital | 42,000 |
| Grant Donations | 11,315 |
| **Total** | **213,475** |
| **Guatemala** | |
| Interest Income | 400 |
| Oper Expenses 3-8/98 | 1,675 |
| **Total** | **2,075** |
| **CAM** | |
| Interest income | 65,898 |
| **Total** | **65,898** |
| **Headquarters** | |
| Grant Donations/Pro-Bono | 139,751 |
| **Total** | **139,751** |
| **Central American HUB** | |
| Grant Donations | 83,717 |
| **Total** | **83,717** |
| **African HUB** | |
| Grant Donations | 61,827 |
| **Total** | **61,827** |
| **External Loan Capital** | |
| Rotary Loan Capital Donation | 8,138 |
| **Total** | **8,138** |
| **Internal Loan Capital (Savings)** | |
| Ecuador | 17,000 |
| Uganda | 266,099 |
| Guatemala | 1,000 |
| **Total** | **284,099** |
| **GRAND TOTAL** | **1,053,675** |

**FINCA - USAID Matching Grant**
**Year Three**

## SUMMARY REPORT

| | FINCA | | USAID | | TOTAL | |
|---|---|---|---|---|---|---|
| | BUDGET | ACTUAL | BUDGET | ACTUAL | BUDGET | ACTUAL |
| **DIRECT COSTS** | | | | | | |
| DOMINICAN REPUBLIC | | 5 987 | 0 | 0 | 0 | 5 987 |
| ECUADOR | | 10 745 | 0 | 0 | 0 | 10 745 |
| UGANDA | | 32 460 | 0 | 0 | 0 | 32 460 |
| GUATEMALA | | 15 014 | 0 | 0 | 0 | 15 014 |
| HEADQUARTERS FINCA | | 168 189 | 520 164 | 560 088 | 520 164 | 728 277 |
| CENTRAL AMERICAN HUB | | 0 | 357,587 | 304,776 | 357,587 | 304,776 |
| **TOTAL DIRECT COSTS** | 58 945 | 232 395 | 877 751 | 864 864 | 936 696 | 1 097 258 |
| Indirect Costs | | | 237 441 | 359 634 | 237 441 | 359 634 |
| **TOTAL COSTS** | 58 945 | 232 395 | 1 115 192 | 1 224 498 | 1 174 137 | 1 456 892 |
| **LOAN CAPITAL** | | | | | | |
| External Loan Capital | 538 302 | 206 579 | 0 | 0 | 538 302 | 206 579 |
| Internal Loan Capital | 431 383 | 622,651 | 0 | 0 | 431,383 | 622,651 |
| **TOTAL LOAN CAPITAL** | 969 685 | 829 230 | 0 | 0 | 969 685 | 829 230 |
| **TOTAL MG PROGRAM** | **1,028,630** | **1,061,625** | **1,115,192** | **1,224,498** | **2,143,822** | **2,286,122** |
| **SOURCES OF FUNDS** | | | | | | |
| A I D Matching Grant | 0 | 0 | 1 115 192 | 1 224 498 | 1 115 192 | 1 224 498 |
| Interest Income | 380 402 | 12 217 | 0 | 0 | 380 402 | 12 217 |
| Borrowed Capital | 216 845 | 79 643 | 0 | 0 | 216 845 | 79 643 |
| Savings | 431 383 | 622 651 | 0 | 0 | 431 383 | 622 651 |
| Grants/Donations | 0 | 347 114 | 0 | 0 | 0 | 347 114 |
| **TOTAL SOURCES OF FUNDS** | **1,028,630** | **1,061,625** | **1,115,192** | **1,224,498** | **2,143,822** | **2,286,123** |

FINCA USAID Matching Grant
Year Two

# SUMMARY REPORT

| | FINCA | | USAID | | TOTAL | |
|---|---|---|---|---|---|---|
| | BUDGET | ACTUAL | BUDGET | ACTUAL | BUDGET | ACTUAL |
| **DIRECT COSTS** | | | | | | |
| DOMINICAN REPUBLIC | 38 400 | 40 574 | 0 | 0 | 38 400 | 40 574 |
| ECUADOR | 28 200 | 24 051 | 0 | 0 | 28 200 | 24 051 |
| UGANDA | 108 798 | 7 850 | 0 | 0 | 108 798 | 7 850 |
| GUATEMALA | 591 676 | 276 122 | 0 | 0 | 591 676 | 276 122 |
| HEADQUARTERS FINCA | 0 | 85 385 | 540 391 | 599 737 | 540 391 | 685 122 |
| CENTRAL AMERICAN HUB | 56,070 | 2,541 | 182,295 | 264,958 | 238,365 | 267,499 |
| TOTAL DIRECT COSTS | 823 144 | 436 523 | 722 686 | 864 695 | 1 545 830 | 1 301 218 |
| Indirect Costs | | | 309 166 | 416 514 | 309 166 | 416 514 |
| TOTAL COSTS | 823 144 | 436 523 | 1 031 852 | 1 281 209 | 1 854 996 | 1 717 732 |
| LOAN CAPITAL | | | | | | |
| External Loan Capital | 736 000 | 468 933 | 0 | 0 | 736 000 | 468 933 |
| Internal Loan Capital | 120,691 | 246,646 | 0 | 0 | 120,691 | 246,646 |
| TOTAL | 856 691 | 715 579 | 0 | 0 | 856 691 | 715 579 |
| TOTAL MG PROGRAM | 1 679 835 | 1 152 102 | 1 031 852 | 1 281 209 | 2 711 687 | 2 433 311 |
| SOURCES OF FUNDS | | | | | | |
| A I D Matching Grant | 0 | 0 | 1 031 852 | 1 281 209 | 1 031 852 | 1 281 209 |
| Interest Income | 192 474 | 137 981 | 0 | 0 | 192 474 | 137 981 |
| Borrowed Capital | 424 000 | 11 078 | 0 | 0 | 424 000 | 11 078 |
| Savings | 120 691 | 246 646 | 0 | 0 | 120 691 | 246 646 |
| Grants/Donations | 942 670 | 756 397 | 0 | 0 | 942 670 | 756 397 |
| **GRAND TOTAL** | **1,679,835** | **1,152,102** | **1,031,852** | **1,281,209** | **2,711 687** | **2,433,311** |

FINCA USAID Matching Grant
Year One

# SUMMARY REPORT

| | FINCA | | USAID | | TOTAL | |
|---|---|---|---|---|---|---|
| | BUDGET | ACTUAL | BUDGET | ACTUAL | BUDGET | ACTUAL |
| **DIRECT COSTS** | | | | | | |
| DOMINICAN REPUBLIC | 24 120 | 30 133 | 0 | 0 | 24 120 | 30 133 |
| ECUADOR | 30 031 | 44 313 | 0 | 0 | 30 031 | 44 313 |
| UGANDA | 55 072 | 48 647 | 0 | 0 | 55 072 | 48 647 |
| GUATEMALA | 502 045 | 434 747 | 0 | 0 | 502 045 | 434 747 |
| HEADQUARTERS FINCA | 0 | 0 | 605 175 | 636 999 | 605 175 | 636 999 |
| CENTRAL AMERICAN HUB | 67,219 | 0 | 106,457 | 69,171 | 173,676 | 69,171 |
| TOTAL DIRECT COSTS | 678 487 | 557 840 | 711 632 | 706 170 | 1 390 119 | 1 264 011 |
| Indirect Costs | | | 266 716 | 229 655 | 266 716 | 229 655 |
| TOTAL COSTS | 678 487 | 557 840 | 978 348 | 935 826 | 1 656 835 | 1 493 666 |
| LOAN CAPITAL | | | | | | |
| External Loan Capital | 198 952 | 320 137 | 0 | 0 | 198 952 | 320 137 |
| Internal Loan Capital | 139,163 | 340,331 | 0 | 0 | 139,163 | 340,331 |
| TOTAL | 338 115 | 660 468 | 0 | 0 | 338 115 | 660 468 |
| TOTAL MG PROGRAM | 1 016 602 | 1 218 308 | 978 348 | 935 826 | 1 994 950 | 2 154 134 |
| SOURCES OF FUNDS | | | | | | |
| A I D Matching Grant | 0 | 0 | 978 348 | 935 826 | 978 348 | 935 826 |
| Interest Income | 56 539 | 115 733 | 0 | 0 | 56 539 | 115 733 |
| Borrowed Capital | 0 | 56 400 | 0 | 0 | 0 | 56 400 |
| Savings | 139 163 | 340 331 | 0 | 0 | 139 163 | 340 331 |
| Grants/Donations | 820 900 | 705 844 | 0 | 0 | 820 900 | 705 844 |
| **GRAND TOTAL** | **1,016,602** | **1,218,308** | **978 348** | **935,826** | **1,994,950** | **2,154,134** |

# ANNEX 2

FINCA® INTERNATIONAL INC
1101 14th Street N W • 11th Floor Washington DC 20005 • 202 682 1510 • FAX 202 682 1535 • EMAIL finca@villagebanking org

## FINCA International

**Financial Profile**

*for the fiscal years ended August 31*

| | (audited) | | | (unaudited) |
|---|---|---|---|---|
| | 1995 | 1996 | 1997 | 1998 |
| **Activities** | | | | |
| **Unrestricted Revenues** | | | | |
| Government Grants | 2 655 638 | 4 104 804 | 4 722 159 | 5 117 827 |
| Private grants | 516 869 | 708 486 | | |
| Contributions | 366 728 | 468 829 | 546 341 | 893 010 |
| Technical assistance contracts | 255,893 | 230 112 | 411 970 | 330 419 |
| Total unrestricted | 3 795 128 | 5 512 231 | 5 680 470 | 6 341 256 |
| Net assets released from restriction | 628 164 | 660 016 | 624 340 | 572 314 |
| Total unrestricted revenue | 4 423 292 | 6 172 247 | 6 304 810 | 6 913 570 |
| **Expenses** | | | | |
| Program services | 3 443 842 | 3 767 501 | 5 007 437 | 5 463 746 |
| Fund raising | 121,784 | 191,518 | 325,338 | 297 714 |
| General and administrative | 870,372 | 1,129 088 | 1 210 467 | 909,739 |
| Cost variances | - | - | - | - |
| Total expenses | 4 435,998 | 5,088 107 | 6 543 242 | 6 671 199 |
| Increase in unrestricted assets | (12,706) | 1 084,140 | (238,432) | 242 371 |
| **Restricted revenues** | | | | |
| Contributions | 975,271 | 488,510 | 450,141 | 1 550 793 |
| Net assets released | (628,164) | (660 016) | (624,340) | (572 314) |
| Increase in restricted assets | 347,107 | (171,506) | (174,199) | 978 479 |
| Change in net assets | 334,401 | 912,634 | (412,631) | 1,220,850 |
| Net assets, beginning of year | 112,908 | 447,309 | 1,359 943 | 947,312 |
| Net assets, end of year | 447,309 | 1,359,943 | 947,312 | 2,168,162 |

# ANNEX 3

# FINCA Operating System (FOS)

## Internal Control

| Key Manuals | Author | Name of Manuals | * | Date Finished | Translated? | LA | FSU | Africa | Note |
|---|---|---|---|---|---|---|---|---|---|
| Accounting Policies and Procedures Manual | JA LA HUB | Manual de Politicas y Procedimientos Contables de FINCA (Segunda version) | FD/U | May 97 | YES | | need copy | need copy | |
| Administrative Procedures Manual | JA LA HUB | Manual de Procedimientos Administrativos (Segunda Edicion Ampliada) | FV/C | Mar 97 | YES | | need copy | need copy | |
| Internal Control Manual | JA LA HUB | | IP/98 | | | | | need copy | |
| Internal Audit Manual | Nelson G | | FV/C | Feb 98 | not yet (Spanish only) | | need copy | need copy | high priority to translate |

## Village Banking Methodology (Village Banking Manual)

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| FSO Manual | F/Kyrgyzstan | *SCG Reference Manual for Credit Officers* | | Sep 97 | not yet (English only) | | | | |
| F/Malawi Meeting Guidelines | F/Malawi | F/Malawi -Pautas para las Reunion | FV | Jan 96 | YES | | | | |
| VB Training Manual | F/Uganda | | | | | | | | |
| Credit Officer Induction Training Manual | F/Uganda | | | | | | | | |
| Credit Officer Manual | F/Nicaragua | | FV | | not yet (Spanish only) | | | | |
| Village Banking Manual | JH | Manual de Bancos Comunales para Líderes y Promotores | FD/U | 89 | YES | | | | |
| Supervisor's Manual | F/Kyrgyzstan | | | | | need copy | | need copy | |
| Village Banking Manual | JH | Manual de Bancos Comunales para Líderes y Promotores (Cuarto Edicion) | | Aug 92 | | | | | for F/Honduras |

## Village Banking Methodology (Credit Policy)

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Village Banking Credit Policy Manual | JA LA HUB | Politica de Credito a Bancos Comunales | FD/R | Dec 97 | YES | | | need copy | first translation pending new version |
| Village Banking Credit Procedures Manual | JA LA HUB | Manual de Procedimientos de Credito y Cobro a Bancos Comunales | FD/R | Jan 98 | not yet (Spanish only) | | | need copy | translation pending first version |

* FV/c =Final Version/concluded, FV/u = Final Version/upgrading, FD/r=First Draft/review, FD/u= First Draft/ upgrading, In Progress/year=IP/xx and Pending/year= P/xx

## Village Banking Methodology (Incentive Plan)

| Key Manuals | Author | Name of Manuals | * | Date Finished | Translated? | LA | FSU | Africa | Note |
|---|---|---|---|---|---|---|---|---|---|
| Field Staff Incentive Plan | JA LA HUB | | FD/R | | | | | need copy | for CAM |
| Field Staff Incentive Plan | F/Nicaragua | | | | | | | need copy | |
| FSO Incentive Plan | F/Kyrgyzstan | | | | | need copy | | need copy | |

## Village Banking Methodology (Other)

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Credit Bureau Database & Manual | F/Kyrgyzstan | | F | | | | | need copy | |
| Village Banking Schedule Database | F/Kyrgyzstan | | F | | | | | need copy | |
| Preprinted VB Forms | F/Kyrgyzstan | | F | | | | | | |
| Business Skills Training Manual & Database | F/Kyrgyzstan | | F | | | | | need copy | Copy database to Michael |

## Individual Lending Methodology

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Small Enterprise Loans Reference Manual | F/Kyrgyzstan | SEL Reference Manual | FD/U | | not yet (only English) | need copy | | | |
| Micro Lending Policy Manual | JA LA HUB | | IP/98 | | | | | need copy | |
| Micro Lending Procedures Manual | JA LA HUB | | IP/98 | | | | | need copy | |
| Individual Lending Field Staff Incentive Plan | JA LA HUB | | P/99 | | | | | need copy | for CAM |

* FV/c =Final Version/concluded, FV/u = Final Version/upgrading, FD/r=First Draft/review, FD/u= First Draft/ upgrading, In Progress/year=IP/xx and Pending/year= P/xx

## Organizational Development

| Key Manuals | Author | Name of Manuals | * | Date Finished | Translated? | LA | FSU | Africa | Note |
|---|---|---|---|---|---|---|---|---|---|
| Local Staff Personnel Handbook | F/I, F/K, F/U | Manual Local de Personal | FV | Jan 96 | YES | | | | |
| Employee Evaluation System | HQ | | FV | | | | | | |
| Orientation Handbook | F/I | | FV | | | | | need copy | |
| Employee Records Database | F/Kyrgyzstan | | | | | need copy | | need copy | |
| Receptionist Handbook | F/Kyrgyzstan | | | | | need copy | | | |
| Flexible Organization Manual | JA LA HUB ER F/ Ho | | P/ 98 | | | | | need copy | |
| Regional Decentralization Manual | JA LA HUB | | P/ 98 | | | | | need copy | |
| Employee Salary and Benefit Manual | JA LA HUB | | P/ 99 | | | | | | HQ version pending? |

## Planning and Budgeting

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| FINCA Diagnostic Manual & Model | JA LA HUB | Manual de Evaluacion Institucional y Financiera de las Organizacions Afiliadas | FV/ U | Aug 96 | YES | | | | for Program PM and JA need common upgrated version |
| FINCA Diagnostic Tool (Institutional Evaluator Guideline) | JA LA HUB | Guia del Evaluador Anexo C del Manual de Evaluacion Institucional y Financiera de las Organizacions Afiliadas | FV/ U | Sep 96 | not yet (only Spanish) | | | | for F/I Reviewed summer 96 |
| Strategic Planning Manual | JA LA HUB | Manual Especializado de Planeamiento Estrategico | FV/ C | Jun 97 | YES | | | | |
| Strategic Planning Model | JA LA HUB | | FV/ U | | | | | | |
| Strategic Planning Boilerplate | F/Kyrgyzstan | | | | | | | | reference manual needed |
| Operational Planning and Budget Manual | JA LA HUB | Manual Especializado de Planeamiento y Presupuestacion Operativa | FV/ C | Jul 97 | YES | | | | |
| Operational Planning Model | JA LA HUB | | FV/ U | | | | | | |
| F/I Organizing Board + Planning Methodology | HQ | | | | | | | | write up needed |

* FV/c =Final Version/concluded, FV/u = Final Version/upgrading, FD/r=First Draft/review, FD/u= First Draft/ upgrading, In Progress/year=IP/xx and Pending/year= P/xx

## Financial Management

| Key Manuals | Author | Name of Manuals | * | Date Finished | Translated? | LA | FSU | Africa | Note |
|---|---|---|---|---|---|---|---|---|---|
| Financial Management Manual | JA LA HUB | Manual de Administracion Financiera | FD/U | Jan 97 | YES (draft) | | | | |
| Financial Management Model | JA LA HUB | | FV/U | | | | | | |
| Village Banking Capital Fund Credit Policy Manual | PM F/I | Village Bank Capital Fund Credit Policy Manual | | Mar 97 | not yet (only English) | | | | |
| Cash Management | JA LA HUB | | P/99 | | | | | | |
| Projected Cash Flow Model | JA LA HUB | | P/99 | | | | | | |
| Saving Mobilization Manual | JA LA HUB | | P/99 | | | | | | |

* FV/c =Final Version/concluded, FV/u = Final Version/upgrading, FD/r=First Draft/review, FD/u= First Draft/ upgrading, In Progress/year=IP/xx and Pending/year= P/xx

Note upcoming manuals - Microcredit Manual, Promoter Incentive Programs Manual, Regional Office Management Manual, An Internal Control Manual, Organization and Functions Manual

# ANNEX 4

# FINCA ECUADOR
## Alcance de Cartera

*in 000 s of US dollars*

| | General Information | Ene | Feb | Mar | Abr | May | Jun | Jul | Ago |
|---|---|---|---|---|---|---|---|---|---|
| 1) | Inflation for Period (annualized) | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 32% |
| 2) | Rate of Exchange respect to US$ | 4 521 00 | 4 585 00 | 4 857 00 | 5 040 00 | 5 116 00 | 5 260 00 | 5 395 00 | 5 535 00 |
| 3) | Commercial Bank Interest Rate | 42% | 42% | 44% | 44% | 44% | 48% | 48% | 48% |
| | **Staffing** | | | | | | | | |
| 4) | Loan Officers | 11 | 11 | 11 | 13 | 16 | 15 | 13 | 15 |
| 5) | Other Staff | 10 | 10 | 10 | 11 | 11 | 11 | 11 | 15 |
| | **Total Staff** | **21** | **21** | **21** | **24** | **27** | **26** | **24** | **30** |
| | **Outreach** | | | | | | | | |
| | # of Banks in Previous Period | **110** | **111** | **114** | **120** | **126** | **134** | **152** | **161** |
| 6) | # of New Banks | 2 | 4 | 9 | 8 | 8 | 18 | 9 | 4 |
| 7) | ( ) # of Dissolved Banks (use negative #) | 1 | 1 | 3 | 2 | 0 | 0 | 0 | 0 |
| | **Total Village Banking Groups** | **111** | **114** | **120** | **126** | **134** | **152** | **161** | **165** |
| | # of VB Clients in Previous Period | **2 211** | **2 226** | **2 260** | **2 622** | **2 847** | **3 103** | **3 339** | **3 553** |
| 8) | # of New Village Banking Clients | 78 | 156 | 389 | 238 | 286 | 583 | 350 | 323 |
| 9) | ( ) # of VB Clients Withdrawn (use neg #) | (63) | (122) | (27) | (13) | (30) | (347) | (136) | (120) |
| | **Total Village Banking Clients** | **2 226** | **2 260** | **2 622** | **2 847** | **3 103** | **3 339** | **3 553** | **3 756** |
| 9a) | # of Micro Clients End of Period | | | | | | | | |
| | **Total Clients** | **2 226** | **2 260** | **2 622** | **2 847** | **3 103** | **3 339** | **3 553** | **3 756** |
| 10) | # of Female Clients | 2 211 | 2 245 | 2 607 | 2 832 | 3 088 | 3 339 | 3 553 | 3 756 |
| | **% of Female Clients** | **99%** | **99%** | **99%** | **99%** | **100%** | **100%** | **100%** | **100%** |
| | **Portfolio** | | | | | | | | |
| 11) | VB Portfolio Outstanding End Balance | 119 | 110 | 133 | 145 | 147 | 202 | 227 | 204 |
| 11a) | Micro Portfolio Outstanding End Balance | | | | | | | | |
| | **Total Portfolio Outstanding** | **119** | **110** | **133** | **145** | **147** | **202** | **227** | **204** |
| 12) | Amt Village Bank Loans Disbursed | 29 | 58 | 77 | 72 | 61 | 75 | 118 | 69 |
| 12a) | Amt Micro Loans Disbursed This Period | | | | | | | | |
| | **Total Amount of Loans Disbursed** | **29** | **58** | **77** | **72** | **61** | **75** | **118** | **69** |
| | **Cumulative Loans Disbursed** | **896** | **941** | **966** | **1 002** | **1 048** | **1 095** | **1 185** | **1 224** |
| 13) | # of VB Loans Disbursed This Period | 293 | 390 | 939 | 650 | 650 | 561 | 1 027 | 522 |
| 13a) | # of Micro Loans Disbursed This Period | | | | | | | | |
| | **Total # Loans Disbursed for Period** | **293** | **390** | **939** | **650** | **650** | **561** | **1 027** | **522** |
| | **Cumulative Loans Disbursed** | **8 659** | **9 049** | **9 988** | **10 638** | **11 288** | **11 849** | **12 876** | **13 398** |
| | **Average Loan Size This Period** | **0 097** | **0 148** | **0 082** | **0 110** | **0 094** | **0 134** | **0 115** | **0 131** |
| 14) | End Balance of Savings VB | 64 | 85 | 92 | 86 | 107 | 125 | 123 | 123 |
| 14a) | End Balance of Savings Micro | | | | | | | | |
| | **Total Savings Balance** | **64** | **85** | **92** | **86** | **107** | **125** | **123** | **123** |
| 15) | Internal Account Disbursals | 40 | 4 | 22 | 27 | 16 | 12 | 19 | 33 |
| 16) | Internal Account Loan Balance | 4 | 22 | 29 | 27 | 28 | 27 | 33 | 35 |
| 17) | Internal Account in Arrears | | | | | | | | |
| | **% Internal Account in Arrears** | **0%** | **0%** | **0%** | **0%** | **0%** | **0%** | **0%** | **0%** |

# FINCA ECUADOR
## Alcance de Cartera

*General Information*

### Aging of Arrears for Village Banking Loans (External Acct)

| | | Ene | Feb | Mar | Abr | May | Jun | Jul | Ago |
|---|---|---|---|---|---|---|---|---|---|
| 18) | Current Loans | 112 | 102 | 128 | 138 | 141 | 196 | 221 | 200 |
| 19) | Current Restructured Loans | | | | | | | | |
| 20) | 1 30 Days | | | | | | | | |
| 21) | 31 60 Days | 3 | 1 | 0 | 1 | | | | |
| 22) | 61 90 Days | | 2 | 1 | 0 | 0 | | | |
| 23) | 91 180 Days | 2 | 2 | 2 | 3 | | 0 | 1 | 0 |
| 24) | 180+ Days | 2 | 2 | 2 | 2 | 5 | 6 | 5 | 4 |
| | Loans Not Aged | | | | | | | | |

### Balance on Delinquent Village Banking Loans as a % of Portfolio

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Current Loans | 93 9% | 92 5% | 95 8% | 95 5% | 96 1% | 96 8% | 97 4% | 98 0% |
| Current Restructured Loans | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% |
| 1 30 Days | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% |
| 31 60 Days | 2 4% | 1 1% | 0 0% | 0 5% | 0 0% | 0 0% | 0 0% | 0 0% |
| 61 90 Days | 0 0% | 2 2% | 0 6% | 0 2% | 0 2% | 0 0% | 0 0% | 0 0% |
| 91 180 Days | 1 7% | 2 0% | 1 7% | 2 2% | 0 0% | 0 1% | 0 3% | 0 1% |
| 180+ Days | 2 0% | 2 1% | 1 8% | 1 5% | 3 6% | 3 1% | 2 4% | 1 9% |

### Aging of Arrears for Microenterprise Loans

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 18a) Current Loans | | | | | | | | |
| 19a) Current Restructured Loans | | | | | | | | |
| 20a) 1 30 Days | | | | | | | | |
| 21a) 31 60 Days | | | | | | | | |
| 22a) 61 90 Days | | | | | | | | |
| 23a) 91 180 Days | | | | | | | | |
| 24a) 180+ Days | | | | | | | | |
| Loans Not Aged | | | | | | | | |

### Balance on Delinquent Micro Loans as a % of Portfolio

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Current Loans | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| Current Restructured Loans | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| 1 30 Days | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| 31 60 Days | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| 61 90 Days | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| 91 180 Days | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| 180+ Days | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |

# FINCA ECUADOR
## Alcance de Cartera

*General Information*

### Balance on All Delinquent Loans as a % of Portfolio

| | Ene | Feb | Mar | Abr | May | Jun | Jul | Ago |
|---|---|---|---|---|---|---|---|---|
| Current Loans | 93 9% | 92 5% | 95 8% | 95 5% | 96 1% | 96 8% | 97 4% | 98 0% |
| Current Restructured Loans | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% |
| 1 30 Days | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% |
| 31 60 Days | 2 4% | 1 1% | 0 0% | 0 5% | 0 0% | 0 0% | 0 0% | 0 0% |
| 61 90 Days | 0 0% | 2 2% | 0 6% | 0 2% | 0 2% | 0 0% | 0 0% | 0 0% |
| 91 180 Days | 1 7% | 2 0% | 1 7% | 2 2% | 0 0% | 0 1% | 0 3% | 0 1% |
| 180+ Days | 2 0% | 2 1% | 1 8% | 1 5% | 3 6% | 3 1% | 2 4% | 1 9% |
| 25) Loan Charge Offs / Write-offs | | | | | | | | |
| 26) Recoveries of Written Off Loans | | | | | | | | |
| **Net Charge Offs** | | | | | | | | |
| **Cumulative Loan Losses** | **7** | **7** | **7** | **7** | **7** | **6** | **6** | **6** |
| **Historical Loan Loss Ratio** | **1%** | **1%** | **1%** | **1%** | **1%** | **1%** | **1%** | **0%** |

### Operational Policies

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 27) # of Regional Offices | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |

**Village Banking Program Interest Rates**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 28) Nominal Interest Rate (monthly flat %) | 5% | 5% | 5% | 5% | 5% | 5% | 5% | 0% |
| 29) Nominal Fees (% of disb upfront) | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| 30) Affiliation Fee (1% of disb ) | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 0% |
| 31) Length of VB Cycle (in weeks) | 16 | 16 | 16 | 16 | 16 | 16 | 16 | |
| 32) # of Payments per VB Cycle | 16 | 16 | 16 | 16 | 16 | 16 | 16 | |
| **VB Effective Interest Rate** | **114%** | **114%** | **114%** | **114%** | **114%** | **114%** | **114%** | **#DIV/0!** |
| **VB Real Interest Rate** | **84%** | **84%** | **84%** | **84%** | **84%** | **84%** | **84%** | **#DIV/0!** |

**Microenterprise Program Interest Rates**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 28a) Nominal Interest Rate (monthly flat %) | 3% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| 29a) Nominal Fees (% of disb upfront) | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| 30a) Affiliation Fee (1% of disb ) | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| 31a) Length of Micro Cycle (in weeks) | 32 | | | | | | | |
| 32a) # of Payments per Micro Cycle | 8 | | | | | | | |
| **Micro Effective Interest Rate** | **61%** | **#DIV/0!** | **#DIV/0!** | **#DIV/0!** | **#DIV/0!** | **#DIV/0!** | **#DIV/0!** | **#DIV/0!** |

### Financial Reporting

End of Fiscal Year

33) **31 de Diciembre de 1998**

Prepared By _____

Signature _____

# FINCA ECUADOR
## Resumen de Balance General

*in 000 s of US Dollars*

| | Ene | Feb | Mar | Abr | May | Jun | Jul | Ago |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| **Current** | | | | | | | | |
| Cash and equivalents | 146 | 142 | 113 | 101 | 88 | 81 | 106 | 128 |
| Short term loans outstanding | 119 | 110 | 133 | 145 | 147 | 202 | 227 | 204 |
| Loan loss reserve (negative) | (5) | (5) | (5) | (5) | (5) | (8) | (8) | (7) |
| Other short term assets | 5 | 5 | 5 | 3 | 3 | 3 | 3 | 3 |
| **Subtotal current assets** | **264** | **252** | **247** | **245** | **233** | **279** | **329** | **328** |
| **Non-current** | | | | | | | | |
| Long term loans outstanding | | | | | | | | |
| Net fixed assets | 21 | 21 | 20 | 19 | 30 | 29 | 29 | 29 |
| Other long term assets | | | | | | | | |
| **Subtotal non-current assets** | **21** | **21** | **20** | **19** | **30** | **29** | **29** | **29** |
| **Total assets** | **285** | **272** | **267** | **264** | **263** | **308** | **358** | **356** |
| **Liabilities** | | | | | | | | |
| **Current** | | | | | | | | |
| Guarantee deposits | | | | | | | | |
| Short term loans | 36 | | | | | 29 | 28 | 27 |
| Other short term liabilities | 6 | 3 | 10 | 7 | 11 | 9 | 9 | 8 |
| **Subtotal current liabilities** | **42** | **3** | **10** | **7** | **11** | **37** | **36** | **35** |
| **Non-current** | | | | | | | | |
| Long term loans payable | | | | | | | | |
| Grants pending application | 67 | 97 | 95 | 98 | 95 | 68 | 120 | 119 |
| Other long term liabilities | 3 | 3 | 3 | 4 | 7 | 5 | 4 | 5 |
| **Subtotal non-current liabilities** | **70** | **100** | **98** | **102** | **101** | **73** | **124** | **124** |
| **Total liabilities** | **112** | **103** | **108** | **109** | **113** | **110** | **160** | **159** |
| **Equity** | | | | | | | | |
| Owner's equity and capital grants | 17 | 15 | 14 | 16 | 13 | 13 | 12 | 12 |
| Cumulative surplus (retained earnings) | 151 | 149 | 141 | 136 | 134 | 130 | 127 | 123 |
| Net surplus year to date (profit/loss) | 5 | 6 | 5 | 4 | 4 | 55 | 58 | 61 |
| **Total equity** | **173** | **169** | **160** | **155** | **151** | **198** | **197** | **197** |
| **Total liabilities and equity** | **285** | **272** | **267** | **264** | **263** | **308** | **358** | **356** |

# FINCA ECUADOR
## Resumen de Estado de Resultados

*In 000 s of US Dollars*

| | Ene | Feb | Mar | Abr | May | Jun | Jul | Ago |
|---|---|---|---|---|---|---|---|---|
| **Operating Income** | | | | | | | | |
| **Financial Income** | | | | | | | | |
| Interest and fees from loans | 14 | 11 | 10 | 11 | 12 | 13 | 17 | 17 |
| Interest from savings & investments | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| **Subtotal financial income** | **14** | **11** | **11** | **11** | **12** | **14** | **18** | **18** |
| **Other Operational Income** | | | | | | | | |
| Other income from operations | | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total income from operations** | **14** | **12** | **11** | **11** | **12** | **14** | **18** | **18** |
| **Operating Expenses** | | | | | | | | |
| **Financial Expenses** | | | | | | | | |
| Interest & fees on debt for lending | | | 0 | 0 | | | 0 | 0 |
| Interest on savings | | | | | | | | |
| **Subtotal financial expenses** | | | **0** | **0** | | | **0** | **0** |
| **Other Operational Expenses** | | | | | | | | |
| Salaries and benefits | 8 | 9 | 8 | 8 | 8 | 9 | 10 | 11 |
| Operational expenses | 2 | 3 | 3 | 4 | 4 | 5 | 4 | 3 |
| Loan loss provision | | | | | | 3 | | |
| Affiliation fee | | | | | | | | |
| **Subtotal other operational exp** | **10** | **12** | **11** | **12** | **12** | **18** | **13** | **14** |
| **Total expenses from operations** | **10** | **12** | **11** | **12** | **12** | **18** | **14** | **14** |
| **Net operating margin** | **5** | **1** | **(0)** | **(1)** | **(0)** | **(4)** | **4** | **4** |
| **Non-Operating Income/Expenses** | | | | | | | | |
| **Non-Operating Income** | | | | | | | | |
| Operating grant income | 0 | 0 | 0 | 0 | 0 | 55 | 0 | 0 |
| Income from training | | | | | | | | |
| Other non operating income | | | | | | | | |
| **Subtotal non-operating income** | **0** | **0** | **0** | **0** | **0** | **55** | **0** | **0** |
| **Non-Operating Expenses** | | | | | | | | |
| Expenses from training | | | | | | | | |
| Other non operating expenses | | | | | | | | |
| **Subtotal non-operating expenses** | | | | | | | | |
| **Net non-operating income** | **0** | **0** | **0** | **0** | **0** | **55** | **0** | **0** |
| **NET SURPLUS FOR THE PERIOD** | **5** | **1** | **(0)** | **(1)** | **0** | **51** | **4** | **5** |

# FINCA ECUADOR
## Indices Financieros

| | Ene | Feb | Mar | Abr | May | Jun | Jul | Ago |
|---|---|---|---|---|---|---|---|---|
| **Financial Sustainability** | | | | | | | | |
| Operating self-sufficiency | 148% | 107% | 97% | 90% | 97% | 77% | 131% | 132% |
| *operating income / operating expenses (includes financial expenses and loan loss reserves)* | | | | | | | | |
| Financial self sufficiency | 102% | 78% | 71% | 69% | 74% | 60% | 96% | 96% |
| *operating income / [operating expenses + (inflation equity)]* | | | | | | | | |
| **Asset Quality** | | | | | | | | |
| Portfolio at risk ratio | 6 1% | 7 5% | 4 2% | 4 5% | 3 9% | 3 2% | 2.6% | 2 0% |
| *balance in arrears over 30 days / loan portfolio* | | | | | | | | |
| Reserves/arrears | 72% | 62% | 87% | 71% | 80% | 118% | 125% | 180% |
| *loan loss reserves / portfolio at risk over 30 days* | | | | | | | | |
| Sufficiency of reserves | 91% | 78% | 83% | 73% | 66% | 91% | 93% | 122% |
| *actual loan loss reserve / required reserves given arrears* | | | | | | | | |
| **Growth** | | | | | | | | |
| Loan portfolio growth | 25% | 6% | 28% | 13% | 3% | 41% | 15% | 8% |
| *growth in outstanding portfolio since previous period* | | | | | | | | |
| Client growth | 1% | 2% | 16% | 9% | 9% | 8% | 6% | 6% |
| *growth in total clients since previous period* | | | | | | | | |
| VB client turnover rate | 3% | 5% | 1% | 0% | 1% | 11% | 4% | 3% |
| *VB dropouts as a / of total VB clients from prior period* | | | | | | | | |
| Savings growth | 37% | 35% | 15% | 2% | 26% | 21% | 0% | 3% |
| *growth in savings balance since previous period* | | | | | | | | |
| Saving ratio | 53% | 77% | 69% | 60% | 73% | 62% | 54% | 60% |
| *savings balance as a / of loan portfolio* | | | | | | | | |
| **Efficiency** | | | | | | | | |
| Clients per loan officer | 202 | 205 | 238 | 219 | 194 | 223 | 273 | 250 |
| *average clients per promoter or credit officer* | | | | | | | | |
| Loan portfolio per loan officer | $11 | $10 | $12 | $11 | $9 | $13 | $17 | $14 |
| *in 000 s of US dollars* | | | | | | | | |
| Loan portfolio per employee | $6 | $5 | $6 | $6 | $5 | $8 | $9 | $7 |
| *in 000 s of US dollars* | | | | | | | | |
| Loan officers to total staff | 52% | 52% | 52% | 54% | 59% | 58% | 54% | 50% |

# FINCA ECUADOR
## Indices Financieros

| | Ene | Feb | Mar | Abr | May | Jun | Jul | Ago |
|---|---|---|---|---|---|---|---|---|
| **Profitability** | | | | | | | | |
| Portfolio yield | 119% | 114% | 96% | 97% | 97% | 93% | 99% | 98% |
| *interest & fee income as a % of avg portfolio (annualized)* | | | | | | | | |
| Other operating income | 3% | 17% | 11% | 2% | 1% | 1% | 2% | 4% |
| *interest from savings & invts+other income from operations as a / of avg portfolio (annualized)* | | | | | | | | |
| Financial costs | 0% | 0% | 1% | 0% | 0% | 0% | 0% | 1% |
| *financial cost as a / of avg loan portfolio (annualized)* | | | | | | | | |
| Financial spread | 122% | 131% | 106% | 99% | 97% | 95% | 100% | 101% |
| *financial margin as a / of avg loan portfolio (annualized)* | | | | | | | | |
| Operating expenses | 82% | 123% | 110% | 109% | 100% | 100% | 76% | 77% |
| *operational expenses (excludes loan loss reserve and financial expenses) as a / of avg loan portfolio (annualized)* | | | | | | | | |
| Loan loss reserves | 0% | 0% | 0% | 0% | 0% | 23% | 0% | 0% |
| *loan loss reserve provision as a / of avg loan portfolio (annualized)* | | | | | | | | |
| Operating spread | 39% | 8% | -3% | 11% | 3% | 28% | 24% | 25% |
| *net operating margin as a / of avg loan portfolio (annualized)* | | | | | | | | |
| Net non operating income | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| *non-operating income excluding donations less non-operating expenses as a / of avg loan portfolio (annualized)* | | | | | | | | |
| Donations for operating expense | 2% | 2% | 2% | 2% | 3% | 385% | 1% | 1% |
| *operating grants as a / of avg loan portfolio (annualized)* | | | | | | | | |
| Net surplus | 41% | 10% | -1% | 9% | 1% | 357% | 25% | 26% |
| *net surplus as a / of avg loan portfolio (annualized)* | | | | | | | | |
| **Balance Sheet Structure** | | | | | | | | |
| **Assets** | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Cash and investments | 51% | 52% | 42% | 38% | 33% | 26% | 30% | 36% |
| *cash & invts / total assets* | | | | | | | | |
| Net loan portfolio | 40% | 39% | 48% | 53% | 54% | 63% | 61% | 55% |
| *short and long term loans less loan loss reserve / total assets* | | | | | | | | |
| Net fixed assets | 7% | 8% | 8% | 7% | 12% | 10% | 8% | 8% |
| *fixed assets less depreciation / total assets* | | | | | | | | |
| Other assets | 2% | 2% | 2% | 1% | 1% | 1% | 1% | 1% |
| *other assets / total assets* | | | | | | | | |
| **Liabilities and Equity** | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Guarantee deposits (client funds | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| *guarantee deposits (client funds) / total liabilities and equity* | | | | | | | | |
| Loans | 13% | 0% | 0% | 0% | 0% | 9% | 8% | 8% |
| *short and long term notes payable / total liabilities and equity* | | | | | | | | |
| Other liabilities | 27% | 38% | 40% | 41% | 43% | 27% | 37% | 37% |
| *other liabilities / total liabilities and equity* | | | | | | | | |
| Equity | 61% | 62% | 60% | 59% | 57% | 64% | 55% | 55% |
| *equity / total liabilities and equity* | | | | | | | | |