

Micro-credit Impact Evaluation in
Nicaragua





**Inter-American Foundation
Getulio Vargas Foundation**

Micro-credit Impact Evaluation in Nicaragua

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This Version

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A. Profile of Nicaragua Socio-Economic Background and Context

Two out of three IAF-funded projects, namely Espino Blanco and Fundacion Leon 2000, were implemented in Leon, near Managua. The department of Leon is formed by 11 municipalities with an estimated population of 390.000 inhabitants (2005) in an area of 5107 km². . The population of the city of Leon, 90 km from Managua is approximately 200.000 inhabitants distributed in an area of 814 km². The economy of municipalities around Leon is predominantly rural, and most of the population is dedicated to farming activities, soy, ajonjoli, peanuts, corn, sorghum and cattle. The system of production is based on the combination of different crops and cattle, whereas crop is the main economic activity. These municipalities introduced very strongly the crop of cotton, enlarging the cultivated area and this provoked serious damages to the environment and to the natural resources. Due to the abuse of pesticides and misuse of the cultivation process, cotton was not any more a lucrative crop in the 90s and this created a very serious economic decline. Some strategies were implemented and one of them, wind curtains was put in practice as part of international aid. The cotton crop was practically eliminated, and it was substituted in many cases by wood extraction and peanut crop. Agrodorsa, in its turn, the third grantee evaluated this year, focused most of its activities in La Concepcion – in the Masaya volcan region, also not so far from Managua. La Concha, as it is called, comprises both a small urban and rural areas.

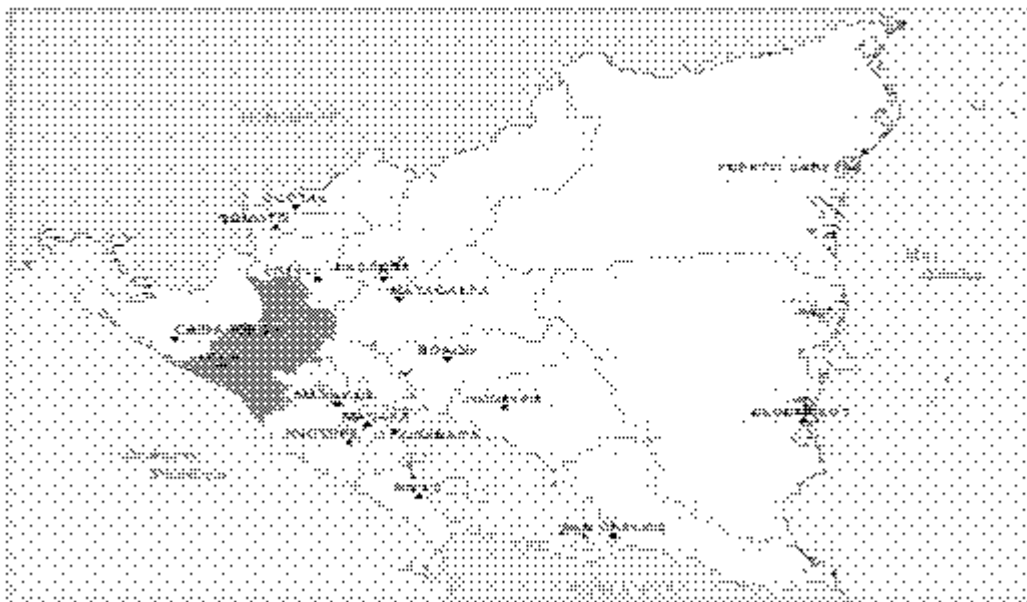
In 1998 the region was severely affected by Hurricane Mitch, which caused serious damages to infrastructure and the environment and natural resources, provoking degradation of soils, impacts on the regions development and on the small micro-enterprises of rural as well urban areas. The impact was so severe that in many cases the small producers were not able until nowadays to reactivate their properties and this has an impact in their productivity and the underuse of their land as units of production in the rural areas. Another aspect to stress is that the lack of governmental assistance has provoked a situation where many of the small rural and urban entrepreneurs, mostly located in the peripheral areas of the municipalities are basically reduced to very precarious productive conditions.

Map 1 - Nicaragua



Source: Lonely Planet.com

Map 2- Department of Leon



Source: Plan Ambiental de Nicaragua

B. The Role of Micro-credit in Nicaragua

Nicaragua is the poorest and most heavily indebted in Central America. Approximately 45 percent of the population of 5.48 million still lives below the poverty line. Most of the population is informally occupied/employed to guarantee their survival, which include selling foodstuff in street markets, operating informal taxis and minibuses, small industries/artisanship and small agricultural activities.

Table1 - Microfinance in Latin America and the Caribbean (Circa 2005)

| Country | Number of MFIs | (US\$ Millions) | Borrowers | Loan (US\$) |
|--------------------|----------------|-----------------|------------------|-------------|
| 1 Mexico | 39 | 471 | 1,217,920 | 387 |
| 2 Peru | 67 | 1,516 | 1,174,361 | 1,291 |
| 3 Colombia | 22 | 315 | 608,282 | 518 |
| 4 Bolivia | 21 | 635 | 548,242 | 1,158 |
| 5 Nicaragua | 21 | 261 | 399,614 | 652 |
| 6 Guatemala | 23 | 273 | 360,013 | 757 |
| 7 Ecuador | 20 | 322 | 327,065 | 985 |
| 8 Chile | 5 | 663 | 297,995 | 2,223 |
| 9 Brazil | 16 | 91 | 289,697 | 313 |
| 10 c | 15 | 164 | 175,716 | 932 |
| 11 ElSalvador | 11 | 138 | 143,461 | 964 |
| 12 Honduras | 14 | 80 | 139,424 | 575 |
| 13 Haiti | 9 | 24 | 81,222 | 374 |
| 14 Paraguay | 5 | 71 | 59,936 | 1,193 |
| 15 CostaRica | 19 | 341 | 45,607 | 7,469 |
| 16 Venezuela | 5 | 37 | 44,969 | 816 |
| 17 Panama | 6 | 16 | 28,103 | 552 |
| 18 Uruguay | 3 | 10 | 7,155 | 1,422 |
| 19 Argentina | 10 | 4 | 10,649 | 402 |
| 20 Jamaica | 3 | 4 | 10,401 | 376 |
| 21 Guyana | 1 | 2 | 4,184 | 413 |
| 22 Trinidad&Tobago | 1 | 3 | 1,733 | 1,500 |
| 23 Barbados | 1 | 4 | 384 | 9,446 |
| Total | 337 | 5,442 | 5,976,133 | 911 |

Source: Navajas and Tejerina - 2006

The financial system is highly concentrated within three large banks and favors corporate clients and offshore activity, and most institutions that center their activities in micro-finance¹ emerged during the 1990s based strongly on support from international donors, for which microfinance is a tool to reduce poverty. After Hurricane Mitch, in 1998 many donor agencies increased their support to the country. The micro-finance growth is being led by 2 regulated finance companies, 21 non-governmental organizations (NGOs), and 12 finance cooperatives. At the end of 2004, microfinance comprised approximately 300 organizations serving with a combined portfolio of US \$240 million (ASOMIF, 2007).

Table 2 : Micro-finance Institutions in Nicaragua

| | Regulated finance companies | Private Unregulated Corporations | Non governmental organizations | Finance cooperatives |
|---|-----------------------------------|--|--------------------------------------|-------------------------|
| Organizations that provide financial services to low income | 2 | 7 | 100 | 190 |

Source: ASOMIF -2006

Nicaragua has 21 MFIs with a portfolio of US\$ 266 million and around 300,000 borrowers in 2005, where 75% of the number of borrowers and 52% of the portfolio is linked to Non Regulated MFIs with with an average loan of US\$ 652,00 (Navajas and Tejerina, 2006). The Regulated MFIs are responsible for a portfolio of US\$120 million representing 21% of the borrowers and credit unions have 2% of the portfolio and 2.6 of the borrowers (Navajas and Tejerina, 2006)

Table 3 – Institutions, Portfolio, Borrowers and Average Loan

| Institutions | Portfolio | Borrowers | Average Loan |
|---------------|-----------------|-----------|--------------|
| 21 NGOs | U\$266 million | 300.000 | U\$ 652,00 |
| 2 Regulated | U\$ 120 million | 85.000 | |
| Credit Unions | U\$ 8 million | 12.000 | |
| Total | | 400.000 | |

Source: Navajas and Tejerina, 2006

Twenty-one of the 100 NGOs are affiliated with the Nicaraguan Association of Microfinance Institutions (ASOMIF), the two regulated finance companies are subject to the SIBOIF (Superintendence of Banks), and the 12 finance cooperatives are associated with the Association of Nicaraguan Savings and Loan Financial Cooperatives (CCFN). According to CLEAR², these organizations reported a collective loan portfolio of US \$188 million and 317,000 clients at the end of 2004, while the precise size of the collective loan portfolio of the remaining organizations was estimated at \$50 million in 2001, with an estimated 155,000 clients. Average loan is between US\$ 310,00 and US\$ 410,00.

According to ranking in Latin American and Caribbean countries (Navajas and Tejerina, 2006) using data compiled in 2001, indicate that Nicaragua has the largest number of Microfinance clients in relation to its total population representing 7% and the relation microfinance clients in relation to Micro-enterprises represents 58.3%. Other data compiled by these authors show that Nicaragua has in 2005 around 400,000 MFI clients and around 690,000 micro-enterprises. When compared with a country like Brazil, with 22,500,000 micro-enterprises and only 290,000 MFI clients, representing 1,3% we have

² A Country-Level Effectiveness and Accountability Review (CLEAR) took place in Nicaragua from February 13, 2005, to March 4, 2005, to analyze donor effectiveness in supporting microfinance

an indication of the strength of MFI institutions in the country as can be observed in Table 4.

Table 4 - Microfinance Country Ranking in Latin America and the Caribbean

| Country | MFI Clients (Circa 2005) | Household Surveys | | MFI clients/ Population | MFI clients/ ME |
|-------------------|-----------------------------|-------------------|------------------|----------------------------|--------------------|
| | | Date of Survey | Microenterprises | (%) | (%) |
| Nicaragua | 399,614 | 2001 | 684,885 | 7 | 58.3 |
| Ecuador | 327,065 | 2003 | 885,748 | 2.4 | 36.9 |
| Bolivia | 548,242 | 2002 | 1,736,984 | 5.9 | 31.6 |
| Peru | 1,174,361 | 2001 | 4,993,399 | 4.2 | 23.5 |
| Guatemala | 360,013 | 2000 | 1,600,041 | 2.8 | 22.5 |
| Chile | 297,995 | 2003 | 1,497,112 | 1.9 | 19.9 |
| Honduras | 139,424 | 2004 | 1,036,684 | 1.9 | 13.4 |
| Dominican Rep. | 175,716 | 2004 | 1,399,785 | 2 | 12.6 |
| Mexico | 1,217,320 | 2004 | 10,394,629 | 1.2 | 11.7 |
| Panama | 28,103 | 1999 | 289,004 | 0.9 | 9.7 |
| Costa Rica | 45,607 | 2004 | 516,527 | 1.1 | 8.8 |
| El Salvador | 143,461 | 2002 | 1,991,091 | 2.1 | 7.2 |
| Guyana | 4,184 | 1999 | 58,327 | 0.5 | 7.2 |
| Colombia | 608,282 | 2003 | 8,713,336 | 1.3 | 7 |
| Paraguay | 59,936 | 2003 | 1,542,800 | 1 | 3.9 |
| Jamaica | 10,401 | 2002 | 408,627 | 0.4 | 2.5 |
| Uruguay | 7,155 | 2004 | 387,145 | 0.2 | 1.8 |
| Venezuela | 44,969 | 2004 | 3,247,271 | 0.2 | 1.4 |
| Brazil | 289,697 | 2002 | 22,407,968 | 0.2 | 1.3 |
| Argentina | 10,649 | 2004 | 3,787,634 | 0 | 0.3 |
| Haiti | 81,222 | n.a. | n.a. | 1 | n.a. |
| Barbados | 384 | n.a. | n.a. | 0.1 | n.a. |
| Trinidad & Tobago | 1,733 | n.a. | n.a. | 0.1 | n.a. |
| Total | 5,976,133 | | 67,578,997 | | |
| Weighted Average | 8.7 | | | | |

Source: Navajas and Tejerina, 2006

Micro-credit providers have increased the number of credit clients they serve by approximately 26 percent per year since 1999. This growth has, however, been concentrated in a few institutions: 12 out of the 35 largest MFIs (including 2 finance companies and ASOMIF affiliates) accounted for 80 percent of the increase in number of credit clients and 90 percent of the growth in outstanding portfolios between 1999 and 2004.

NGOs associated with ASOMIF are divided into three categories: Group 1 - 4 organizations with a portfolio greater than \$10 million in 2004, Group 2 - 6 organizations with portfolios greater than \$4 million and less than \$10 million, and Group 3 - 11 institutions with a portfolio less than \$4 million. These associations that aggregate microfinance organizations have complemented their financial activities with technical support programs, local training and education facilities.

Within this context, microfinance emerged as an alternative to include those that are not reached by formal financial market, and according to recent studies nearly 20 percent of the Nicaraguan population is either a direct or indirect user of microfinance services. An example of this is the Nicaraguan Association of Microfinance Institutions (ASOMIF) that comprises an aggregate of financial organizations representing 20 united nongovernmental institutions that provide community support and credit cooperatives.

Analysts emphasize the following concerns about MFIs in Nicaragua (CLEAR, 2005):

- 1) Exclusive specialization in credit services has undermined efficiency and diversification
- 2) Overwhelming concentration of donor support on channeling large volumes of credit has weakened microfinance market

A. donor aid effectiveness is hampered by lack of coordination

- 3) It should encourage government to have a more inclusive financial system
- 4) The limited service access in rural areas and cost of credit to clients

An. ASOMIF affiliated companies reported in 2004 that 58% of clients were rural

At the present moment there is a project of law in the Nicaragua Congress which very relevant for microfinance. It has been approved in its general terms. According to it, a microfinance institution cannot caption savings, and its already decided and is not under discussion. It is a law which comes in delay, due to many years of discussion, and that should have been approved six years ago, introducing uncertainties in the planning process of micro-credit expansion.

Project NC-227
Fundación Leon 2000





**“PROGRAMA DE DESARROLLO LOCAL SOSTENIBLE DE LA MICRO,
PEQUENA Y MEDIANA EMPRESA EN EL MUNICIPIO DE LEON,
NICARAGUA”**

Project NC – 227 LEON 2000

Micro-credit Impact Evaluation

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Micro-credit Impact Evaluation: Project NC – 227 LEON 2000

I. Executive Summary - Micro-credit: Lessons Learned

- History of the project
- Financial Environment
- Role of the grants
- Credit History and Profile of Borrowers
- Reaching the poorest
- Role of technical assistance
- Institutional features

II. Overview of the Project

III. Micro-credit Impact Evaluation

- Are IAF-supported credit funds reaching the poorest? If not, why?
- Can IAF-supported credit funds help the poorest? If so, how?
- What are the impacts of credit funds with technical assistance?
- Did the management of credit funds build a stronger institutions?
- What have been the winning features?
- What are the institutional challenges for managing a micro-credit fund portfolio?

IV. Conclusions

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VI. Acknowledgements

I. Executive Summary - Micro-credit: Lessons Learned

History of the project

Fundación León 2000 is a Non Governmental Organization that develops its activities as a microfinance institution in Leon since 1993. It is created by citizens of the city of Leon that gather with the finality of searching alternatives to support the socioeconomic and cultural development in the western part of Nicaragua. Its focus is mainly the micro-entrepreneurial activity to assist the urban sector.

It has concentrated mainly in rendering services to the urban micro-entrepreneurial sector in the areas where it operates, reaching part of the peri-urban and practically it does not operate with micro-credit for farming activities. The main activities covered by its programs are small business, small industries, services and consumption and improvement of housing. Its emphasis is in the small business, mainly comestibles and grocery shops and services. Besides favoring the development of micro, small and medium entrepreneurs, through credit services and in management, it has developed activities in training and technical assistance.

The covenant between IAF and Fundación León 2000 – NC 227, was to establish and manage a small loan fund that will provide credit, technical assistance, and training to rural and urban participants, the majority of them women, in both new and established micro-enterprises in León, benefiting directly 5,040 persons. The resources were destined to award approximately 1.800 loans within an average of US\$ 2.500,00 for solidarity groups, cooperatives and individual small businesses.

History of Leon 2000

According to Marcos Hernandez, the executive director of Leon 2000, as well as one of the founders. “Our institution started in 1994, after a period of war we went through in our country and a transition for a left-wing to a right-wing government. The government created The Program for Support of Small and Medium Enterprises (PAMIC), which fostered the beginning of many of the microfinance institutions that exist today in the country. It was based on funds from Norway and Holland. PAMIC then started to give

place to international institutions, such as the IDB, the IAF. Some funds were based on donations, others in credit.”

Nowadays, Leon 2000 has many projects with international organisms, such as Global Partnership, Micafon, with IMF we have a project involving renewable energy, and with Proder - an institution from here - we have a project involving housing improvement. Leon 2000 is carrying out at the moment 7 projects. Its focus and objective has always been to finance the very poor and rural sectors, because the traditional banks do not think it is worth to reach them. Fundación Leon 2000 focus its operation in the provision of credit mainly for low income borrowers concentrated in the urban areas

Financial Environment

The financial system is highly concentrated in three large banks and favors corporate clients and offshore activity, and most institutions that center their activities in micro-finance³ emerged during the 1990s based strongly on support from international donors, for which microfinance is a tool to reduce poverty. After Hurricane Mitch, in 1998 many donor agencies increased their support to the country. The micro-finance growth is being led by 2 regulated finance companies, 21 non-governmental organizations (NGOs), and 12 finance cooperatives. Presently the number of organizations that provide financial services to people that have very limited access or no access to the traditional banking represents around 300 institutions, which are composed of 2 regulated finance companies and approximately 7 private unregulated corporations, 100 private NGOs, and 190 cooperatives, around 300 organizations with a combined portfolio of US \$240 million (ASOMIF, 2007).

Micro-credit providers have increased the number of credit clients they serve by approximately 26 percent per year since 1999. This growth has, however, been concentrated in a few institutions: 12 out of the 35 largest MFIs (including 2 finance companies and ASOMIF affiliates) accounted for 80 percent of the increase in number

of credit clients and 90 percent of the growth in outstanding portfolios between 1999 and 2004.

Within this context, microfinance emerged as an alternative to include those that are not reached by formal financial market, and according to recent studies nearly 20 percent of the Nicaraguan population is either a direct or indirect user of microfinance services.

Role of the grant

The IAF donated U\$ 367.580.00 to Leon 2000. These donations enabled to leverage a credit fund whose main objectives are to concede credit, guarantee, capacity building, technical assistance and technology transfer to urban and rural borrowers. Leon 2000 is 80% to leverage a credit fund. Leon 2000 fund did grow significantly in number of loans beneficiaries from 2,904 in 1999 and at the end of 2006 it reaches 9,430. The IAF donation was instrumental in strengthening the organization institutional basis.

Credit Methodology

Leon 2000 started to work at the same time with the methodology of group lending as well as individual lending. It also had an experience with the methodology of communal banks with 5 communal banks at the same time. The communal bank work is determined by its statute, involving the issues of control, savings, association, loans, etc. To give an example, it is common that non-members should borrow at higher interest rates than members. But it was discontinued due to transportation problems they had to get back to work with group lending. Others, in turn, start to work individually. But after all the methodology was a stepping stone to other methodologies.

According to Maria Dolores, from Leon 2000 staff, this experience with communal banks has been a key source of knowledge and produced positive results. The clients have done well and many of them still work within groups.

The combination between individual with group lending is decided in the field. The credit assessor offers both type of products and the client chooses which one she will

have. It depends as well on certain pre-conditions. If one, for example, has neither collateral nor bailer, he has to borrow within a group. . The issue of collateral depends on the methodology of the loan. Individual loans involve clients that have better conditions of repayment, because their businesses are larger, and therefore they can borrow higher amounts. They can use as mortgage collateral, pignoratious collateral or fiduciary collateral. Those who borrow with the methodology of group lending are the ones that have fewer resources. They borrow using only pignoratious or fiduciary collateral, since they cannot provide any property as collateral. In Nicaragua it is quite slow, a judicial process takes usually from eight months to more than one year to recover the collateral. The loan conditions have exactly the same conditions, the same interest rates, the same payment periods independently on it being provided within a group or individually.

Leon 2000 is an institution that lives up to the History of the city that it carries in its name. Leon 2000 developed the ability of allowing people to recover from the climatic and other types of natural shocks. For example in the case of exogenous events such as climatic shocks – one might think also about the constant switches in Nicaragua's political pendulum - there is a fund destined to help with shocks. Besides, in such cases Leon 2000 provides loans at smoother conditions than the usual ones and refinance the old loans. This winning feature is a source of knowledge for IAF partners elsewhere.

Credit History and Profile of Borrowers

Leon 2000 has in 2007, nine offices distributed in the western region of Nicaragua, with a directive board composed of seven members and a professional body of 73 persons. An important issue presented by the interviewed from the direction is the stability of its employees, who stay an average of six years. The number of clients per credit agent is around 300. The percentage women promoters represents 14% of 29 (ASOMIF, 2006), In 2005, according to data from MicroRate, it is ranked in 11th place within microfinance institutions belonging to the Nicaraguan network ASOMIF.

Leon 2000 average loan was seven months at 1.2% per month rates of interest rate. The interest rates are at the moment 1,76% per month Most of the clients are women, representing 72% in Leon 2000. The report of Fundación Leon 2000 indicates that the annual rotation rate for urban microentrepreneurship is 1.2, while for housing it reaches 0.5. As in many cases the loan brings very small profitability, the small shop owners have to make two loans per year, so that their business can survive. The indicators of very small delay in the payment of installments indicate the fact that the beneficiaries carry on their agreements.

According to data obtained from Mix Market Report ([www.mixmarket.org/en/demand - 23/6/2007](http://www.mixmarket.org/en/demand-23/6/2007)), the number of borrowers in 1998 was 2,310, in 1999 when the grant by IAF was obtained it had 2,904, at the end of the project it had reached more than 6.000 clients and at the end of 2006 it reaches 9,430. Only 8,5% are solidary borrowers. During the period of IAF grant it practically doubled the number of beneficiaries. Presently the average duration of loans is around 9 months, and interest rates are an average of 2.0%/month.

Reaching the poorest

There is a poverty focus in Leon 2000 operational guidelines. Leon 2000 activities are oriented to provide credit to urban households and small businesses and industries. Its logic of action centers in orienting clients and giving technical assistance, and strengthening a method of strong control to avoid delays, keeping always other warrants to guarantee a pressure of collection on clients as to reduce risks.

SOCIAL PROJECTS

Leon 2000 focus and strength has always been the financing of microfinance industry, but they have also contributed to the fields of construction, culture, sports. It has been carrying out a ten years a program to help rural poor children to get clothing and material to school. These children arrive often at school without shoes. Leon 2000 does not give money to them, but get them godfathers that will give money to buy material as well as clothing to be used at school. Besides, Leon 2000 gives donations from our resources to schools and libraries. Leon has been carrying out for 8 years a project call Happy Christmas, which consists in giving toys and games to poor rural children in Christmas. Last year they distributed around 5 thousand toys. Every Leon 2000 sets a target about donations to give. At the moment they have been through some natural disasters, and Leon 2000 is donating goods to some of its clients.

Poverty and Gender Biases

The average value of loans was during the project around US\$ 450,00 and nowadays around US\$ 600,00. There is no information about borrowers below poverty line nor of clients in bottom half of the population below the poverty line. Data from Asociación Nicaraguense de Instituciones de Microfinanzas (ASOMIF) from December 2005, indicate that the average loan per client is U\$ 505,67 , that delays of portfolio are less than 2%, and that 60% of the borrowers are women with an average loan of U\$ 421,39 , while the loan for men is U\$ 722,39. The number of women borrowers was 78,3% in 1999 and 68,5% in 2004. Women are the majority of clients this happens especially in the low amount ranges where the ratio of women to men is around 3 in both number of loans and the size of the loans, the women to men ratio falls gradually as we move to upper brackets reaching 1,01 in the case of number of loans and to 0,75 in the case of loans size in the upper bracket. The bias in favor of women in the access is mostly observed in low loans levels which may imply – to be tested - that micro-credit programs that are more pro poor have also a gender bias favorable to women.

Role of technical assistance

The participation in both institutions credit programs and technical assistance has helped clients to obtain better outcomes and make a more adequate use of the resources, and in the case of the farmers and small industries it also helped to organize their merchandising schemes.

Institutional features

Leon 2000 invested considerably in specialized personnel to assess perform the main functions in its credit operations, such as: assessment of borrower profiles, give financial and technical advice, ensure adequate follow-up. The overall institutional features have been: adequate risk management; robust repayment collection system; urban focused geographical coverage; good organizational and administrative experience; credit committee.

The evaluation of Leon 2000 indicates that the IAF grant was essential to its functioning and expansion. Almost all loans are for individuals. Only 8,5% are solidary borrowers. During the period of IAF grant it practically doubled the number of beneficiaries. The relevant outcomes of Leon 2000 performance are linked to benefits obtained from jobs creation, income improvement and capacity building and participatory learning benefits.

In the following week of our last interview Leon staff was going to Guatemala to receive a prize for our transparency from the IDB. They also will receive a certificate from Mix Market, Leon 2000 has won The Five Diamond prize for financial transparency. The organization just made a business plan for the next five years, in which expect to have a growth of approximately 30% in its portfolio and a cumulative growth of 20% in the number of clients.

II. Overview of the Project

1. Fundación León 2000 is a Non Governmental Organization that develops its activities as a microfinance institution in Leon since 1993. It is created by citizens of the city of Leon that gather with the finality of searching alternatives to support the socioeconomic and cultural development in the western part of Nicaragua. Its focus is mainly the micro-entrepreneurial activity to assist the urban sector.

Working in rural and urban periphery areas, the León 2000 Foundation offers two micro-credit programs to its more than 3,000 clients. Inexperienced borrowers are trained in small solidarity groups and take out loans of \$40-400. Success means that the client becomes eligible for larger, individual loans. In addition, they continue to benefit from the technical expertise of León 2000's small business consultants. In addition to micro-credit, León 2000 offers micro-entrepreneurs the opportunity to participate in trade fairs, craft markets, and other events designed to increase sales.

It has concentrated mainly in rendering services to the urban micro-entrepreneurial sector in the areas where it operates, reaching part of the peri-urban and practically it does not operate with micro-credit for farming activities. The main activities covered by its programs are small business, small industries, services and consumption and improvement of housing. Its emphasis is in the small business, mainly comestibles and grocery shops and services. Besides favoring the development of micro, small and medium entrepreneurs, through credit services and in management, it has developed activities in training and technical assistance.

2. The covenant between IAF and Fundación León 2000, was to establish and manage a small revolving credit fund that will provide credit, technical assistance, and training to rural and urban participants, the majority of them women, in both new and established micro-enterprises in León, benefiting directly 5,040 persons. The resources were destined to award approximately 1.800 loans within an average of US\$ 2.500,00 for solidarity groups, cooperatives and individual small businesses.

The specific objectives were:

- ☞☞ Organize campaign of public education through different means of communications – public meetings, radio programs and newspapers dissemination to promote a local entrepreneurial culture and to motivate and stimulate an innovative and self supported ethos within the community that enables the mobilization of local resources for investments and local development initiatives.
- ☞☞ Identify potential beneficiaries and inform entrepreneurs with small resources about the existence of the Leon 2000 Revolving Fund of Micro Entrepreneurial Loans.
- ☞☞ Constitute a Technical Committee composed by the Program Director, a member of Fundación León 2000, the municipality of León, a community leader and Fundación León Siglo XXI, to select the beneficiaries of loans.
- ☞☞ Promote small loans to approximately 1.800 micro, small and medium entrepreneurs to strengthen their businesses in areas of production, merchandising and services.
- ☞☞ Provide the beneficiaries of credit a total of 30 sessions de training in management, accounting and merchandising.
- ☞☞ Employ eight assistants to provide technical assistance in the communities and tot he beneficiaries.
- ☞☞ Evaluate constantly the impacts of the credit program and its impacts on the beneficiaries lives.

3. The covenant signed in June 1999, with duration until June 2004, implied in a donation of US\$ 367.580,00 to strengthen small businesses in its activities of commercialization, production and services, complemented with resources for wages and benefits, technical assistance, training, fixed endowment, evaluation of outcomes and auditing, totalizing US\$ 464.840,00. The grant of IAF had this profile: Revolving Credit Fund (79%), Technical Assistance and Training (10%), Wages and Benefits (5%), Fixed Capital (3%), Monitoring/Evaluation (1.5%) and management/Auditing (1.5%).

The covenant has as its main ground the need that people from western Nicaragua had to recover from the devastating effects of Hurricane Mitch in cooperation with the municipal government of Leon. Department of Leon had around 35.000 affected, more than 1200 homes destroyed and 28 communities isolated.

Leon 2000 evaluated in September 1998⁴ that 1446 of its client were significantly and partially affected from a total of 2168, thus representing 46%, as it totals 7230 members affected as family groups. A verification by economic activity indicates that the most affected sector with 864 persons, is the commercial activity that aggregates 1439 clients, thus representing the largest category.

Due to the concern to guarantee the continuity of the affected clients it elaborated a risk portfolio.

4. The projects supported by the small loan fund had as its aim to reach small entrepreneurs and cooperatives to strengthen and consolidate their activities. The annual rates of interest were defined of approximately 18%, with a repayment period from three to eighteen months, depending on the type of activity and loan.

4. The main goal was to benefit approximately 5040 persons and indirectly other 25.000. Other activities that complemented the donation were to provide to the credit beneficiaries with around 30 sessions of training in management, administration, accountancy and marketing basic crafts. For this purpose it created within the period of the loan duration the Unit of Entrepreneurial Development, in charge of training with the support of the institution of international cooperation SwissContac, that financed the training material. The project also included communication campaigns to stimulate the mobilization of local resources for local development and investment. Instruments to identify potential clients and inform local small business on the existence of the Small Loans Fund -Fondo de Préstamos Microempresarial, and to implement it a Technical Committee was formed by the Program Director, a member of Fundación León 2000, from the municipality of Leon, a community leader and the Fundación León Siglo XXI,

⁴ Fundación Leon 2000- Datos de los daños causados por el Huracán Mitch- 1998- mimeo -

to select the beneficiaries of the loans. It also was defined to employ until eight credit promoters to provide technical assistance in their communities, to the new clients.

5. During the Project 5,557 loans were warranted, with a disbursement of US\$3,363,987.83, most of them directed to small businesses, with 80% of the total of loans. In relation to the total amount, the percent to small business is 70%, and the rest of the portfolio to production and services. Most of the loans are individual, and the award of credit linked to training in the different learning options. Before any loan is awarded, the beneficiaries receive an informative chat. Loans during the project had an average duration of 7 months with an average rate of 1.2 monthly. Most of the clients are women, reaching 72%, while men are only 28%. The global aim to reach 1800 micro, small and medium entrepreneurs was largely overcome. The average amount of the valid credits when the Project concluded was US\$ 579,769.50 representing 1074, being 80% for small business, 12% for services and 8% for small industries. The average amount was US\$451,15 for microbusiness, US\$465,40 for small industry and US\$1174,21 for services, and the average was US\$ 539,82.

The rate of delay, reached less than 4% of the total portfolio and less than 10% of the risk portfolio.

6. According to the Administrative Director, Juan Jose Gomes, IAFs contribution was essential for the strengthening of the patrimony of Leon 2000, and also to reach the mostly needed after Hurricane Mitch. In its beginning it had little access to international financial assistance and to strengthen its institutional setting. So the donation created a favorable environment to enlarge the access of clients with very small resources. The credit was obtained person to person, and the promoters went to field to verify needs and offer credit to potential.

When of its beginnings, PAME was the instrument to structure effectively the loan program, and this occurred due to the fact that it could make loans not depending on market interest rates.

7. IAF donation was a means of engaging the institution within the market of financing. It represented an innovative process to channel resources, because a small loan to purchase business-related items such as sewing machines or livestock was a means of dramatical improvement of the life of an entrepreneur and his/her family, thus empowering them to earn their way out of poverty. As most of the clients were women, this implied in many cases in the only revenue of a household and in others the enlargement of the economic base of the family. According to the director what effectively influenced the success of the project was the consistency of the analysis before a credit was warranted, the willingness of beneficiaries to pay on time, taking credit according to their possibilities.

8. The small loans fund generated an institutional strengthening and it allowed to cover costs of implementing the loans program.

The institution is ruled by the NGOs Legislation, with no state interference. It composes what is known as specialized NGOs dedicated mainly to render financial services and whose revenues are reinvested for the auto-capitalization of the institution seeking its financial auto-sustainability and the gradual reduction of its dependency on external donations. It reports to the Ministry of Government annually, and to function it has to obtain a certificate emitted by this Ministry.

9. The funds of IAF were also important create a Unit of Entrepreneurial Development- UDE. The solidary groups did not work successfully as a methodology, they gathered to obtain a credit, but in many cases they did not adapt to, so the convenience aspect was not sufficient to overcome the internal management problems. Most solidary groups migrated to individual loans. The IAF funds allowed to create new business, and as it allowed people to begin from scratch it represented an innovation. The prioritized client was the small business and its diverse configurations, and the interest rates were softer.

10. Leon 2000 has in 2007, nine offices distributed in the western region of Nicaragua, with a directive board composed of seven members and a professional body of 73

persons. An important issue presented by the interviewed from the direction is the stability of its employees, who stay an average of six years. The number of clients per credit responsible is around 300. The percentage women promoters represents 14% of 29 (ASOMIF, 2006),

In 2005, according to data from MicroRate, it is ranked in 11th place within microfinance institutions belonging to the Nicaraguan network ASOMIF. According to MicroRate data from December 2005, an important growth of its portfolio occurred through the access to other sources national and international. In December 2005 its structure of financing was composed by 53% of commercial credits and 47% of patrimony.

The Support Program for Microenterprise - PAME, was the referential for clients and the connecting point with IAF project. Most of the clients with very limited resources and no possibilities of having savings, have in the acquisition of a good its way of doing it.

11. Presently the average duration of loans is around 9 months, and interest rates are an average of 2.0%/month. The value of loans was during the project around US\$ 450,00 and nowadays around US\$ 600,00. The number of women borrowers was 78,3% in 1999 and 68,5% in 2004. There is no information about borrowers below poverty line nor of clients in bottom half of the population below the poverty line. Data from Asociación Nicaraguense de Instituciones de Microfinanzas (ASOMIF) from December 2005, indicate that the average loan per client is U\$ 505,67 , that delays of portfolio are less than 2%, and that 60% of the borrowers are women with an average loan of U\$ 421,39 , while the loan for men is U\$ 722,39.

According to data obtained from Mix Market Report (www.mixmarket.org/en/demand - 23/6/2007), the number of borrowers in 1998 was 2,310, in 1999 when the grant by IAF was obtained it had 2,904, at the end of the project it had reached more than 6.000 clients and at the end of 2006 it reaches 9,430. Only 8,5% are solidary borrowers. During the period of IAF grant it practically doubled the number of beneficiaries.

III. Micro-credit Impact Evaluation

The aim of the evaluation was to assess how the resources were used, the training outcomes, the impact of the credit funds, if they are reaching the poorer, the institutional challenges of managing a micro-credit fund portfolio as a component of different objectives and activities and how do grantees overcome the challenges and finally if the management of credit funds build stronger institutions overall.

The evaluation was done based in interviews with all relevant actors involved the organization, with the access to documentation that allows the agreements defined and the completion of the goals. We interviewed the general director, two directors, a general manager for Leon and around 15 clients in Leon and Nagarote during rounds of interviews made during two trips. In the first trip In order to cover all aspects required by the evaluation, the concepts presented by the Asset-based Community Development Approach were very useful, and during the evaluation we were able to use methods that allowed us an understanding of the complexities of the processes and the logic of a social learning process. This reinforced the importance of the improving economic and living conditions, associated in many cases to socio-environment aspects, and the motivations of the beneficiaries improve their capacities to undertake new projects.

In preparation to the fieldtrip, we had access to the following project documents kindly provided by the IAF:

- ☞☞Project Analysis and review
- ☞☞Project description and background
- ☞☞Final Report

We also had the opportunity to produce films and photographs with grantee officials, with visits to the project beneficiaries and to their families, – hence provide the opportunity for IAF staff members to observe the project stakeholders living and working conditions beyond this document.

In addition to the interviews and observation in the field, we carefully reviewed the financial documents that the grantee kindly provided. In order to better organize the findings, we will proceed to answering some of the questions present in the Scope of Work 2007.

We begin with the evolution of the total amount of loans outstanding, where we see a sharp increase from 2004 to 2005 and then a reduction in these rates in the following two years. But how are these amounts distributed across socio-economic groups, by gender and so forth?

Table 1. Portfolio Size – Outstanding Loans

| FUNDACION LEON2000 | |
|---------------------------|--------------|
| 25/9/2007 | 4.271.472,78 |
| 1/8/2005 | 4.777.196,70 |
| 1/1/2004 | 2.725.622,27 |

Are IAF-supported credit funds reaching the poorest? If not, why?

The IAF donation to Fundación Leon 2000 was fundamental to its institutional leverage, and if not were the grant “ Leon 2000 would be half of hat it is today” according to its Finance Director, Juan Jose Gomes. Fundación Leon 2000 has had an important growth as to its institutional structure, from a staff of 5 members in 1994 to 75 in 2004. Its clientele is basically in the city of Leon, distributed in central as well as peripheral areas.

The main factor that has allowed its consolidation has been based mainly in the security and secondly in the payment capacity of clients. It also maintains an efficient system of internal control with constant monitoring by the managers of the branches to clients apart from the control defined by internal auditing.

1. Fundación León 2000 has consolidated its activities as non profit organization that furthers the development of micro, small and medium enterprises through three main funding sources: grants , loans and shareholder capital.

During the length of the project it provided 5,557 loans, being 80% for businesses , and 78% of the borrowers were women, which can be observed in tables 9 and 10.

Table 2 - Distribution of Credits – Revolving Fund

| Economic Sector | Loans | Value in U\$ | Average Loan |
|-----------------|-------|--------------|--------------|
| Small Industry | 477 | 336,902.62 | 702.69 |
| Businesses | 4,434 | 2,428.60.00 | 547.73 |
| Services | 646 | 596.634.46 | 923.58 |
| Total | 5,557 | 3,362.186.95 | 605.00 |

Source: Leon 2000- Final Report - 2004

Table 3 Profile of Beneficiaries

| Economic Sector | Beneficiaries | Women | Men |
|-----------------|---------------|-------|-----|
| Small Industry | 477 | 84% | 16% |
| Businesses | 4,434 | 72% | 28% |
| Services | 646 | 49% | 51% |
| Total | 5,557 | 78% | 21% |

Source: Leon 2000- Final Report -2004

According to the documents analysis and the visits to several beneficiaries, women-owned micro-enterprises in low income neighborhoods have been awarded low mainly on an individual basis. .

For Neli Roque, a client of Leon 2000 for 10 years, the loans allowed her to improve her small bakery. She began with five persons and presently she employs 15. Her first loan was U\$ 100,00 and has also made loans to improve her house. Loans are to buy

firewood, raw material. Before accessing to Leon 2000 she had to make personal loans. Although Fundación invited her for some training courses on management and notions on hygiene for small industries, she has had no time to participate.

Leila Balmaceda, owner of a small grocery, began as a client in 1997, when she was a street vendor of food for 30 years. Her loan is for housing improvement and small business at her home that she takes care in the last three years. She says “ I always cancel the debt before schedule, and I have taken some courses that have been very helpful for my business. Her last loan was of U\$ 700,00 payable in 18months. Another borrower, Sandra Garcia Lopes began as a client with Leon 2000 in 1996, so in the last 11 years her small grocery shop began with a credit of U\$ 40,00. Today her loans are around U\$ 800 for 15 months. It is basically to buy supplies for the small shop, and has also been used to improve her house. For her Leon 2000 has been a reference of mutual trust.

Cristina Rivera who owns a bakery shop works with Leon 2000 for the last 8 years. With the loan she was able to improve her business. Her last loan was u\$ 2000,00 that allowed her to buy a van and an oven, but she began with a small loan around 250,00.

These cases illustrate the range that Leon 2000 works in the city of Leon, reaching low income families and also medium income.

Other testimonies also highlight the reach and flexibility of Leon`s loans, as well as the impacts to their beneficiaries over the years.

Marta Maravilla Salina is a loyal client of Leon 2000. As she recalls it, this is her 11th loan with the institution – which gives her a “buen respaldo”. She started off with a small shop, but her businesses grew through the years and she now runs two stores where she sells Brazilian and American shoes bought in Panama. Her trips to Panama demand a quick release of resources and Leon 2000 has not disappointed her in this

sense providing “respuesta al cliente”. She only needs to provide some sort of guarantee to back up the loan, which could range from small assets to title deeds, depending on the loan amount.

Prior to engaging with Leon 2000, she used to be a Bani customer but had to change since the bank disappeared. She then needed to look around to obtain credit. As she sought lower interest rates and fast response by the institution, she chose Leon 2000. Apart from credit, she also received capacity building that helped her to improve her company management – albeit she had extensive experience in retail. She has shopped in Panama for 23 years and knows her trade very well, always seeking higher quality products. Competition from other retailers has increased in recent years, so she has valued the lessons and experience gathered in financial management. Marta is aware of the growing number of microfinancial institutions in Nicaragua (“hay muchas”) but she has chosen to stay with Leon because it meets her company’s needs.

A friend recommended Leon 2000 to Maria Izabel Morales, who has also proved a very steady borrower: she began with a 3,000-cordoba loan a few years ago and, more than 10 loans later, she was able to access 160,000 cordobas. She is the head of her household and also the only manager of a supply store in Leon. The defining moment for her relationship with Leon 2000 happened three years ago when she had a back problem and couldn’t work for a while – hence unable to meet her loan repayment schedule: “Soy papi y mami”, she tells. Leon 2000 restructured her debt and helped her from losing her house (which she had given as a collateral to the loan). “Gracias a ellos me volvi a levantar”. When asked what impacts the credit had in her business, she notes that her products are exposed even in the street, beyond the doors of her shop. “Cositas en la calle” as a sign of good stock and sound performance. She will have 3 years to repay her latest loan. There is a great offer of credit from her suppliers, but it is too expensive and she’d rather borrow from Leon 2000 in order to buy products at lower prices. Additionally she does not find Leon’s interest rates too high – as she still has a profit even after repaying monthly installments. She has come across other credit institutions but remains loyal to Leon 2000, not least because of their uncomplicated procedures.

The loans allowed her to escape the rent by enabling her to buy the building where her store is located. Furthermore, she learned a lot with Leon's capacity building. She still considers herself to be starting over, after the financial problems 3 years ago – but Leon's services have proved more than enough for her in this phase.

Justina Barrera is a very confident entrepreneur, who runs a furniture and household appliances shop in Leon. Since the beginning, some 10 loans ago, Leon always releases resources very fast to her. By keeping a clean repayment record, she was able to progress from a 5,000-dollar loan to 20,000 dollars. Her business indicators also play witness to a sound trajectory in partnership with Leon 2000, as she used to own one shop but now runs 6! Despite relying on her family's help to run the businesses, she is assertive: “soy la cabeza principal”. In her opinion, the business growth is more than enough to indicate the increase also in her income, as if one reflects the other. As the size of the loan was increased, so was the demand for larger collaterals.

Milton Castelon first borrowed 2,000 cordobas in 1999. He has always borrowed individually because he can ensure his own responsibility over the loan. The provision of individual loans, in his opinion, speeds things up because of the faster checking procedures, as opposed to group loans. We met him in his market stall where he sells cheese, his initial business enterprise. Since the first loans, however, he has managed to acquire a Nintendo game station (which he gives as a guarantee to the loan) where people pay to play the games. As he recalls, before credit his business would have a small revenue, obliging him to travel to Managua every 2 days for supply, because he could not afford to buy larger quantities of product. Nowadays, after credit, he is able to buy more and travels at most once a week to Managua. A more comfortable financial situation also meant he was able to buy some land where he hopes to build a house for his family (wife and one 15-year-old).

Maria Magdalena borrowed 3,000 cordobas 5 years ago. Laughing, as if amazed at her own story, she tells that her last loan reached 35,000 cordobas! When she began borrowing, she did not have a proper shop, but would sell fresh drinks from her house.

For our interview, we already met her in her stall in the market. Interestingly, she started borrowing as part of a group, but the experience did not work in view of repayment problems by some members. Nowadays, the procedure has been simplified because she only needs to provide a guarantee. Like other ladies in Leon, she is the head of the household and raises 2 kids. The loan conditions have improved, as for instance, she only needs to repay fortnightly. After each installment, she has income left to invest at home and afford her children's education. She had access to credit from other institutions (such as Procredito) but they were not flexible enough in the case of repayment delays. Something which has not happened in Fundacion Leon 2000, where interest rates are not high. This flexibility has helped her to "seguir adelante" allowing her to invest her gains to improve her living standards – among which she mentions her family's diet because she has been able to afford more expensive foodstuff.

These funds have been essential to allow the beneficiaries to keep their lives going, mainly as part of a process where they do not delay installments and continue making loans to be able to improve their small business, maintain and renew their stock, buy raw material for their small industries/ craftsmanship and in some cases buy machinery or improve the shop and/or facilities. Basically centered in the urban setting of Leon, this evaluation allows to develop the idea that supported credit funds are essential to those clients that are in the lowest scale in terms of borrowing money within the system. So considering the improvement in living conditions and in personal wealth, given the very low revenue of many of their clients, to provide accessible interest rates promotes development and stimulates continuity of the process as people try to improve their lives.

2. The average loan was during IAF grant of U\$ 250,00, and at the end of the project it reached U\$ 540. The distribution is in June 2004, at the end of the project: for Small Industry: U\$ 465,40; for Business: U\$ 451,15 and for Services: U\$ 1174,21.

According to information the Executive Director of Leon 2000, Marcos Hernandez around 35% of the loans are for micro-enterprises – between U\$ 140,00 and U\$ 540,00 ; 40% for small enterprises that range between U\$ 540,00 and U\$ 1350,00. Medium enterprises represent 25% of loans. Until U\$ 270,00 the loans represent 13%. Presently the average loan is around U\$ 600,00 and its average installments is nine months according to its Executive Director. Most of the borrowers pay monthly. During the project interest rates were 1.5% monthly and today they reach 2% monthly.

IAF funds, were according to the Marcos Hernandez, its Executive Director, an exemplary “seed fund” and its capitalization allowed to reach more clients. In 2000 it had 2.904 clients and at the end of 2006 it has 9430. During the period of the loan, it increased from 2904 to over 6500.

3. As to credit technology and institutional leadership, Leon 2000 clients, most of them have credit for a larger period of time, combining loans for the improvement of operational conditions of business and improvement of housing.

The interviewed answered, almost as a pattern that their will was anticipate the payment of installments, and in most cases the loans were to renew stock of products they sell, buy raw material and when possible diversify the volume of products and supply.

Neli Roque, owner of a bakery “ that she has always made an effort to pay before the schedule because this gives her more security”. Leila Balmaceda, who owns a small grocer at her home says that “ Leon 2000 staff is available to discuss the best way to organize the management of the loan and this has had an excellent impact on her way of canceling her debt before schedule”.

At the end of the project, loans reached their aim, emphasizing clients affected by Hurricane Mitch as well as excluded from the banking system. It generated an opportunity to create some micro-enterprises as well as improve the existing ones, reactivate of small business affected by Hurricane Mitch. It also created conditions for

the improvement of housing conditions, and it enabled the strengthening of women in the economy as almost 80% of IAF loans were given to them

The table below presents the evolution of Loans by size across time. We see a trend of loan concentration towards higher nominal amounts but it is not possible to infer whether this is due to inflation or to a concentration in real terms..

| Portfolio Composition - By Amounts Brackets | | | | | | | |
|--|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| Outstanding Loans | | | | | | | |
| | < 3000 | From 3001 | From 5001 | From 10001 | From 15001 | From 20001 | > 40000 |
| | Amount | Amount | Amount | Amount | Amount | Amount | Amount |
| 25/9/2007 | 3,97% | 6,47% | 14,30% | 9,76% | 8,00% | 19,08% | 38,41% |
| 1/8/2005 | 7,82% | 10,42% | 18,74% | 10,97% | 8,14% | 17,07% | 26,84% |
| 1/1/2004 | 8,48% | 9,68% | 20,07% | 12,17% | 9,36% | 19,50% | 20,74% |

We present below a table with the ratio of outstanding loans by gender – women on top - across amount brackets for August 2005. We see that although women are the majority of clients this happens especially in the low amount ranges where the ratio of women to men is around 3 in both number of loans and the size of the loans, the women to men ratio falls gradually as we move to upper brackets. By the time we reach the upper bracket this relationship falls to 1,01 in the case of number of loans and to 0,75 in the case of loans size.

In the annex we present the same statistics opened by territories of operation. We see there that areas that are key to IAF project such as Leon and Nagarote the reduction of the ratio between women to men across loans brackets is even more pronounced. In sum, the bias in favor of women in the access is mostly observed in low loans levels which may imply – to be tested - that micro-credit programs that are more pro poor have also a gender bias favorable to women.

Table 4. Gender Ratio – Loans.

| Gender Ratio by Amounts Brackets | | | | | | | | |
|---|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|------|
| | < 3000 | From 3001 | From 5001 | From 10001 | From 15001 | From 20001 | > 40000 | |
| | | to 5000 | to 10000 | to 15000 | to 20000 | to 40000 | | |
| Number of Loans | | 2,99 | 2,94 | 2,10 | 1,92 | 1,36 | 1,56 | 1,01 |
| Size of Loans | | 3,00 | 2,97 | 2,05 | 1,93 | 1,35 | 1,51 | 0,75 |

☞☞ Can IAF-supported credit funds help the poorest? If so, how?

The experience of Leon 2000 indicates that supported credit funds can help the poor in urban areas. The average loans during the grant were according to what had been defined reaching those borrowers that could have access to credit institutions. Borrowers that effectively are of low income were benefited and population affected by Hurricane's Mitch effects, mainly through the reactivation of small businesses. The fact that the loans reached mainly women is also an indicator of its effectiveness to reach segments that traditionally have been excluded from access to credit. Once the IAF grant concluded, Leon 2000 had to change its strategy, and could not maintain the preferential rates of interest of 1.5% - 18% annually. Since 2004 it does not receive grants, and it has made loans from the financial market. Although the "objectives are kept, the conditions change" says the Finance Director Juan Jose Gomes.

Leon 2000 can borrow to low income, but it is difficult to affirm that its portfolio can reach the poorest without subsidized credit funds.

☞☞ What are the impacts of credit funds with technical assistance?

The technical assistance and training activities of Leon 2000 reached those that were able to organize their activities as to participate in the various courses offered during the duration of the grant. Most of the beneficiaries were not able to take the courses, but they received support from Leon 2000 and the staff members that are responsible for each region of the city. The relationship of Leon 2000 promoters is considered harmonic, and in all interviews the support to clients is well evaluated. In some cases the demand for loan of Leon 2000, is repeated during the same year as the duration is no longer than 3-5 months. The report of Fundación Leon 2000 indicates that the annual rotation rate for urban microentrepreneurship is 1.2, while for housing it reaches 0.5. As

in many cases the loan brings very small profitability, the small shop owners have to make two loans per year, so that their business can survive. The indicators of very small delay in the payment of installments indicate the fact that the beneficiaries carry on their agreements.

Did the management of credit funds build a stronger Fundación Leon 2000?

When approaching the Fundación Leon 2000 offices in the nice and quiet center of Leon, one quickly perceives that this is not your usual NGO: an armed guard outside a locked iron gate hint at the nature of this business, where people come and go making deposits to repay their loans in quite a frantic rhythm for most of the day.

For Leon 2000 the funds obtained from IAF were essential to its consolidation, and its option to work basically with small entrepreneurs in the urban areas that have had low rates of delay. The institution increased its funds through an efficient internal control and a strict and coercive collection and short term loans what allows to increase the rotation of 1.2 per year, thus representing an important process of improvement institutional capitalization.

The grant of IAF allowed Leon 2000 to strengthen significantly as a financial institution. It not only improved its performance as a financial institution but it gave support to its growth. The expansion of Leon 2000 activities and the multiplication of borrowers from 2904 in 1999 to 9430 in 2005. Its growth has allowed it to belong to the Group 3 of ASOMIF Non Regulated Credit Institutions, classified as the 11th between the 21 institutions. It keeps in 2005 a portfolio of U\$ 4.4 million and an average loan per client of U\$ 562,00, mostly for individuals. Its growth was due to its capacity to multiply its credits and shortening the average time of loans. It has managed a well structured follow-up of its portfolio with a very intense monitoring of its clients, what allows to keep low rates of delays. Its clients are very focused on not delaying payments as was

seen in several interviews. Its risk portfolio is according top Micro Rate on an average of 4.6%. In 2005, 33% of its portfolio is concentrated on loans superior to U\$ 2.400,00 (Micro Rate, 2005). Its financial capacity is evaluated as adequate and its methodology is based mainly in warrants and secondly in ability to pay by clients. The credit committees are participative and this allows the branch managers to approve the loans below U\$ 1.500,00, which represents 60% of the operations , what favours agility of procedures.

✍️ Fundación Leon 2000 Financial Status

Financially, Fundación Leon 2000 capitalized very positively on the IAF grant. They represented as the financial manager affirmed as “fundamental” to its consolidation as financial institution in Nicaragua. The grant allowed the strengthening of Leon 2000 structure and as it had preferential rates it also dinamized the institutional performance as to the expansion of clients in a very short period of time. After the conclusion of IAF grant, Leon 2000 went into the market and obtained loans from different sources – mainly national and regional. Its main goal is to strengthen its ranking in the country and adequate itself to the prevailing economic policy. It has not received grants since 2004. Its financial sustainability is very much linked to its accomplishment of goals established to guarantee minimum 90% recovery of portfolio, what has been effectively occurring. Micro Rate indicates the delays and losses below 5%. The Revolving Fund was very successful and it generated an effective capitalization. The seed money of IAF capitalized and was able to reach more people.

It has also separated the operational part from the social component of the institution. It presently has been consolidating an alliance with Spanish Cooperation to strengthen its social initiatives linked to training, and social programs of Leon focused on social inclusion and capacitation of leaderships. As Nicaragua is seen as a very positive example of the impact of micro-credit, due to the possibility of reaching poor

communities and clients with small loans and with a high rate of return, many institutions are competing in the same arena.

Leon 2000 is working presently in its Strategic Plan for the next two years, and its main goals are to reach other clients, defining new financial products , strengthening ventures with rapid credit and with agility as to improve its performance and this implies in more branches.

Below, we transcribe a snapshot by MixMarket based on the information provided by the grantee regarding its outreach and financial health:

Table 5. Outreach Indicators

| OUTREACH INDICATORS | 31/12/06 | 31/12/05 | 31/12/04 | 31/12/03 | 31/12/02 | 31/12/01 | 31/12/00 | 31/12/99 |
|---|----------|----------|----------|----------|----------|----------|----------|----------|
| Outreach Indicators | | | | | | | | |
| Number of Personnel | 85 | 73 | 66 | 47 | 45 | 39 | n/a | 35 |
| Loan | | | | | | | | |
| Number of Active Borrowers | 9,430 | 8,698 | 6,622 | 4,969 | 3,939 | 3,807 | 2,904 | 2,310 |
| Average Loan Balance per Borrower (US\$) | 554 | 527 | 499 | 419 | 406 | 359 | 338 | 306 |
| Loans below US\$300 (%) | n/a | n/a | n/a | n/a | 24.00% | n/a | n/a | n/a |
| Woman Borrowers (%) | 70.80% | 68.50% | 85.00% | 64.00% | 74.00% | 78.00% | 78.30% | n/a |
| Average Loan Balance per Borrower/ GNI per Capita (%) | n/a | 57.92% | 63.14% | 57.43% | 56.44% | 59.86% | 65.00% | 76.39% |

Source: MixMarket.

Table 6. Financial Indicators

| | 31/12/06 | 31/12/05 | 31/12/04 | 31/12/03 | 31/12/02 | 31/12/01 | 31/12/00 | 31/12/99 |
|--|-------------------|------------------|-------------------|------------------|-------------------|-------------------|-----------------|-------------------|
| Exchange Rate used for Conversion | 17.876 NIO/USD | 16.45 NIO/USD | 16.172 NIO/USD | 15.43 NIO/USD | 14.571 NIO/USD | 13.719 NIO/USD | 12.9 NIO/USD | 12.314 NIO/USD |
| Balance Sheet | | | | | | | | |
| Gross Loan Portfolio (in US\$) | 5,223,254 | 4,584,307 | 3,303,113 | 2,083,260 | 1,600,667 | 1,367,423 | 981,562 | 705,867 |
| Total Assets (in US\$) | 6,263,954 | 5,644,887 | 4,230,061 | 2,427,932 | 1,954,487 | 1,844,085 | 1,505,522 | 1,235,268 |
| Total Equity (in US\$) | 2,221,999 | 2,208,091 | 2,410,875 | 1,618,634 | 1,419,907 | 1,304,750 | 992,727 | 567,475 |
| Financing Structure | | | | | | | | |

| | | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|---------|
| Capital / Asset Ratio | 35.47% | 39.12% | 56.99% | 66.67% | 72.65% | 70.75% | 65.94% | 45.94% |
| Debt / Equity Ratio | 181.91% | 155.65% | 75.46% | 50.00% | 37.65% | 41.34% | 51.66% | 117.68% |
| Gross Loan Portfolio / Total Assets | 83.39% | 81.21% | 78.09% | 85.80% | 81.90% | 74.15% | 65.20% | 57.14% |
| Overall Financial Performance | | | | | | | | |
| Return on Assets (%) | 0.22% | 7.20% | 8.30% | 19.04% | 8.93% | 8.30% | 11.60% | n/a |
| Return on Equity (%) | 0.60% | 15.39% | 13.72% | 27.47% | 12.45% | 12.09% | 20.38% | n/a |
| Operational Self-Sufficiency (%) | 100.70% | 127.93% | 134.23% | 195.39% | 134.07% | 130.34% | 138.75% | 121.23% |
| Revenues | | | | | | | | |
| Financial Revenue Ratio (%) | 32.23% | 32.98% | 32.55% | 39.01% | 35.15% | 35.64% | 41.55% | n/a |
| Profit Margin (%) | 0.70% | 21.84% | 25.50% | 48.82% | 25.41% | 23.28% | 27.93% | 17.51% |
| Expenses | | | | | | | | |
| Total Expense Ratio (%) | 32.00% | 25.78% | 24.25% | 19.96% | 26.22% | 27.34% | 29.94% | n/a |
| Financial Expense Ratio (%) | 7.02% | 6.78% | 4.13% | 0.00% | 3.08% | 2.55% | 3.46% | n/a |
| Loan Loss Provision Expense Ratio (%) | 1.98% | 0.91% | 1.72% | 3.34% | 4.60% | 3.98% | 3.60% | n/a |
| Operating Expense Ratio (%) | 23.00% | 18.09% | 18.41% | 16.62% | 18.54% | 20.81% | 22.88% | n/a |
| Efficiency | | | | | | | | |
| Operating Expense / Loan Portfolio (%) | 27.93% | 22.64% | 22.75% | 19.77% | 23.73% | 29.68% | 37.16% | n/a |
| Cost per Borrower | 151.1 | 116.6 | 105.7 | 81.8 | 90.9 | 103.9 | 120.3 | n/a |
| Productivity | | | | | | | | |
| Borrowers per Staff member | 111 | 119 | 100 | 106 | 88 | 98 | n/a | 66 |
| Savers per Staff member | 0 | 0 | 0 | 0 | 0 | 0 | n/a | 0 |
| Risk | | | | | | | | |
| Portfolio at Risk > 30 days Ratio (%) | 6.34% | 2.25% | 3.09% | 3.73% | 5.19% | 9.13% | 13.53% | 13.62% |
| Loan Loss Reserve Ratio (%) | 4.16% | 2.55% | 3.09% | 4.55% | 2.61% | 2.96% | 3.45% | 4.45% |
| Risk Coverage Ratio (%) | 65.61% | 113.75% | 99.72% | 121.82% | 50.38% | 32.45% | 25.48% | 32.67% |
| Write Off Ratio (%) | 0.30% | 1.05% | 1.44% | 1.38% | 5.80% | 4.95% | 5.36% | n/a |

Source: MixMarket.

We can also track the profile of risk for the institution, which indicates a slight decrease since 2004 as follows:

Table 7. Defaults through the Years.

| Default by January 2004 | |
|-------------------------|---------------|
| Current status | 206,407.82 |
| Overdue | 288,659.05 |
| Total | 495,066.87 |
| | |
| Total portfolio | 15,480,320.64 |
| Default rate | 2.23% |
| Portfolio at risk | 1,150,267.43 |
| Default at risk | 7.43% |

| Default by August 2005 | |
|------------------------|---------------|
| Current status | 1,743,853.72 |
| Overdue | 224,690.64 |
| Total | 1,968,544.36 |
| | |
| Total portfolio | 22,016,480.36 |
| Default rate | 2.09% |
| Portfolio at risk | 1968,544.36 |
| Default at risk | 8.94% |

| Default by September 2007 | |
|---------------------------|---------------|
| Current status | 541,987.90 |
| Overdue | 459,201.11 |
| Total | 1,001,189.01 |
| | |
| Total portfolio | 32,911,582.96 |
| Default rate | 1.99% |
| Portfolio at risk | 2,585,357.38 |
| Default at risk | 7.85% |

What have been the winning features?

The relevant outcomes of Leon 2000 performance are linked to benefits obtained from jobs creation, income improvement and capacity building and participatory learning benefits.

The analysis of these issues using the Grassroots Development Framework allows to observe in terms of each variable the performance of the grant to strengthen the micro-credit operations of Leon 2000 between March 2000 and March 2004 .

The project allowed the reactivation of rural and urban micro-enterprises that presented serious difficulties.

As to the satisfaction of basic needs, 5.557 loans were granted to micro, small and medium entrepreneurs reaching an amount of U\$ 3.363.987.83. The loans were mostly for businesses (80%) and strongly focused on women. The global goal was amply overcome. Most of the benefited are women that opened small businesses and also used the loan to improve basic aspects of their houses, and mainly sanitation services and roofing. According to the information provided by the branch managers interviewed and the visits made to beneficiaries in the city of Leon, most of the beneficiaries live in the peripheral areas of the city, and the only way to access credit is through institutions as Leon 2000. All interviewed affirmed that due to Leon 2000 loans they were able to begin their businesses and small industries that were affected by impact of Hurricane Mitch. Terencio de Jesus Salinas one of the interviewed said that “Leon 2000 was very aware of the importance to give directions to an efficient spending according to my needs and constraints, being a client that has made loans since 1999 until today and this allowed an important expansion of my industry from 3 to 12 labourers and from 2 to 8 machines that are essential to the functioning of my small leather products industry”.

As to employment the number of jobs created, mainly referred to micro and small businesses that did not account with jobs and through the loans created their own business as small groceries, bakeries, hardware and other types of small industries and business reached 54, thye number of jobs preserved reached 5.856 and the number of jobs improved 6.088, making a total of 11.944 jobs that the grant allowed to create, preserve and improve. The loans for small business created a very small amount of jobs, because they were directed to enable individual business. As the program was able to provide more than 5,500 loans, mostly for small business involving women in very small groceries (pulperias), the outcome of the loans has enabled an increase of revenue for the

beneficiaries. So as most of the loans were directed to enable individual business it created a small amount of jobs.

As to the acquisition of knowledge and training the outcomes reached 682 persons, 42 men and 58% women. Most of the courses linked to management (32%), merchandising (19%) and leadership (20%) and management of credit (21%). A little more than 15% of the beneficiaries of loans were interested to improve their skills, according to Final Report of 2004. Most of the interviewed also referred to their lack of time and in many cases of interest to follow training courses, which they consider relevant to improve their activities.

As to the application of knowledge and skills the outcomes indicate that 48% done by men and 52% by women. Most of the activities were done through the creation of the Unit of Entrepreneurial Development – UDE that has facilitated and strengthening the processes of training and capacitation of Leon 2000. The outcomes indicate a very small amount of beneficiaries that took advantage of this, representing less than 4% of the total number of credits warranted, according to Final Report of 2004.

As to the issue of alliances the workings of Leon 2000 were with the municipality of Leon, specifically involved in the Loans program of IAF. Other alliances include ASOMIF (institutional support), Katalysis (network of financial institutions), IDB and BCIE international organizations, IBD (credit fund directed to microentrepreneurs for area covered by Leon 2000), BCIE (Credit fund, institutional support), Red Cross (financing of small projects presented by affected by Hurricane Mitch) and Walking Unidos (NGO that supports beneficiaries in management skills). The workings of Leon 2000 were diversified, as they articulated the municipality of Leon with several organizations – national and international, what allowed the and other organizations - universities and technical organizations, that increased their institutional growth and development.

What are the institutional challenges for managing a micro-credit fund portfolio as a component of different objectives and activities? How do grantees overcome the challenges?

The evaluation of Leon 2000 indicates that the IAF grant was essential to its functioning and expansion. Almost all loans are for individuals, and the concession to solidarity groups has not evolved positively, mainly because most clients do not feel at ease to gather with others due to the risks that are involved.

The issues raised by the impact evaluation allow an in depth analysis of the impact of the program. At the programs level, the first one is if in the case of Leon 2000 project is reaching the poorest. Nicaragua is the country that has proportionally the largest number of clients through micro-credit. (Redcamif, 2004) it ranges 61% of women as borrowers of micro-credit institutions. Leon 2000 clients are faithful clients, the interviewed reinforce in all dialogues the convergence of trust and responsiveness of the institution to them, what has allowed in most cases improvements in their economic conditions as well in their housing conditions. The fact is that many clients maintain continuity for more than 6 years, and this has made there business become profitable or at least guarantee their economic situation. Another aspect is about the impact of credit funds with technical assistance. As to Leon 2000 the clients give less importance as they are in urban areas and consider that they need less advice, but those that take the benefit of training sessions recognize the importance of having better skills to deal with the resources obtained, to be able to manage them. Leon 2000 clients have an individual understanding of the benefits of development. As the strengthening of the fund benefits the whole financial structure of the institution this enlarges the capacity to offer credits and promotion of development opportunities. They see this initiative as very relevant for the improvement of their lives, and understand the importance of obtaining funds through loans, as the chances to obtain them in other sources are much smaller.

At the institutional level, the management of credit funds allowed Leon 2000 a significant growth, the strengthening of its institutional capacity and gave the organization a basis to develop a portfolio that it did not have before. In the case of Leon 2000 they have an experience and resources from other sources , but at the time the funds of IAF were strategic. During and after IAF funding they accessed other loans, but almost all of them at market rates. The loan from IAF represented an important comparative advantage, capacity to have low interest rates and this is essential for low income clients.

In the case of Leon 2000, the institution has a very precise focus and its concentration on loans to micro-entrepreneurs in urban areas. The main challenges for managing a micro-credit fund portfolio as a component of different objectives and activities has been to guarantee the commitments as to payment of installments by beneficiaries, and in this aspect it has not suffered too many problems, as the level of delay with installments has not been constraining to the financial structure of the organization. The majority of clients make all possible effort not to delay so they gain trust from the organization and can make new loans as most of them they cannot make their business work without the warrant of new loans to buy merchandise, raw material and improvement of equipment and local work and or business. The beneficiaries try always to pay on the spot and are worried about delays, and only in very special cases, problems with cattle, drought, they have difficulties to fulfill with their commitments. According to the responses of clients and beneficiaries, Leon 2000 has maintained its policy, and established a dialogue that is considered as positive and follow-up were the main goal is to avoid delays and when this occurs to be sensitive and rigorous simultaneously to face the problems, and try to solve them in a preventive way, without affecting the financial health of the institution. Very much importance is given to guarantee continuity of clients.

Leon 2000 has had several changes, mainly as to interest rate, duration of loans. As mentioned above the average monthly interest rate is 2.0% and this implies in higher costs to obtain a credit. As it has become a larger institution it has received funds that demand different procedures. It has also become more rigorous as to the payment of delays as to reduce the risk rate.

In 2004, after many years of a relatively low level of operations, it has had a reasonable equilibrated growth. In June 2006 it had an active portfolio of US\$4.5 million and almost 9000 active clients and an average credit of US\$ 500,00. In 2004 it obtained a significant increase of almost 60% in amount and 54% in clients, and this implied in new strategies to maintain the its focus. More than 43% of its clients are linked to urban micro-enterprises thus representing the allocation of US\$ 2 million. The risk portfolio of more than 30 days is 2.95%. The return of the portfolio is around 41% and the operational efficiency is around 19% and the profitability of patrimony is 9.8%.

Leon 2000 besides its financial activity has also a Program of Entrepreneurial Development considered as Non Financial Services and two Social Programs (Navidad Feliz and Apadrine un Niño). These activities are separated from the Financial Services.

After IAF funding, according to its strategic plan for 2007-2009 Leon 2000 wants to maintain a growth rate for the next years, and its plan is to have a portfolio of US\$ 10.6 million, with almost 18.000 clients, from which 42% in urban micro-enterprises accounting for US\$ 4.2 million, small enterprises with US\$ 2 million (1524 clients), consumption and wage-earning US\$ 1.3 million (4483 clients), housing with US\$ 1.3 million (1345 clients) and the rest to farming clients (2231). The goal is to reduce its risk rate longer than 30 days to 2%. This implies in significant changes as an important amount is being directed to individuals without an allocation to productive activities – consumption and wage-earning. The priority continues to be for urban

micro-enterprises followed by Farming, Small Enterprise, Housing Improvement, Consumption and rural Business. It has expanded to four departments and ten cities within them- Leon, Chinandega, Masagua and Carazo.

Leon 2000 has had the support of AID, IMPYME (Instituto de la Pequeña y Mediana Empresa), Banco Centroamericano de Integración Económica BCIE, Interamerican Development Bank, IAF, FEMEP and in 2006 a Project with Spanish Cooperation. Presently (2007) it has 9400 clients, from which 60% are women (ASOMIF, 2006). Sources of funds are 47% (patrimonial) 53% commercial loans – 2005 (Micro Rate) and 87% of revenue are from loans to clients. Its portfolio indicates that 35% of its clients have credits until US\$ 550,00 , being 13% until US\$ 280,00, 40% until 1400,00 and 25% until US 10,000,00

List of Interviewees – Members of Fundación Leon 2000 and Beneficiaries of Micro-credits

Fundación Leon 2000

- 1- Marcos Hernandez – Executive Director**
- 2- Adalis Membreño- Manager Branch - Leon**
- 3- Milena Bonilla – Regional Credit Director**
- 4- Juan José Gomes – Financial - Administrative Director**

Beneficiaries

- 1- Neli Roque – Leon – small bread producer – 15 employees**
- 2- Leila Martinez Balmaceda – Leon – microenterprise-one person managed grocery**
- 3- Sandra Garcia Lopes- Leon – microenterprise - one person managed grocery**
- 4- Cristina Rivera – Leon – microenterprise- small bakery – 4 employees**
- 5- Maria Justina B. Mendoza – Leon – medium business of electrical appliances**
- 6- Ruth Martinez – Leon - small industry of clothing**
- 7- Terencio de Jesus Salinas - small industry of leather products**
- 8- Marta Maravilla – shoe shop**

IV. Conclusions

✍✍ The evaluation of Leon 2000 indicates that it has been successful as part of the existing dynamics in Nicaragua on Microfinance institutions, as it belongs to group 3 that corresponds to specialized NGOs in micro-credit. Almost all loans are for individuals, and the concession to solidarity groups has not evolved positively, due to the risks that are involved. It has concentrated its grants mainly to urban microentrepreneurs, mainly women, representing 60 % and the average is US\$ 421,39 while the loans for male are of US\$ 722,39(ASOMIF, 2006). But it still does not reach the lowest strata even in the urban areas. The outcomes are positive and the expansion is linked to its operational capacity and a rigorous control on delays. As the micro-entrepreneurs represent the main client, it has developed an efficient but also costly system of monitoring, but as most of its clients are in urban areas this makes it easier to manage. The methodology is based on the warrants given by the clients and secondly on its payment capacity. This indicates a very rigorous process to control conditions of potential beneficiaries before they receive the credit. The collection of installments is done after the first day of expiry, indicating a strict system of recovery. The institution has invested in the increase of analysts.

✍✍ A very small part of the loans is for solidary groups, less than 7% of the portfolio (MicroRate, 2005) and the trend indicates decrease. This indicates a backdraw towards one of the goals of the grant, as to reach population in lower strata and assist them to become part of the economy.

✍✍ The issue of technical assistance and training has been developed as proposed , but the beneficiaries did not respond adequately.

☞ Fundación Leon has had a significant expansion and its Strategic Plan 2007-2009, and it indicates a trend to continue this process. At the end of 2004, Leon 2000 represents 3% of the loans and 3.2% of clients of NGOs filiated to ASOMIF.

☞ Leon 2000 have been evaluated in 2005 and in 2006. Nowadays it is essential for an institution, in order to get access to resources from financial institutions, to be evaluated and to pass through a qualification process. IAF project allowed Leon 2000 to provide credit to benefit people with 5000 loans. Besides, we gave these beneficiaries qualification and a zone of business development was created. Such thing allowed many people to create small businesses, which otherwise would not be possible. During the project execution, the IAF has always requested us information about the clients. Informations such as average loan, which sector, economic activity, and so on, was something basic for them.

☞ In the following week of our interview Leon staff was going to Guatemala to receive a prize for our transparency from the IDB. They also will receive a certificate from Mix Market, Leon 2000 has won The Five Diamond prize for financial transparency.

☞ The organization just made a business plan for the next five years, in which expect to have a growth of approximately 30% in its portfolio and a cumulative growth of 20% in the number of clients.

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Annex:

| FUNDACION LEON 2000 | | Portfolio Composition - By Gender, Amounts and Territory | | | | | | |
|---------------------|--------|---|-----------------------|------------------------|------------------------|------------------------|---------|--|
| | | Gender Ratio in Number of Loans by Amounts Brackets (women/men) | | | | | | |
| 1/8/2005 | | | | | | | | |
| TERRITORY | < 3000 | From 3001 to 5000 | From 5001 to 10000 | From 10001 to 15000 | From 15001 to 20000 | From 20001 to 40000 | > 40000 | |
| LEON | 3,20 | 3,31 | 2,30 | 2,12 | 1,93 | 1,48 | 0,86 | |
| TELICA | 4,14 | 4,00 | 3,50 | 1,67 | 3,00 | 0,00 | 0,00 | |
| EL SAUCE | 2,41 | 1,22 | 1,19 | 0,80 | 1,00 | 2,00 | 0,20 | |
| ACHUAPA | 5,00 | 2,33 | 2,67 | 0,00 | 0,50 | - | - | |
| MALPAISILLO | 7,33 | 5,40 | 7,40 | 4,50 | 2,00 | 5,00 | 0,33 | |
| NAGAROTE | 7,50 | 4,50 | 4,33 | 6,00 | 1,00 | 0,33 | 1,00 | |
| LA PAZ CENTRO | 6,29 | 3,14 | 6,00 | 3,00 | 1,00 | 1,00 | 3,00 | |
| CHICHIGALPA | 3,13 | 2,23 | 1,14 | 1,59 | 0,67 | 0,70 | 0,44 | |
| CHINANDEGA | 2,55 | 2,73 | 1,91 | 1,96 | 1,11 | 2,16 | 1,79 | |
| POSOLTEGA | 5,50 | 3,67 | 1,50 | 2,50 | 0,00 | 0,00 | 0,00 | |
| VIEJO | 2,26 | 3,70 | 4,38 | 1,86 | 0,50 | 1,44 | 0,80 | |
| CORINTO | 4,18 | 9,40 | 3,00 | 1,50 | 4,50 | 0,80 | 1,00 | |
| EL REALEJO | 2,00 | 2,57 | 2,50 | 0,67 | - | - | - | |
| MINA EL LIMON. | - | - | 0,00 | - | - | 0,00 | - | |
| TONALA | 3,33 | 4,00 | 2,00 | 4,00 | - | - | - | |
| PUERTO SANDINO | - | - | - | - | - | - | - | |
| SOMOTILLO | 2,08 | 2,48 | 2,02 | 2,88 | 1,33 | 2,14 | 7,00 | |
| VILLANUEVA | 2,33 | 1,69 | 1,30 | 1,11 | 2,00 | 4,00 | 0,00 | |
| JINOTEPE | 1,88 | 2,13 | 1,05 | 1,25 | 1,50 | 0,00 | 1,00 | |
| DIRIAMBÁ | 4,89 | 2,15 | 1,17 | 1,33 | - | 1,00 | - | |
| SAN MARCOS | 2,75 | 8,00 | 3,33 | - | - | - | 0,00 | |
| DOLORES | 2,00 | 1,00 | 0,00 | - | - | - | - | |
| EL ROSARIO | 0,25 | 0,00 | - | - | - | - | - | |
| LA PAZ DE ORIENTE | - | - | - | - | - | - | - | |
| SANTA TERESA | 3,00 | 1,00 | - | - | - | - | - | |
| LA CONQUISTA | - | - | - | - | - | - | - | |
| CONCEPCION | 1,25 | - | - | 0,00 | - | - | - | |
| SAN PEDRO DEL N | 0,00 | - | - | - | - | - | - | |
| MASAYA | 5,06 | 3,46 | 2,80 | 1,90 | 1,17 | 5,50 | - | |
| NINDIRI | 4,33 | 9,50 | - | - | - | - | - | |
| NIQUINOHOMO | 3,00 | 6,00 | - | - | - | - | - | |
| NANDASMO | - | 3,00 | 6,00 | - | - | - | - | |
| CATARINA | 3,00 | 4,00 | 4,00 | 1,00 | 1,00 | 1,50 | - | |
| CINCO PINOS | 6,00 | 7,33 | 2,67 | - | - | - | - | |
| STO. TOMAS | 4,00 | 0,00 | 2,50 | - | - | - | - | |
| Number of Loans | 2,99 | 2,94 | 2,10 | 1,92 | 1,36 | 1,56 | 1,01 | |

FUNDACION Portfolio Composition - By Gender, Amounts and Territory
Gender Ratio in Loans Size by Amounts Brackets (women/men)

| TERRITORY | < 3000 | From 3001 to 5000 | From 5001 to 10000 | From 10001 to 15000 | From 15001 to 20000 | From 20001 to 40000 | > 40000 |
|----------------------|-------------|----------------------|-----------------------|------------------------|------------------------|------------------------|-------------|
| LEON | 3,29 | 3,29 | 2,28 | 2,10 | 1,94 | 1,44 | 0,57 |
| TELICA | 3,53 | 3,90 | 3,74 | 1,51 | 3,65 | 0,00 | 0,00 |
| EL SAUCE | 2,63 | 1,23 | 1,10 | 0,75 | 0,96 | 1,43 | 0,09 |
| ACHUAPA | 4,21 | 2,31 | 3,62 | 0,00 | 0,44 | - | - |
| MALPAISILLO | 8,35 | 5,56 | 6,86 | 4,12 | 2,02 | 6,14 | 0,48 |
| NAGAROTE | 9,05 | 4,72 | 3,68 | 5,40 | 0,98 | 0,39 | 0,67 |
| LA PAZ CENTRO | 9,01 | 3,45 | 6,09 | 2,90 | 0,97 | 1,18 | 1,42 |
| CHICHIGALPA | 3,27 | 2,27 | 1,15 | 1,64 | 0,58 | 0,69 | 0,32 |
| CHINANDEGA | 2,40 | 2,76 | 1,91 | 1,99 | 1,10 | 2,09 | 1,37 |
| POSOLTEGA | 7,34 | 3,84 | 1,92 | 2,88 | 0,00 | 0,00 | 0,00 |
| VIEJO | 2,19 | 3,55 | 4,80 | 1,66 | 0,48 | 1,47 | 0,67 |
| CORINTO | 3,12 | 9,81 | 3,01 | 1,59 | 4,61 | 0,70 | 0,45 |
| EL REALEJO | 1,85 | 2,65 | 2,82 | 0,67 | - | - | - |
| MINA EL LIMON. | - | - | 0,00 | - | - | 0,00 | - |
| TONALA | 2,82 | 4,74 | 2,35 | 5,07 | - | - | - |
| PUERTO SANDINO | - | - | - | - | - | - | - |
| SOMOTILLO | 2,06 | 2,35 | 1,87 | 2,92 | 1,33 | 2,23 | 9,72 |
| VILLANUEVA | 2,37 | 1,77 | 1,15 | 1,06 | 1,68 | 5,90 | 0,00 |
| JINOTEPE | 1,91 | 2,18 | 0,98 | 1,47 | 1,64 | 0,00 | 0,42 |
| DIRIAMBÁ | 4,96 | 2,17 | 1,01 | 1,30 | - | 0,54 | - |
| SAN MARCOS | 2,59 | 8,33 | 3,14 | - | - | - | 0,00 |
| DOLORES | 5,13 | 0,89 | 0,00 | - | - | - | - |
| EL ROSARIO | 0,46 | 0,00 | - | - | - | - | - |
| LA PAZ DE ORIENTE | - | - | - | - | - | - | - |
| SANTA TERESA | 5,38 | 0,83 | - | - | - | - | - |
| LA CONQUISTA | - | - | - | - | - | - | - |
| CONCEPCION | 1,12 | - | - | 0,00 | - | - | - |
| SAN PEDRO DEL N | 0,00 | - | - | - | - | - | - |
| MASAYA | 6,44 | 3,46 | 2,64 | 1,99 | 1,17 | 5,17 | - |
| NINDIRI | 5,07 | 8,64 | - | - | - | - | - |
| NIQUINHOMO | 3,21 | 5,44 | - | - | - | - | - |
| NANDASMO | - | 3,03 | 4,72 | - | - | - | - |
| CATARINA | 5,40 | 3,21 | 3,79 | 0,96 | 0,95 | 1,70 | - |
| CINCO PINOS | 5,07 | 7,84 | 2,55 | - | - | - | - |
| STO. TOMAS | 4,05 | 0,00 | 2,19 | - | - | - | - |
| Size of Loans | 3,00 | 2,97 | 2,05 | 1,93 | 1,35 | 1,51 | 0,75 |

FUNDACION LEON 2000

Portfolio Composition - By Amounts and Territory

25/9/2007

| TERRITORY | < 3000 Amount | %Portfolio | From 3001 Amount | to 5000 %Portfolio | From 5001 Amount | to 10000 %Portfolio | From 10001 Amount | to 15000 %Portfolio | From 15001 Amount | to 20000 %Portfolio | From 20001 Amount |
|---------------------|---------------------|--------------|---------------------|-----------------------|----------------------|------------------------|----------------------|------------------------|----------------------|------------------------|----------------------|
| ACHUAPA | 22.684,60 | 2,54% | 28.320,50 | 3,17% | 95.789,22 | 10,71% | 48.158,88 | 5,38% | 149.473,26 | 16,71% | 355.234,78 |
| CATARINA | 12.436,45 | 5,17% | 14.488,39 | 6,02% | 60.374,63 | 25,08% | 80.201,05 | 33,32% | 16.521,31 | 6,86% | 56.662,79 |
| CHICHIGALPA | 377.498,63 | 5,06% | 532.967,71 | 7,15% | 1.148.453,86 | 15,40% | 799.429,30 | 10,72% | 504.080,42 | 6,76% | 1.466.020,01 |
| CHINANDEGA | 1.067.005,25 | 3,39% | 1.757.309,24 | 5,58% | 3.885.011,92 | 12,33% | 2.714.365,23 | 8,62% | 2.289.735,69 | 7,27% | 5.546.515,38 |
| CINCO PINOS | 13.667,07 | 12,21% | 22.008,97 | 19,67% | 21.457,22 | 19,18% | 24.400,40 | 21,81% | 0 | 0,00% | 30.360,55 |
| CONCEPCION | 9.814,08 | 4,60% | 5.000,00 | 2,34% | 47.560,84 | 22,29% | 34.308,11 | 16,08% | 38.000,00 | 17,81% | 78.711,36 |
| CORINTO | 92.736,06 | 3,84% | 178.933,97 | 7,42% | 424.931,62 | 17,61% | 250.623,27 | 10,39% | 218.630,05 | 9,06% | 351.384,01 |
| DIRIA (GRANADA) | 97,12 | 0,29% | 0 | 0,00% | 0 | 0,00% | 0 | 0,00% | 0 | 0,00% | 33.058,60 |
| DIRIAMBÁ | 46.728,81 | 2,66% | 102.208,91 | 5,81% | 214.944,28 | 12,23% | 206.921,01 | 11,77% | 104.944,96 | 5,97% | 594.380,65 |
| DOLORES | 11.779,45 | 7,21% | 11.818,40 | 7,24% | 27.685,22 | 16,95% | 52.168,72 | 31,95% | 33.533,53 | 20,53% | 26.317,64 |
| EL JICARAL | 12.953,67 | 2,58% | 4.166,46 | 0,83% | 35.797,63 | 7,13% | 81.279,81 | 16,18% | 77.700,82 | 15,47% | 162.889,15 |
| EL REALEJO | 23.043,30 | 4,71% | 84.246,36 | 17,20% | 136.128,44 | 27,80% | 62.830,17 | 12,83% | 18.000,00 | 3,68% | 95.467,94 |
| EL ROSARIO | 4.252,57 | 5,86% | 24.670,43 | 33,97% | 5.274,09 | 7,26% | 12.283,96 | 16,92% | 0 | 0,00% | 26.139,35 |
| EL SAUCE | 233.902,30 | 5,87% | 198.533,04 | 4,98% | 615.206,07 | 15,44% | 362.621,83 | 9,10% | 219.157,58 | 5,50% | 1.027.133,01 |
| JINOTEPE | 100.112,04 | 4,05% | 191.800,93 | 7,76% | 482.778,70 | 19,53% | 318.770,57 | 12,90% | 221.435,50 | 8,96% | 878.578,04 |
| LA PAZ CENTRO | 42.604,16 | 3,10% | 101.154,62 | 7,37% | 173.777,63 | 12,66% | 143.019,23 | 10,42% | 154.417,49 | 11,25% | 174.474,74 |
| LA PAZ DE ORIENTE | 2.776,36 | 3,29% | 8.545,43 | 10,14% | 8.291,67 | 9,84% | 12.640,24 | 15,00% | 0 | 0,00% | 0 |
| LAREDO | 0 | 0,00% | 4.116,54 | 13,67% | 0 | 0,00% | 0 | 0,00% | 0 | 0,00% | 26.000,00 |
| LEON | 1.099.592,27 | 3,72% | 1.572.587,14 | 5,32% | 3.633.526,89 | 12,29% | 2.581.634,48 | 8,73% | 2.336.707,85 | 7,90% | 4.590.811,78 |
| MALPAISILLO | 75.557,95 | 3,24% | 162.793,65 | 6,99% | 382.023,54 | 16,40% | 280.456,02 | 12,04% | 123.074,42 | 5,28% | 335.053,14 |
| MASATEPE | 0 | 0,00% | 3.054,08 | 3,50% | 16.745,49 | 19,20% | 10.389,83 | 11,91% | 0 | 0,00% | 57.025,46 |
| MASAYA | 276.304,13 | 6,24% | 548.936,15 | 12,39% | 858.679,78 | 19,38% | 619.183,25 | 13,98% | 508.401,47 | 11,48% | 928.956,38 |
| MINA EL LIMON. | 0 | 0,00% | 0 | 0,00% | 7.454,43 | 3,90% | 26.761,28 | 14,01% | 0 | 0,00% | 0 |
| NAGAROTE | 108.851,26 | 3,62% | 282.399,22 | 9,40% | 413.654,15 | 13,77% | 256.469,11 | 8,54% | 231.260,36 | 7,70% | 379.340,39 |
| NANDASMO | 17.508,67 | 20,62% | 26.225,82 | 30,89% | 23.832,23 | 28,07% | 0 | 0,00% | 17.337,80 | 20,42% | 0 |
| NINDIRI | 41.262,38 | 16,46% | 42.905,25 | 17,11% | 64.281,42 | 25,63% | 14.098,10 | 5,62% | 18.891,86 | 7,53% | 69.318,10 |
| NIQUINHOMO | 20.845,11 | 8,92% | 42.673,61 | 18,27% | 71.111,11 | 30,45% | 51.081,69 | 21,87% | 0 | 0,00% | 47.856,41 |
| POSOLTEGA | 30.414,38 | 6,81% | 30.234,29 | 6,77% | 59.192,47 | 13,25% | 75.046,20 | 16,80% | 19.047,83 | 4,26% | 106.097,86 |
| PUERTO SANDINO | 10.025,74 | 8,26% | 11.235,02 | 9,26% | 25.531,85 | 21,04% | 11.492,73 | 9,47% | 35.730,39 | 29,45% | 27.317,24 |
| RODEO GRANDE | 0,01 | 0,00% | 7.470,78 | 17,52% | 13.355,89 | 31,32% | 0 | 0,00% | 0 | 0,00% | 21.816,32 |
| SAN JUAN DE ORIENTE | 2.177,33 | 14,57% | 4.482,94 | 30,00% | 8.280,94 | 55,42% | 0 | 0,00% | 0 | 0,00% | 0 |
| SAN MARCOS | 40.173,44 | 6,26% | 48.769,67 | 7,60% | 158.897,05 | 24,77% | 41.332,07 | 6,44% | 36.277,50 | 5,65% | 229.598,86 |
| SAN PEDRO DEL NORTE | 4.665,15 | 8,45% | 7.095,47 | 12,85% | 31.599,68 | 57,21% | 11.875,92 | 21,50% | 0 | 0,00% | 0 |
| SANTA TERESA | 4.636,64 | 1,51% | 65.888,22 | 21,51% | 99.470,66 | 32,47% | 24.810,41 | 8,10% | 74.684,24 | 24,38% | 36.880,57 |
| SOMOTILLO | 190.651,81 | 3,82% | 374.081,71 | 7,49% | 908.472,13 | 18,20% | 455.681,89 | 9,13% | 398.209,19 | 7,98% | 1.159.692,90 |
| STO. TOMAS | 23.308,96 | 31,48% | 12.330,18 | 16,65% | 12.149,73 | 16,41% | 0 | 0,00% | 0 | 0,00% | 26.261,22 |
| TELICA | 71.205,76 | 9,93% | 65.191,04 | 9,09% | 177.098,03 | 24,69% | 73.191,06 | 10,20% | 105.514,61 | 14,71% | 90.119,05 |
| TONALA | 12.917,70 | 2,29% | 29.054,18 | 5,16% | 90.902,81 | 16,14% | 94.423,91 | 16,76% | 84.429,18 | 14,99% | 148.459,90 |
| VIEJO | 93.145,58 | 2,49% | 208.477,14 | 5,57% | 622.838,47 | 16,65% | 461.015,34 | 12,32% | 455.297,22 | 12,17% | 815.462,58 |
| VILLANUEVA | 74.136,59 | 3,72% | 155.025,20 | 7,78% | 337.826,05 | 16,96% | 218.062,61 | 10,95% | 125.267,72 | 6,29% | 551.291,29 |
| Total | 4.271.472,78 | 3,97% | 6.971.200,66 | 6,47% | 15.400.387,84 | 14,30% | 10.511.027,68 | 9,76% | 8.615.762,25 | 8,00% | 20.550.687,45 |

FUNDACION LEON 2000

Portfolio Composition - By Amounts and Territory

1/8/2005

| TERRITORY | < 3000 Amount | %Portfolio | From 3001 Amount | to 5000 %Portfolio | From 5001 Amount | to 10000 %Portfolio | From 10001 Amount | to 15000 %Portfolio | From 15001 Amount | to 20000 %Portfolio | From 20001 Amount | to 40000 %Portfolio |
|----------------------|-----------------------|--------------|---------------------|-----------------------|----------------------|------------------------|----------------------|------------------------|----------------------|------------------------|----------------------|------------------------|
| LEON | 1.275.184,74 | 7,05% | 1.414.981,71 | 7,82% | 2.726.022,33 | 15,06% | 1.949.701,06 | 10,77% | 1.358.585,83 | 7,51% | 3.158.459,85 | 17,45% |
| TELICA | 70.014,79 | 13,35% | 97.387,60 | 18,57% | 118.508,86 | 22,60% | 97.642,90 | 18,62% | 71.658,14 | 13,67% | 25.568,95 | 4,88% |
| EL SAUCE | 266.090,99 | 13,85% | 269.034,24 | 14,00% | 421.616,92 | 21,94% | 109.005,21 | 5,67% | 138.499,32 | 7,21% | 160.131,06 | 8,33% |
| ACHUAPA | 29.452,31 | 12,97% | 37.047,20 | 16,32% | 82.058,54 | 36,15% | 28.020,19 | 12,34% | 50.434,45 | 22,22% | 0 | 0,00% |
| MALPAISILLO | 121.601,37 | 9,80% | 128.054,72 | 10,32% | 294.983,84 | 23,77% | 136.324,69 | 10,98% | 203.235,26 | 16,38% | 155.651,63 | 12,54% |
| NAGAROTE | 53.969,60 | 4,59% | 87.060,56 | 7,40% | 212.812,35 | 18,08% | 88.178,53 | 7,49% | 69.140,83 | 5,87% | 355.364,76 | 30,20% |
| LA PAZ CENTRO | 71.985,55 | 8,18% | 108.742,99 | 12,35% | 149.045,44 | 16,93% | 48.858,30 | 5,55% | 65.648,65 | 7,46% | 130.771,07 | 14,85% |
| CHICHIGALPA | 365.358,57 | 6,88% | 384.615,12 | 7,25% | 759.731,33 | 14,31% | 540.878,43 | 10,19% | 176.453,89 | 3,32% | 935.591,83 | 17,63% |
| CHINANDEGA | 1.208.829,90 | 7,33% | 1.526.497,85 | 9,26% | 2.873.651,12 | 17,43% | 1.809.777,76 | 10,98% | 1.636.401,63 | 9,93% | 3.198.866,98 | 19,40% |
| POSOLTEGA | 35.269,80 | 7,70% | 55.159,38 | 12,04% | 37.035,75 | 8,09% | 91.325,58 | 19,94% | 71.569,56 | 15,63% | 35.421,74 | 7,73% |
| VIEJO | 152.515,20 | 6,50% | 188.963,70 | 8,06% | 318.679,94 | 13,59% | 248.160,61 | 10,58% | 156.824,97 | 6,69% | 579.438,77 | 24,71% |
| CORINTO | 91.774,47 | 7,23% | 212.463,48 | 16,74% | 209.425,13 | 16,50% | 183.742,73 | 14,48% | 194.289,29 | 15,31% | 240.269,32 | 18,94% |
| EL REALEJO | 55.384,86 | 13,11% | 106.876,96 | 25,31% | 182.737,04 | 43,27% | 56.629,03 | 13,41% | 0 | 0,00% | 20.710,00 | 4,90% |
| MINA EL LIMON. | 2.105,05 | 4,64% | 0 | 0,00% | 7.728,72 | 17,05% | 0 | 0,00% | 0 | 0,00% | 35.488,14 | 78,30% |
| TONALA | 21.483,85 | 6,50% | 43.485,98 | 13,15% | 101.348,86 | 30,66% | 64.573,89 | 19,53% | 35.226,32 | 10,66% | 64.482,90 | 19,50% |
| PUERTO SANDINO | 12.691,59 | 24,50% | 4.683,19 | 9,04% | 8.000,00 | 15,44% | 26.428,21 | 51,02% | 0 | 0,00% | 0 | 0,00% |
| SOMOTILLO | 246.175,54 | 7,00% | 298.784,19 | 8,49% | 947.317,54 | 26,92% | 370.776,26 | 10,54% | 239.493,34 | 6,81% | 572.527,77 | 16,27% |
| VILLANUEVA | 88.501,38 | 7,90% | 139.751,95 | 12,48% | 329.393,01 | 29,41% | 229.942,45 | 20,53% | 105.981,82 | 9,46% | 143.972,36 | 12,85% |
| JINOTEPE | 80.535,36 | 8,09% | 196.435,99 | 19,73% | 282.820,74 | 28,41% | 107.477,37 | 10,80% | 85.955,17 | 8,63% | 57.823,32 | 5,81% |
| DIRIAMBÁ | 108.970,87 | 12,71% | 162.379,44 | 18,93% | 187.468,21 | 21,86% | 85.685,10 | 9,99% | 35.082,11 | 4,09% | 58.577,61 | 6,83% |
| SAN MARCOS | 47.827,61 | 16,78% | 37.642,75 | 13,21% | 88.996,59 | 31,23% | 10.596,50 | 3,72% | 16.738,05 | 5,87% | 0 | 0,00% |
| DOLORES | 4.129,30 | 7,83% | 7.532,02 | 14,27% | 18.712,48 | 35,46% | 0 | 0,00% | 0 | 0,00% | 22.396,69 | 42,44% |
| EL ROSARIO | 6.726,99 | 67,85% | 3.187,38 | 32,15% | 0 | 0,00% | 0 | 0,00% | 0 | 0,00% | 0 | 0,00% |
| LA PAZ DE ORIENT | 8.490,97 | 29,67% | 8.134,80 | 28,43% | 0 | 0,00% | 11.990,00 | 41,90% | 0 | 0,00% | 0 | 0,00% |
| SANTA TERESA | 16.697,64 | 43,47% | 6.942,12 | 18,07% | 14.771,65 | 38,46% | 0 | 0,00% | 0 | 0,00% | 0 | 0,00% |
| LA CONQUISTA | 0 | 0,00% | 4.157,05 | 100,00% | 0 | 0,00% | 0 | 0,00% | 0 | 0,00% | 0 | 0,00% |
| CONCEPCION | 27.802,77 | 23,29% | 19.916,75 | 16,69% | 59.770,72 | 50,08% | 11.870,01 | 9,94% | 0 | 0,00% | 0 | 0,00% |
| SAN PEDRO DEL N | 4.106,73 | 100,00% | 0 | 0,00% | 0 | 0,00% | 0 | 0,00% | 0 | 0,00% | 0 | 0,00% |
| MASAYA | 194.703,87 | 8,31% | 453.660,26 | 19,36% | 787.037,70 | 33,59% | 356.563,44 | 15,22% | 227.075,02 | 9,69% | 324.075,94 | 13,83% |
| NINDIRI | 32.072,82 | 20,85% | 85.655,44 | 55,69% | 25.286,13 | 16,44% | 10.784,89 | 7,01% | 0 | 0,00% | 0 | 0,00% |
| NIQUINOHOMO | 9.992,13 | 11,36% | 52.288,70 | 59,47% | 0 | 0,00% | 0 | 0,00% | 0 | 0,00% | 25.644,53 | 29,17% |
| NANDASMO | 1.979,19 | 1,39% | 95.287,71 | 66,88% | 45.217,71 | 31,74% | 0 | 0,00% | 0 | 0,00% | 0 | 0,00% |
| CATARINA | 8.306,61 | 3,38% | 20.352,06 | 8,28% | 38.891,50 | 15,81% | 21.309,22 | 8,66% | 35.105,98 | 14,27% | 121.963,99 | 49,59% |
| CINCO PINOS | 44.574,66 | 21,30% | 99.160,31 | 47,38% | 65.536,23 | 31,32% | 0 | 0,00% | 0 | 0,00% | 0 | 0,00% |
| STO. TOMAS | 11.889,62 | 17,91% | 4.400,43 | 6,63% | 50.079,03 | 75,46% | 0 | 0,00% | 0 | 0,00% | 0 | 0,00% |
| TOTAL GENERAL | : 4.777.196,70 | 7,82% | 6.360.724,03 | 10,42% | 11.444.685,41 | 18,74% | 6.696.242,36 | 10,97% | 4.973.399,63 | 8,14% | 10.423.199,21 | 17,07% |

FUNDACION LEON 2000

Portfolio Composition - By Amounts and Territory

1/1/2004

| TERRITORY | < 3000 Amount | %Portfolio | From 3001 Amount | to 5000 %Portfolio | From 5001 Amount | to 10000 %Portfolio | From 10001 Amount | to 15000 %Portfolio | From 15001 Amount | to 20000 %Portfolio | From 20001 Amount |
|------------------------|-------------------------|-----------------|-------------------------|-----------------------|----------------------------|------------------------|---------------------------|------------------------|---------------------------|------------------------|----------------------|
| LAREDO | 0 | 0,00% | 0 | 0,00% | 0 | 0,00% | 10.887,30 | 8,82% | 0 | 0,00% | 54.500,00 |
| ACHUAPA | 6.167,96 | 6,88% | 26.231,37 | 29,27% | 57.223,28 | 63,85% | 0 | 0,00% | 0 | 0,00% | 0 |
| CHICHIGALPA | 207.578,39 | 7,19% | 264.804,02 | 9,17% | 530.583,61 | 18,38% | 410.266,27 | 14,21% | 304.367,19 | 10,55% | 475.697,25 |
| CHINANDEGA | 749.254,14 | 7,80% | 1.019.561,62 | 10,61% | 1.915.553,06 | 19,93% | 1.220.494,33 | 12,70% | 807.610,49 | 8,40% | 2.322.683,40 |
| CORINTO | 64.185,08 | 8,77% | 62.111,73 | 8,49% | 146.830,35 | 20,07% | 87.420,70 | 11,95% | 105.381,32 | 14,41% | 153.402,21 |
| EL REALEJO | 35.206,85 | 25,89% | 14.684,23 | 10,80% | 28.179,19 | 20,72% | 36.098,15 | 26,55% | 0 | 0,00% | 21.800,00 |
| EL SAUCE | 210.658,77 | 25,65% | 82.289,92 | 10,02% | 289.656,93 | 35,26% | 47.433,28 | 5,77% | 88.276,85 | 10,75% | 56.056,56 |
| EL VIEJO | 144.617,60 | 10,60% | 106.587,21 | 7,82% | 239.951,37 | 17,60% | 231.938,71 | 17,01% | 131.693,00 | 9,66% | 200.161,72 |
| LA PAZ CENTRO LEON | 99.205,13 914.414,84 | 26,91% 8,00% | 64.025,58 920.681,74 | 17,36% 8,06% | 106.136,27 2.086.184,73 | 28,79% 18,26% | 39.448,52 1.126.653,90 | 10,70% 9,86% | 17.655,00 1.116.875,70 | 4,79% 9,78% | 0 2.095.976,12 |
| MALPAISILLO | 57.798,23 | 8,65% | 122.625,49 | 18,36% | 195.422,82 | 29,25% | 122.347,43 | 18,31% | 18.650,66 | 2,79% | 151.194,73 |
| MINA EL LIMON. | 0 | 0,00% | 0 | 0,00% | 5.436,26 | 13,29% | 0 | 0,00% | 0 | 0,00% | 35.478,43 |
| NAGAROTE | 63.660,42 | 9,31% | 41.132,14 | 6,01% | 120.136,19 | 17,57% | 137.647,23 | 20,13% | 87.465,12 | 12,79% | 73.876,32 |
| POSOLTEGA | 959,55 | 0,41% | 15.778,13 | 6,69% | 46.146,81 | 19,56% | 28.679,67 | 12,16% | 15.637,89 | 6,63% | 69.376,57 |
| PUERTO SANDINO | 17.859,92 | 17,54% | 46.239,23 | 45,41% | 8.063,92 | 7,92% | 13.615,24 | 13,37% | 16.050,00 | 15,76% | 0 |
| SOMOTILLO | 88.692,52 | 4,90% | 178.272,68 | 9,86% | 345.138,02 | 19,09% | 252.559,10 | 13,97% | 262.592,87 | 14,52% | 305.902,49 |
| TELICA | 24.563,94 | 10,31% | 46.228,85 | 19,41% | 92.504,40 | 38,83% | 44.941,39 | 18,87% | 0 | 0,00% | 29.960,00 |
| TONALA | 7.978,11 | 4,85% | 11.066,76 | 6,72% | 86.359,80 | 52,45% | 36.748,39 | 22,32% | 0 | 0,00% | 22.508,40 |
| VILLANUEVA | 32.820,82 | 5,08% | 87.806,44 | 13,58% | 153.138,76 | 23,69% | 64.373,44 | 9,96% | 35.002,59 | 5,41% | 200.113,00 |
| TOTAL GENERAL : | 2.725.622,27 | 8,48% | 3.110.127,14 | 9,68% | 6.452.645,77 | 20,07% | 3.911.553,05 | 12,17% | 3.007.258,68 | 9,36% | 6.268.687,20 |

RESULTADOS PROGRAMADOS

CLIENTES BENEFICIADOS

Sep-02

| NOMBRE DEL CLIENTE | BENEFICIADO PUESTO DE TRABAJO | | | | | | | | | | | INGRESO SEMESTRAL | | |
|---------------------------------|-------------------------------|---|------------|---|-------|-------------|-----|-------|-----------|-----|------|-------------------|-----------|-----------|
| | Directos | | Indirectos | | Total | Preservados | | | Mejorados | | | tot. | BRUTO | NETO |
| | M | F | M | F | | Comp | Par | total | Com | Par | tot. | | X 6 | X 6 |
| Paula de Jesus Cabrera Roa | | 1 | 1 | 2 | 4 | 6 | 7 | 6 | 6 | 1 | 1 | 14 | 66.000,00 | 26.784,00 |
| Maria Janette Moreno | | 1 | 1 | 2 | | 2 | 3 | 2 | 2 | 1 | 1 | 6 | 69.300,00 | 39.300,00 |
| Lidia Rosa Larios Arauz | | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 36.000,00 | 21.840,00 |
| G.S. DIVINA PASTORA | | | | 0 | | 0 | 0 | | | | | 0 | | |
| Jessica Lynn Pereira Juarez | | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 14.400,00 | 7.200,00 |
| Lidia Francisca Benavides | | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 21.000,00 | 14.640,00 |
| Luz Maria Perez Mayorga | | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 36.000,00 | 23.040,00 |
| Maura Esperanza Estrada J. | | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 34.710,00 | 17.910,00 |
| Omar Francisco Carvajal | 1 | | 1 | 1 | | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 22.872,00 | 14.682,00 |
| Reyna Maria Martinez Neira | | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 73.500,00 | 30.900,00 |
| Maritza del Socorro Alonso | | 1 | 1 | | 2 | 2 | 3 | 2 | 2 | 1 | 1 | 6 | 27.504,00 | 19.284,00 |
| Moises Palacios | | | | 0 | | 0 | 0 | | | | | 0 | | |
| Martha Lilliam Espinales Ochoa | | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 21.000,00 | 17.094,00 |
| G.S.LA PURISIMA | | | | 0 | | 0 | 0 | | | | | 0 | | |
| Anita Catalina Garcia Millon | | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 18.000,00 | 11.970,00 |
| Maria Isabel Quiroz | | 1 | 1 | | 2 | 2 | 3 | 2 | 2 | 1 | 1 | 6 | 51.000,00 | 14.100,00 |
| Francisca Rita Torrez Hernandez | | 1 | 1 | 1 | | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 29.160,00 | 21.960,00 |
| G.S.LAS MILAGROSAS | | | | 0 | | 0 | 0 | | | | | 0 | | |
| Teresa Sanchez Pineda | | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 18.000,00 | 12.840,00 |
| Maria Teresa Sandobal | | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 18.000,00 | 13.320,00 |
| G.S. OPCION | | | | 0 | | 0 | 0 | | | | | 0 | | |
| Maria Mercedes Pichardo | | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 16.800,00 | 12.000,00 |
| Zaida Juana Loaisiga | | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 18.000,00 | 10.800,00 |
| Beligna del Socorro Castillo | | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 24.000,00 | 17.100,00 |
| G.S. NUEVO JERUSALEN | | | | 0 | | 0 | 0 | | | | | 0 | | |

| | | | | | | | | | | | | |
|--|---|---|---|---|---|---|---|---|---|---|-----------|-----------|
| Petrona Maribel Chavez | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 40.800,00 | 30.480,00 |
| Petrona Martinez | 1 | 1 | 2 | 2 | 3 | 1 | 1 | 1 | 1 | 5 | 28.800,00 | 19.320,00 |
| Lylliam Benita Rodriguez Reyes | 1 | 1 | 2 | 2 | 3 | 1 | 1 | 2 | 1 | 6 | 28.140,00 | 22.062,00 |
| G.S.LA SUERTE | | 0 | | 0 | 0 | | | | | 0 | | |
| Martha Elena Lozano | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 12.600,00 | 8.994,00 |
| Karla Patricia Morales | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 14.400,00 | 10.014,00 |
| Martha Regina Solis Moreno | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 24.000,00 | 16.080,00 |
| Dominga Eloisa Guido | 1 | 1 | 2 | 2 | 3 | 2 | 2 | 1 | 1 | 6 | 34.200,00 | 19.980,00 |
| Gladys Villaney Romero Sanchez | 1 | 1 | 2 | 2 | 3 | 2 | 2 | 1 | 1 | 6 | 21.600,00 | 16.812,00 |
| Ana Angelica Vargas Tellez | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 21.000,00 | 15.060,00 |
| Evangelina Concepcion Zapata | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 23.400,00 | 19.200,00 |
| Maria Irene Ramirez Peralta | 1 | 1 | 2 | 2 | 3 | 2 | 2 | 1 | 1 | 6 | 18.000,00 | 13.290,00 |
| Eddy Pedro Barrera | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 23.607,00 | 18.015,00 |
| Mildred del Carmen Rostran G. | 1 | 1 | 2 | 2 | 3 | 2 | 2 | 1 | 1 | 6 | 18.000,00 | 12.480,00 |
| Elba Luz rios | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 18.000,00 | 14.400,00 |
| G.S. LAS LUCHADORAS | | 0 | | 0 | 0 | | | | | 0 | | |
| Modesta Mercedes Carvajal | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 19.200,00 | 14.820,00 |
| Maria Cristina Martinez Rivera | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 10.200,00 | 7.158,00 |
| Gladys Ricarda Matamoros | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 14.400,00 | 10.260,00 |
| G.S. PUNTUAL | | 0 | | 0 | 0 | | | | | 0 | | |
| Elba Maria Calero Parrales | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 13.500,00 | 8.544,00 |
| Martha del Socorro Ruiz | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 14.400,00 | 9.288,00 |
| Maria Auxiliadora Bermudez | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 16.800,00 | 13.080,00 |
| Milton Antonio Castellon Mendez | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 68.280,00 | 53.940,00 |
| Ligia Maria Moya Chavarria | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 30.000,00 | 19.920,00 |
| Roger Ramon Toval | 1 | 1 | 1 | 1 | 2 | 3 | 2 | 2 | 1 | 6 | 18.900,00 | 14.460,00 |
| G.S. JUNTAS LUCHAREMOS | | 0 | | 0 | 0 | | | | | 0 | | |
| Teresa Leticia Flores | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 10.800,00 | 7.290,00 |
| Petrona del Socorro Ruiz | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 18.000,00 | 9.420,00 |
| Iabel Cristina Flores | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 12.828,00 | 9.288,00 |
| Maria Lourdes Jimenez Mendoza | 1 | 1 | 2 | 2 | 3 | 2 | 2 | 1 | 1 | 6 | 21.600,00 | 16.740,00 |
| G.S. EN DIOS CONFIAMOS | | 0 | | 0 | 0 | | | | | 0 | | |
| Francisca Electeria Ibarra | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 18.000,00 | 13.200,00 |

| | | | | | | | | | | | | | | |
|-----------------------------------|---|---|---|---|---|---|---|---|---|---|-----------|-----------|-----------|-----------|
| Alejandra Aracely Centeno | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 24.570,00 | 18.690,00 | | |
| Maria Victoria Ramirez | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 23.340,00 | 16.680,00 | | |
| G.S. LAS MARIPOSAS | | 0 | | 0 | 0 | | | | | 0 | | | | |
| Eda Imelda Pozo Hernandez | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 22.440,00 | 17.604,00 | | |
| Maria Cristina Quezada | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 32.400,00 | 25.608,00 | | |
| G.S. DIVINO NIÑO | | 0 | | 0 | 0 | | | | | 0 | | | | |
| Kenneth Antonio Espinoza Cuadra | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 21.600,00 | 17.100,00 | | |
| Candida Marcia Rivas Leyton | 1 | 1 | | 2 | 2 | 3 | 2 | 2 | 1 | 6 | 19.620,00 | 12.420,00 | | |
| Ana Victoria Reyes | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 4 | 18.000,00 | 13.680,00 | | |
| Francisca Aracelys Martinez Rojas | 1 | 1 | 1 | | 1 | 2 | 1 | 1 | 1 | 4 | 16.200,00 | 12.720,00 | | |
| Nimia Florisela Gonzalez zapata | 1 | 1 | | 2 | 2 | 3 | 2 | 2 | 1 | 6 | 30.600,00 | 19.908,00 | | |
| Edelia Marlene Valdelomar Rios | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 4 | 27.000,00 | 19.122,00 | | |
| Francisca Ernestina Pineda Sirias | 1 | 1 | 2 | | 2 | 3 | 2 | 2 | 1 | 6 | 24.000,00 | 18.000,00 | | |
| Maura Argentina Prado Cano | 1 | 1 | | 2 | 2 | 3 | 2 | 2 | 1 | 6 | 18.000,00 | 12.096,00 | | |
| Petrona de la Concepcion Toruño R | 1 | 1 | | 2 | 2 | 3 | 2 | 2 | 1 | 6 | 21.000,00 | 17.400,00 | | |
| Roger Vargas Lopez | | 0 | | 0 | 0 | | | | | 0 | | | | |
| Carmen Delia Delgado Delgado | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 4 | 25.200,00 | 11.220,00 | | |
| Ramiro Eleuterio Trujillo Corea | 1 | | 1 | 2 | | 2 | 3 | 1 | 1 | 2 | 1 | 6 | 19.800,00 | 9.396,00 |
| Blanca Azucena Salmeron Quezada | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 4 | 31.200,00 | 20.940,00 | | |
| Leonel Ernesto Mendoza Olivares | 1 | | 1 | 2 | | 2 | 3 | 2 | 2 | 1 | 1 | 6 | 36.036,00 | 21.456,00 |
| Martha Petrona Murillo Luna | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 4 | 21.600,00 | 13.800,00 | | |
| Nelson Enrique Vanegas Espinoza | 1 | | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 4 | 24.000,00 | 11.730,00 | | |
| G.S. VERONICA | | 0 | | 0 | 0 | | | | | 0 | | | | |
| Francisco Jose Muñoz Sanchez | 1 | | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 4 | 22.200,00 | 14.250,00 | | |
| Humberto Jose Valverde Cisne | 1 | | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 4 | 18.600,00 | 14.412,00 | | |
| Ana Cristina Somarriba | 1 | 1 | | 2 | 2 | 3 | 1 | 1 | 2 | 1 | 1 | 6 | 26.100,00 | 22.626,00 |
| Marcia Alicia Salmeron | 1 | 1 | 1 | 1 | 2 | 3 | 1 | 1 | 2 | 1 | 1 | 6 | 25.800,00 | 15.000,00 |
| Azucena de la Trinidad Cortez | 1 | 1 | 4 | 1 | 5 | 6 | 1 | 4 | 5 | 1 | 1 | 12 | 84.000,00 | 32.640,00 |
| G.S. CRISTO NOS AMA | | 0 | | 0 | 0 | | | | | 0 | | | | |
| Olga Azucena Lopez Cerda | | 0 | | 0 | 0 | | | | | 0 | | | | |
| Maria Jose Lanuza Martinez | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 4 | 11.400,00 | 5.520,00 | | |
| Karla Patricia Martinez | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 4 | 18.135,00 | 15.135,00 | | |
| Socorro Rivera Vallejos | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 4 | 16.680,00 | 9.420,00 | | |

| | | | | | | | | | | | | | | |
|---|---|---|---|----|---|----|----|----|----|---|-----------|-----------|------------|------------|
| Lisvania del Carmen Paredes Espinoza | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 16.200,00 | 11.400,00 | | |
| Maritza Romero Mendoza | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 34.800,00 | 11.760,00 | | |
| Lucia Sofia Gamboa | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 49.200,00 | 32.280,00 | | |
| Victoria Magda Baltodano Perez | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 15.600,00 | 8.580,00 | | |
| Evaristo Enoc Mayorga | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 15.000,00 | 9.660,00 | | |
| G.S. VIRGEN DE MERCEDES II | | 0 | | 0 | 0 | | | | | 0 | | | | |
| Tomasa Modesta Mayorga | 1 | 1 | 3 | 2 | 5 | 6 | 2 | 3 | 5 | 1 | 1 | 12 | 52.500,00 | 36.960,00 |
| Cipriana Arelys Tellez | 1 | 1 | 1 | 1 | 2 | 3 | 2 | | 2 | 1 | 1 | 6 | 85.632,00 | 69.504,00 |
| Yajaira del Rosario Mayorga | 1 | 1 | | 3 | 3 | 4 | 3 | | 3 | 1 | 1 | 8 | 52.416,00 | 29.556,00 |
| Reyna Isabel Moran Picado | 1 | 1 | 1 | 2 | 3 | 4 | 2 | 1 | 3 | 1 | 1 | 8 | 38.400,00 | 18.600,00 |
| Dora Lizett Romero Rugama | 1 | 1 | | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 22.800,00 | 14.520,00 |
| G.S.LOS TRES HERMANOS | | 0 | | 0 | 0 | | | | | | | 0 | | |
| Lorgia Johana Sanchez Ruiz | 1 | 1 | | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 25.200,00 | 29.400,00 |
| Teodoro de la Concepcion Sanchez | 1 | | 1 | 4 | 1 | 5 | 6 | 3 | 2 | 5 | 1 | 12 | 195.000,00 | 130.200,00 |
| Eva del Socorro Lopez | 1 | 1 | 1 | 1 | 2 | 3 | 1 | 1 | 2 | 1 | 1 | 6 | 60.000,00 | 42.900,00 |
| Yamilet del Socorro Garcia Lopez | 1 | 1 | 1 | 1 | 2 | 3 | 1 | 1 | 2 | 1 | 1 | 6 | 11.400,00 | 5.940,00 |
| Cristina del Carmen Urrutia | 1 | 1 | | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 26.400,00 | 12.720,00 |
| Maria Antonieta Berrios Baca | 1 | 1 | | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 78.000,00 | 54.420,00 |
| Nubia Ernestina Juarez Vallejos | 1 | 1 | | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 31.800,00 | 21.000,00 |
| Georgina Ancelma Cisne | 1 | 1 | 1 | 1 | 2 | 3 | 1 | | 1 | 1 | 1 | 5 | 16.800,00 | 9.240,00 |
| Adrian Antonio Mora Nuñez | 1 | | 1 | 44 | 6 | 50 | 51 | 50 | 50 | 1 | 1 | 102 | 77.253,00 | 44.313,00 |
| Teresa Ivette Quintana Madriz | 1 | 1 | | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 36.600,00 | 23.070,00 |
| Aeropaquita Nidia Montalvan Morales | 1 | 1 | 1 | 1 | 2 | 3 | 1 | 1 | 2 | 1 | 1 | 6 | 18.288,00 | 14.868,00 |
| Yader Flores | | 0 | | 0 | 0 | | | | | | | 0 | | |
| Porfirio Pastor Salmeron Lopez | 1 | | 1 | 1 | 2 | 3 | 4 | 2 | 1 | 3 | 1 | 8 | 53.820,00 | 18.138,00 |
| Sobeyda Petrona Esquivel Amaya | 1 | 1 | | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 18.792,00 | 11.976,00 |
| Maria Antonieta Rodriguez Lara | 1 | 1 | | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 76.680,00 | 43.044,00 |
| Edmundo Danilo Zapata Rojas | 1 | | 1 | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 65.280,00 | 30.570,00 |
| Alfredo Mendoza Urbina | 1 | | 1 | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 28.800,00 | 17.790,00 |
| Jose Adan Leiva Torrez | 1 | | 1 | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 27.072,00 | 16.572,00 |
| Evelyn del Carmen Hogson Davila | 1 | 1 | | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 23.196,00 | 13.050,00 |
| Leyla Mercedes Martinez Balmaceda | 1 | 1 | | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 23.400,00 | 13.800,00 |
| Rosa Argentina Candia Hernandez | 1 | 1 | | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 47.670,00 | 23.790,00 |

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|---|---|---|---|---|----|----|----|----|---|---|-----------|------------|-----------|
| Lisandro Benito Arita Darce | 1 | 1 | 2 | 2 | 3 | 2 | 2 | 1 | 1 | 6 | 30.240,00 | 13.860,00 | |
| Marcos Francisco Diaz Prado | 1 | 1 | 6 | 6 | 12 | 13 | 12 | 12 | 1 | 1 | 26 | 308.034,00 | 99.234,00 |
| G.S RONALD SANDINO | | 0 | | 0 | 0 | | | | | | 0 | | |
| Agueda Audeli Hernandez Rodriguez | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 27.000,00 | 17.640,00 |
| Luis Manuel Urbina | 1 | 1 | 1 | 2 | 3 | 4 | 3 | 3 | 1 | 1 | 8 | 29.100,00 | 13.380,00 |
| Olivia Rodriguez | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 14.940,00 | 8.136,00 |
| Ana Cellia Sosa Rodriguez | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 22.416,00 | 12.468,00 |
| Abel Flores Ortiz | 1 | 1 | 1 | | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 37.212,00 | 22.122,00 |
| Yadira Jacoba Gutierrez Miranda | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 41.760,00 | 22.140,00 |
| Anatolia Alejandra Palacios Gonzalez | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 7.200,00 | 6.000,00 |
| Maxima del Carmen Estrada Rugama | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 35.100,00 | 24.540,00 |
| Gladys Mercedes Muñoz Roque | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 16.200,00 | 9.534,00 |
| Antonia Estela Barcenaz Lopez | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 25.800,00 | 15.000,00 |
| Luisa Mercedes Rodriguez | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 17.868,00 | 11.118,00 |
| Maria Auxiliadora Juarez Pineda | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 18.786,00 | 7.386,00 |
| G.S. TORRE FUERTE | | 0 | | 0 | 0 | | | | | | 0 | | |
| Guadalupe Maria Martinez | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 17.280,00 | 10.920,00 |
| Vilma Marina Paguapa | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 11.700,00 | 7.980,00 |
| Ivania Benita Muñoz Vanegas | 1 | 1 | 1 | 1 | 2 | 3 | 1 | 1 | 1 | 1 | 5 | 26.400,00 | 20.640,00 |
| Elbeth Solis | | 0 | | 0 | 0 | | | | | | 0 | | |
| Roberto Dario Bellorin Diaz | | 0 | | 0 | 0 | | | | | | 0 | | |
| Lucrecia del Carmen Monterrey | 1 | 1 | | 3 | 3 | 4 | 3 | 3 | 1 | 1 | 8 | 37.800,00 | 22.800,00 |
| G.S. DIVINO NIÑO III | | 0 | | 0 | 0 | | | | | | 0 | | |
| Dora de la Cruz Lainez | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 10.260,00 | 5.460,00 |
| Carmen Irela Herrera | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 11.088,00 | 6.288,00 |
| Amelia del Transito Tellez | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 10.800,00 | 6.600,00 |
| Eliodora Zulema Ruiz | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 11.340,00 | 7.740,00 |
| Lidia Maria Moreno Ocampo | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 14.490,00 | 8.670,00 |
| Paula Mayra Tellez | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 10.260,00 | 6.060,00 |
| Sanadra del Socorro Saballo | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 11.340,00 | 6.540,00 |
| G.S. VILLA ESPERANZA | | 0 | | 0 | 0 | | | | | | 0 | | |
| Macaria Ramona Maravilla | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 17.388,00 | 10.008,00 |
| Candida Rosa Hernandez | 1 | 1 | | 1 | 1 | 2 | 1 | 1 | 1 | 1 | 4 | 15.600,00 | 8.520,00 |

| | | | | | | | | | | | | | | | |
|--|-----------|------------|------------|------------|------------|------------|------------|------------|-----------|------------|------------|------------|------------|---------------------|---------------------|
| Maria Luisa Maradiaga | | 1 | 1 | | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 11.700,00 | 6.720,00 |
| Bayardo Rigoberto Alonso Reyes | 1 | | 1 | | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 76.590,00 | 35.340,00 |
| Santiago Sebastian Parrales Sanchez | 1 | | 1 | | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 31.824,00 | 17.124,00 |
| Juan Antonio Funes | 1 | | 1 | | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 171.600,00 | 99.120,00 |
| Susana Francisca Centeno Lanzas | | 1 | 1 | | 2 | 2 | 3 | 2 | | 2 | 1 | 1 | 6 | 48.000,00 | 34.800,00 |
| Juan Arnoldo Trujillo | 1 | | 1 | 1 | | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 63.270,00 | 31.170,00 |
| Dania Yolanda Martinez Poveda | | 1 | 1 | | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 84.150,00 | 52.260,00 |
| Narcia Silvia Rordriguez | | 1 | 1 | | 2 | 2 | 3 | 2 | | 2 | 1 | 1 | 6 | 29.430,00 | 18.492,00 |
| G.S BY PASS | | | 0 | | | 0 | 0 | | | | | | 0 | | |
| Silvia Elena Morales Baca | | 1 | 1 | | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 28.800,00 | 18.096,00 |
| Maria Lourdes Vargas Vilchez | | 1 | 1 | | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 16.380,00 | 9.240,00 |
| G.S.SANGRE DE CRISTO II | | | 0 | | | 0 | 0 | | | | | | 0 | | |
| Blanca Nubia Medina | | 1 | 1 | | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 36.900,00 | 24.210,00 |
| Maria L Solis | | 1 | 1 | | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 44.928,00 | 25.908,00 |
| Erica J Fonseca Mendoza | | 1 | 1 | | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 51.840,00 | 29.640,00 |
| Juan Pastor Solis Rojas | 1 | | 1 | | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 28.152,00 | 14.832,00 |
| Ervin Giovanni Rodriguez Lanuza | 1 | | 1 | | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 49.920,00 | 30.720,00 |
| Jorge Luis Caballero | 1 | | 1 | 1 | | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 18.900,00 | 9.900,00 |
| Felicia Reyes Lopez | | 1 | 1 | 1 | | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 190.800,00 | 143.220,00 |
| Luis Napolion Chacon Martinez | 1 | | 1 | 1 | | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 22.200,00 | 15.888,00 |
| Jaime Fonseca | | | 0 | | | 0 | 0 | | | | | | 0 | | |
| G.S EL BUEN PASTOR | | | 0 | | | 0 | 0 | | | | | | 0 | | |
| Doris de los Angeles Rojas | | 1 | 1 | | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 9.000,00 | 6.000,00 |
| Nubia Isabel Espinoza Palacios | | 1 | 1 | | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 6.510,00 | 4.410,00 |
| Miriam Daysi Santana | | 1 | 1 | | 1 | 1 | 2 | 1 | | 1 | 1 | 1 | 4 | 10.800,00 | 7.200,00 |
| Isabel Maricela Hernandez | | 1 | 1 | | 2 | 2 | 3 | 2 | | 2 | 1 | 1 | 6 | 18.000,00 | 10.482,00 |
| Felix Pedro Duarte Garcia | 1 | | 1 | 2 | | 2 | 3 | 2 | | 2 | 1 | 1 | 6 | 24.480,00 | 11.280,00 |
| Total | 30 | 124 | 154 | 103 | 169 | 272 | 426 | 251 | 18 | 269 | 154 | 154 | 849 | 5.143.797,00 | 3.115.389,00 |

VI. Acknowledgements

We would like to thank Fundación Leon 2000 staff and Roberto Garcia (LLAS) who kindly co-operated with this research; and all the interviewees for all the help provided during fieldwork. We would also like to thank Gabriel Buchmann, Helen Harris, Luisa Carvalhaes and André Neri and all CPS staff for their support in the preparation of this report.

Project NC-230 Sociedad Espino Blanco





“FONDO DE CREDITO RURAL PARA LA REACTIVACION ECONOMICA Y SOCIAL DE CUATRO MUNICIPIOS DEL DEPARTAMENTO DE LEON NICARAGUA AFECTADOS POR EL HURACÁN MITCH”

Project NC-230 ESPINO BLANCO

**Ana Beatriz Urbano Andari
Pedro Roberto Jacobi
Marcelo Cortes Neri**

*Project Coordinator: Marcelo Neri
Centro de Políticas Sociais/IBRE/FGV*

Rio de Janeiro, October 2007..
This Version

D. Micro-credit Impact Evaluation: Project NC – 234 - Espino Blanco

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Are IAF-supported credit funds reaching the poorest? If not, why?

Can IAF-supported credit funds help the poorest? If so, how?

What are the impacts of credit funds with technical assistance?

Did the management of credit funds build a stronger institutions?

What have been the winning features?

What are the institutional challenges for managing a micro-credit fund portfolio?

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I. Executive Summary - Micro-credit: Lessons Learned

Espino Blanco is a institution focused in the provision of credit mainly for low income borrowers in the rural areas of Nicaragua

Overview

Espino Blanco initially operated a credit fund, but in very primitive manner, without the necessary tools to handle with credit in a efficient manner. IAF project allowed them to hire advisors – among which was Roberto Garcia (LLAS) – that fortunately managed to tackle most of its fragilities. This allowed it to remain until today and developed into a sustainable institution. Espino Blanco is an institution of intermediary level of development and carries out operations of commerce and services as well as agriculture and cattle raising.

It is a very clear example of an institution which received a fund from IAF, managed it well, made it grow a little bit and it is still providing services to the people. It is far from well develop as Leon 2000, in size as well as in professionalism, but it carries a clear mission of micro-credit which is not the case in other institutions such as Agrodorsa, for instance. Besides, the fact that it extends its services also to agriculture and cattle raising is very valuable as well, since those activities are far more difficulty than to deal with commerce and services.

History of the project

a. Espino Blanco

The Sociedad de Servicios Integrales para el Desarrollo Rural “Espino Blanco” y Compañía Limitada was constituted legally on June 6, 1996 as an agro-forestry organization. ESPINO BLANCO is created as a private institution whose main goals are to provide technical services, advice, training, technical assistance, manage and

intermediate credit funds, as to also formulate, execute and follow-up of projects with community participation. Its philosophy and methodology is focused in rural participatory intervention towards the development and empowerment of local capacities to commit themselves in the process of planning and execution of activities.

The project NC 230 is focused on the strengthening of productive systems of the peripheral areas (urban and rural) of four - León, Telica, La Paz Centro and Nagarote, of the ten municipalities that compose the department of Leon. The challenge of the Project was to improve the economic situation of farmers and small entrepreneurs, reactivation of their economies alter the dramatic effects of Hurricane Mitch, enabling improvement in living conditions, reducing environmental degradation, increase of productivity and mainly enlarging the entrepreneurial capacity of small and medium entrepreneurs through the implementation of a credit fund and a fund of social inversion, what is the main innovation and exemplarity of the project, notwithstanding its reduced resources but relevant impacts.

Financial Environment

The financial system is highly concentrated in three large banks and favors corporate clients and offshore activity, and most institutions that center their activities in micro-finance⁵ emerged during the 1990s based strongly on support from international donors, for which microfinance is a tool to reduce poverty. After Hurricane Mitch, in 1998 many donor agencies increased their support to the country. The micro-finance growth is being led by 2 regulated finance companies, 21 non-governmental organizations (NGOs), and 12 finance cooperatives. Presently the number of organizations that provide financial services to people that have very limited access or no access to the traditional banking represents around 300 institutions, which are composed of 2 regulated finance companies and approximately 7 private unregulated corporations, 100 private NGOs, and 190 cooperatives, around 300 organizations with a combined portfolio of US \$240 million (ASOMIF, 2007).

Micro-credit providers have increased the number of credit clients they serve by approximately 26 percent per year since 1999. This growth has, however, been concentrated in a few institutions: 12 out of the 35 largest MFIs (including 2 finance companies and ASOMIF affiliates) accounted for 80 percent of the increase in number of credit clients and 90 percent of the growth in outstanding portfolios between 1999 and 2004.

Within this context, microfinance emerged as an alternative to include those that are not reached by formal financial market, and according to recent studies nearly 20 percent of the Nicaraguan population is either a direct or indirect user of microfinance services.

Role of the grants

The project relied on a comprehensive strategy, which went beyond the provision of credit alone, as they had an involvement with its beneficiaries – ranging from selection to loan repayment. The projects helped their beneficiaries by identifying their main potentials, but it had a strong focus on credit, as in the case of Espino Blanco 71%. In total, the IAF donated US\$ 308,151.92 to Espino Blanco. This donation enabled the institution to leverage a credit fund whose main objective is to concede credit, guarantee, capacity building, technical assistance and technology transfer to urban and rural borrowers. Espino Blanco fund did not grow significantly in number of loans beneficiaries.

It is safe to say that Espino Blanco capitalized on the IAF donations and it enabled activities that in the case of Espino Blanco stimulated the communities to organize within the Social Investment Fund premises, and as to the individual loans both institutions developed specific processes of dissemination of the existence of credit for low income families and micro-entrepreneurship.

Credit History and Profile of Borrowers

Espino Blanco had a rate of 1.5% monthly for a term of 18 months for borrowers at the rural areas and for the other the average loan was of 12 months at 1.5%. Most of the clients have a story of continuity. Most of the clients are women, representing 54% in Espino Blanco.

Reaching the poorest

There is a strong poverty focus in both institutions operational guidelines.

Espino Blanco focused its activities on beneficiaries who do not have access to formal credit. It has adopted integrative strategies where the lack of access to financial services is only one of the many constraints faced by the poor. Its strategy focuses on orienting borrowers about the intricacies of finance, providing technical assistance. It develops from the very beginning of their relationship with their clients a very intensive relationship, which has ensured better rates of return and repayment.

Role of technical assistance

The participation in both institutions credit programs and technical assistance has helped clients to obtain better outcomes and make a more adequate use of the resources, and in the case of the farmers and small industries it also helped to organize their merchandising schemes.

Institutional features

Both institutions had an important development with IAF grant in terms of strengthening of their organizational capacity. The fact that both projects relied on a comprehensive strategy, which went beyond the provision of credit to its beneficiaries, implied in the development of institutional strategies. Both institutions, at different levels invested considerably in specialized personnel to assess perform the main functions in it credit operations, such as: assessment of borrower profiles, give financial and technical advice, ensure adequate follow-up.

The overall the institutional features have been: adequate risk management; adequate repayment collection system; focused geographical coverage; good but organizational small administrative experience; credit committee, experimented rural technical assistance.

II. Overview of the Project

1. The Sociedad de Servicios Integrales para el Desarrollo Rural “Espino Blanco” y Compañía Limitada was constituted legally on June 6, 1996 as an agro-forestry organization, composed by a group of 13 partners, all agronomists that had already been involved in projects to deal with problems generated by monoculture of cotton in the region. It is created as an initiative of the technical and administrative team that participated in the project “Apoyo a la Actividad Forestal Campesina de León y Rehabilitación del Sistema de Cortinas Rompevientos”, within the framework of the Regional Forest Program for Centroamérica (PROCAFOR), financed by the Finnish Agency for International Development (FINNIDA), with the counterpart of the Ministry of Environment and Natural Resources (MARENA) and later the Institute of Agrarian Development (IDR).

ESPINO BLANCO is a private institution whose main goals are to provide technical services, advice, training, technical assistance, manage and intermediate credit funds, as well as formulate, implement and follow up projects with community participation. Its philosophy and methodology are focused on rural participatory intervention towards the development and empowerment of local capacities to commit themselves in the process of planning and implementation of activities.

Since its creation, Espino Blanco has been strengthening its operational capacities and its main initiatives have been: 1) Organization , training and human resources development and the establishment of community banks in districts within the municipality of Leon; 2) Technical Training in Agro-forestry and the establishment of forestry nurseries to community groups benefited by the Rural Development Project Chinandega-León (PROCHILEON); 3) Administration of revolving funds for FINNIDA followed by technical assistance in Agroforestry to the beneficiaries; Administration of fund and farming and forestry technical assistance to the Association of Agro-forestry

Producers of Leon (APAL); 4) Development and implementation of a project of credit, training and technical assistance focused in farming and credit administration financed and Administration and custody of funds of INIFOM – PROTIERRA of the municipality of Nagarote, associated to technical assistance to cattle raising financed by IAF and 5) Implementation of projects of Training and Technical Assistance in farming and forestry activities to groups in other municipalities of the region co-financed by Fundación para el Desarrollo Tecnológico Agropecuario y Florestal de Nicaragua (FUNICA). The experience in the management of a credit portfolio has been linked to FINNIDA (1996-1998), PROCHILEON (1998-2000), IAF (2000-2004), INIFOM (2001-2003).

2. The main scope of the IAF-funded project was to strengthen productive systems in the peripheral areas (urban and rural) of four - León, Telica, La Paz Centro and Nagarote- of the ten municipalities that compose the department of Leon. The challenge of the Project was to improve the economic situation of farmers and small entrepreneurs, by reactivating their economies in order to alter the dramatic effects of Hurricane Mitch, enabling an improvement in their living conditions, reducing environmental degradation, increasing productivity and mainly enhancing the entrepreneurial capacity of small and medium entrepreneurs through the implementation of a Rural Credit Fund and a Social Investment Fund which was one of the main innovation of the project, notwithstanding its reduced resources but relevant impacts (See Box 1).

Its history with Inter-American Foundation goes back to March 2000, when the covenant was signed for a four-year period, ending in March 2004. The Project that was conceived by Sociedad Espino Blanco and implemented to enable people to recover from the impacts of Hurricane Mitch, by generating social capital, strengthening community organizations and improving the environmental conditions through the establishment of this small fund of local development (in collaboration with the four municipalities) to implement improvements demanded by communities and agreed upon through collective activities to define priorities, as part of alliances between

municipalities and citizens and the credit fund enabling the access of the most excluded sectors of the population, mainly in the rural areas, to resources.

The specific goals were:

- ☞☞ To form a team to coordinate and implement alliances in the four municipalities where the program was implemented to strengthen social capital and enable the implementation of initiatives to promote socio-economic development in the target communities by mobilizing and channeling demands and inputs of the communities to define priority actions and investments that had an impact in their quality of life and their social environment. The Alliance proposed had to articulate a member of Espino Blanco, a representative of each municipality and a representative of each community.
- ☞☞ To develop socio-economic appraisals as to enable comparisons in the future, in order to obtain data of the beneficiaries and observe the changes that the engagement in the IAF-supported initiative would have in people's lives.
- ☞☞ To formulate and implement a Revolving Credit Fund and Social Investment to support activities associated to production and land conservation that would facilitate that people of areas affected by Hurricane Mitch to recover of its effects, approach the causes of environmental degradation as to diminish future impacts and generate the conditions for communities to institutionally strengthen existing organizations and stimulate new community groups to constitute new associations.
- ☞☞ To identify possible beneficiaries and the dissemination of information on these funds within the lower income entrepreneurs through meetings with community organizations.
- ☞☞ To organize a technical committee formed by three members to process the selection of the benefited communities; the composition of the committee

included the Executive Director of Espino Blanco, the head of the Credit Department and the head of the Technical Department.

☞☞To award small grants to approximately 500 beneficiaries per year during four years to strengthen and consolidate their ownerships – rural and petty industrial, small business and services and also to improve housing and living conditions; with better incomes and improved housing. The loans would be given to solidarity groups, cooperatives and individuals. The average amount of loans would be of US\$ 300,00 per year and would fluctuate from US\$ 100,00 to US\$ 1.500,00. They would have a deadline of one to eighteen months and a rate of interest between 24% and 41%. An additional over rate of 50% to due installments.

☞☞To provide at least training sessions to the different types of beneficiaries to promote learning and dissemination on agro-forestry community development, soil and water conservation, community organization, micro-enterprises management, accounting and merchandising.

☞☞Evaluate impacts of the loans and their effect on peoples lives.

Project Outcomes

The IAF donation to Sociedad Espino Blanco allowed it to effectively implement its activities and enable its institutional consolidation. The organization began with 13 partners that made an initial capital contribution and it is presently formed by 11 professionals, 4 of which are partners. The outcomes at the conclusion of the project indicate an active portfolio increase from US\$220.000,00 (project budget) to US\$ 308.151,92 or an increase of 40% (US\$ 88.151,92) to the original credit fund budget. During the lifetime of the project Sociedad Espino Blanco awarded 1647 micro-credits. The grant of IAF had this profile: Rural Credit Revolving Fund and Social Investment Fund (62%), Wages and benefits (25%), Management (6,5%), Fixed Actives/Infrastructure Support (4%), Monitoring/Materials for Projects/Technical Assistance and Training(2.5%).

5. Throughout the years of its existence Espino Blanco members specialized in micro-credit activities and complementary actions of technical assistance and training, mainly in rural areas.

6. The IAF-funds reinforce Espino Blanco's role in providing funds to those social groups that also represent the most excluded and that demand significant support to enable economic activities and to improve their quality of life. From the total of the portfolio, 31% corresponds to urban areas and 69% to rural areas. The sectors that were most supported through credits granted are the farming related activities (agriculture, agro-industry and cattle) with

62% of the loans, improvement of housing (21%) thus representing 83% of the total. As to a total of 1779 beneficiaries, 54% are women and 46% men, and the indirect beneficiaries are 6,075.

7. The main differential of the project is the implementation of a Fund for Social Investment (Box 1), an experimental model that generated a very positive outcome, mobilizing resources of local governments, of communities and other donors to solve problems identified by beneficiaries. Ten projects were implemented with US\$ 9.648,28 (37% of the total) from the Fund , 36% from the communities and 20% from local governments and other organizations (7%).

8. To achieve the expected results, Espino Blanco had to accomplish the reactivation of 800 micro-enterprises, 250 housing improvements, rural credit fund for 800 productive micro-enterprises, the fund for socioeconomic and environmental improvements, training for 1600 families, 3000 new jobs and strengthening of 35 community based organizations, and finally institutional strengthening, efficient monitoring of outcomes of the project.

9. The average duration of loans is 12 months, and for farming in many cases it reaches 18 months. This is a calculated risk, and it has been working adequately. Espino Blanco carries an adequate monitoring of the use of the loan and the cost of the investment, as each client has a dossier where its financial movement is accompanied as well as the use of the loan.

The sound management of the credit fund during the project schedule caused an increase of 40% in the initial amount of the funding. The grantee made loans in the value of US\$1,149,536.85, the amount of defaulted loans is less than 4% and non payable debts is less than 2%. The credit balance at the end of the project was US\$ 63.100,00. Sociedad Espino Blanco presented eight reports on the use of the Small Revolving Fund that allowed to make the demand for new funds during the duration of the project.

Credit

Most of the micro-credit loans are given to small entrepreneurs, and the interest rate of around 18% for farming loans, and smaller interest rates for loans with lesser risks. Through this dynamic it has established a strong relationship with its clients, which are faithful through the years, and give much value to the flexibility of Espino Blanco to deal with them, to its small bureaucracy and mainly to its way to face their problems, when they arise. The composition of the agricultural credit follows this trend: 7% administration, 3% risk, 2% social investment fund and 6% capitalization.

During the length of the project 1647 micro-credits were awarded, being 53% for rural areas and 47% for urban households and entrepreneurs. From the total number of loans 46% were for farming activities, 22% for housing, 11% for small industries/tailoring/crafts/ and 20% to the expansion of small business.

Table 1 - Distribution of Credits

| Purpose of Credit | Awarded Credits/Annual | Average Credit- US\$/Annual |
|---------------------------------|------------------------|--------------------------------|
| Farming | 754 | 882,98 |
| Construction/Renewal Housing | 367 | 434,18 |
| Small Industry | 193 | 793,66 |
| Expansion Business | 333 | 525,24 |
| | 1647 | |

Source: Final Report – Espino Blanco – 2004

As to the credit technology and institutional leadership Espino Blanco developed an expertise in carefully selecting clients in deprived areas, which implies an acquaintance with their economic activities and livelihoods. This experience has been successful due to the commitment of the staff that covers the different municipalities within the region around Leon. It has been able to provide technical assistance and when necessary assistance to obtain better outcomes in sales and merchandising. It is also important to say that beneficiaries stress the style of flexibility of Espino Blanco taking into account difficulties that arise from contingencies provoked by specific situations of clients, mainly farmers as Eudovina S. Hernandez and her brother that had to cope with illness of animal and were assisted by a more flexible schedule to pay their loan, having as a record their good performance as punctual payers. This example is also repeated by other farmers interviewed – Denis Duarte and Elder Contreras - that stressed this characteristic of the system adopted by Espino Blanco that takes into consideration emergencies and contingencies, not loosing the client and giving them support to overcome the situation and being able to make their payments within a renewed schedule

As to the most appropriate credit funds, and the evaluation indicates that, given the very low revenue of the potential clients, provide accessible interest rates, and thus allow to

diversify in types and geographical areas. What has been observed is the amount of faithful clients, the trust in the orientations they receive that allows improvements in their economic conditions as well in their housing conditions.

Since the end of the project, Espino Blanco has kept a steady portfolio (see the section on the

By September 2007, the payment schedule of outstanding loans is as follows:

SERVICIOS INTEGRALES ESPINO BLANCO

S.A.

Payments Delays - September 26th, 2007

| TOTAL GENERAL | Amounts | Proportion |
|--------------------------|--------------------|-------------------|
| From 1 to 7 days | 396128,42 | 3,30% |
| From 8 to 15 days | 177090,97 | 1,47% |
| From 16 to 30 days | 261369,28 | 2,18% |
| From 31 to 60 days | 322919,57 | 2,69% |
| From 61 to 90 days | 286752,78 | 2,39% |
| From 91 to 180 days | 192166,05 | 1,60% |
| From 181 to 360 days | 208654,27 | 1,74% |
| More than 360 days | 0 | 0,00% |
| TOTAL AFFECTED : | 1845081,34 | 15,36% |
| TOTAL PORTFÓLIO : | 12012748,06 | |

An overall 15,36% delay being 8,42% more than one month and none more than one year.

III – Micro Credit Impact Evaluation

The project was evaluated in two rounds of visits. The aim was to assess how the resources were used, the training outcomes, the impact of the credit funds, if they are reaching the poorer, the institutional challenges of managing a micro-credit fund portfolio as a component of different objectives and activities and how do grantees overcome the challenges and finally if the management of credit funds build stronger institutions overall.

The evaluation was based mostly on interviews with all relevant actors and on the available documentation on the financial health of the grantee

In preparation to the fieldtrip, we had access to the following project documents kindly provided by the IAF:

- ✍️ Project Analysis and review
- ✍️ Project description and background
- ✍️ Final Report

There are also video and photographic records from both trips that can provide an additional testimony to the project stakeholders living and working conditions beyond this written document.

In addition to the interviews and observation in the field, we carefully reviewed the financial documents that the grantee kindly provided. In order to better organize the findings, we will proceed to answering some of the questions present in the Scope of Work 2007.

Are IAF-supported credit funds reaching the poorest? If not, why?

Can IAF-supported credit funds help the poorest? If so, how?

What are the impacts of credit funds with technical assistance?

Did the management of credit funds build a stronger institutions?

Espino Blanco and Leon 2000 Financial Status

What have been the winning features?

What are the institutional challenges for managing a micro-credit fund portfolio?

Impacts to Beneficiaries and their families

Through the accounts below, we will try to reveal the impacts experienced by beneficiaries as a result of the project activities. The accounts will also incidentally convey the strategies used to achieve these impacts, that is, attributing the impacts not only to the input of the grantee but also to the decisions and attitudes of the beneficiaries. In short, we can isolate some beneficiaries' features that help to boost the efforts of the grantee.

Emilio Muñoz from Nagarote owns with his wife a small grocer shop. He said that the loan from Espino Blanco guaranteed the maintenance and improvement of his business, mainly by enabling him to buy the provisions and also to increase the quantity of provisions hence improving business performance, considering its small scale. During the years his business grew as he repaid the loans, which ensured his continuous access to credit, slowly improving their revenue”.

Another beneficiary of loan and also owner a small grocer shop in Nagarote, Vicenta Aguilar said that she was able to improve not only her house as well as to improve her small business and always with small loans that she was able to pay on schedule and that allowed her the increased returns of her grocery shop”.

According to Felix Manuel, a craftsman in Nagarote, the only way to improve his living conditions (photo) was through loans that he always repaid on time and even before scheduled. Espino Blanco representatives were always very helpful and gave assistance to him precisely on the credit benefits and associated responsibilities, helping him not only to obtain loan for housing but also to renew equipment for his work.

Credit also helped some beneficiaries to re-organize their scarce resources for instance by increasing the number of cattle, according to their capacity to afford it, as in the case of Elder Contreras, a small farmer in Nagarote. Re-organizing scarce resources would in some cases mean the capacity to save money, as it happened with Eudovina Scotto Hernandez and her brother Reinerio Scotto Hernandez small framers in

Sonia Martinez – runs a pulperia in Nagarote and has taken various loans with EB because, as she puts it, “no les he quedado mal”. Her relationship with the grantee dates back 5 years. One of the main advantages offered by EB is the easier monthly repayments, as opposed to weekly repayments, because the former allows her to organize her finances and save enough. The most recent loan of 10,000 cordobas. Her monthly income may reach 3,000 cordobas. The loans have helped her to purchase more merchandise and increase her gains. Weekly repayments, however, proved too heavy for her budget – so she adjusted the conditions of her loan to monthly payments. As a result, she has been able to buy household goods and equipments for her pulperia. Despite having to travel to Leon to repay her loans, she finds credit a very good initiative even for her, who is not looking to increasing the number of stores.

Nowadays she buys her supply in Managua. With this revenue, she is able to meet the 1,400-cordoba monthly repayments. She owns her house, which decreases living costs, and what’s more, her husband also works and earns income. She owns her house, which decreases living costs, and what’s more, her husband also works increasing the household income.

Gladys Aguillera buys leather for sale. In total, she has borrowed 9 times from EB. The first loan was of 3,000 cordobas and the most recent amount borrowed was 12,000 cordobas. She feels very comfortable in this relationship with EB, which does not put pressure on her for repayment. It was interesting to note how she identified the EB field officer – “el es mi promotor” – indicating a very personal rapport, which certainly contributes to the quality of the relationship probably ensuring higher repayment rates.

Apart from credit, she has also taken part in EB-sponsored capacity building where she improved her knowledge about business management. Her business trajectory shows how the loans have helped her. At first, she had to borrow the tools to work on the leather. As her business and consequently her income grew, she was able to afford her own tools and is now planning to open a shop to sell her produce. She has also noted that her family diet has improved as a result of this more comfortable financial situation. Her experience has been so positive that she recommends EB to other people. Her monthly income may reach 8,000 cordobas – of which 5,000 are enough to cover her expenses.

Julian Toreno has dealt with leather handicraft articles for 23 years. After processing it, he sells it. According to his estimate, he took 8 loans in total with EB, the first one of 5,000 cordobas and most recent one of 20,000 cordobas. He tells how EB officers are strict about repayment and will provide smaller loans in case the borrower is in debt. It is expensive to work with leather. Usually, he provides a parcel of land as a guarantee for the loan or a household appliance, depending on the amount required. The leather business is tricky: inputs are bought in US dollar prices, but the final product has to be sold in cordobas. Despite this challenge, loans have enabled the growth of his business by increasing the volume of work, income and, in consequence, his family's living standards. Presently, he earns around 4,000 cordobas per month (USD).

Miriam Blanco illustrates the diversity of EB portfolio, she has borrowed successively to improve her house. Beforehand, her house used to be “malita” made from clay and wood. Now, it is made of concrete. She is extremely religious. To boost her income she travels to Honduras to buy cosmetics and shoes for sale in Nicaragua. Each trip may cost her up to US\$ 150 – part of which is provided by her children who live in Costa Rica. She has also two pigs, which she fattens for sale. Her loans have averaged 6,000 cordobas, which she repays within 9 months – a larger timeframe than other institutions', hence better for her. She invested the two most recent loans in her trips to Honduras. As her husband does not always find work as a builder, she maintains the house through her work. Although she asked for 10,000 cordobas in her last loan request, EB granted only 7,000 cordobas given her credit profile.

Manoel Lopes also works with leather, either fixing leather articles or making products from raw leather bought in Nagarote. He also shows a long and steady track record of EB loans averaging 6,000 cordobas. All his loans were individual because he fears that he may incur in debt through group loans by assuming someone else's default. Part of the credit he used to improve his house, but mostly was used to buy inputs and invest in his business – which provides him with enough revenue to repay the loan and retain a certain profit.

Jairo is an agronomist who runs his own mill and milk processing in his backyard. From his first 10,000-cordoba EB loan 10 years ago he came a long way to his most recent loan of 20,000 cordobas. In his view, EB's greatest strengths are their speed in releasing the capital and their flexibility in dealing with repayment delays. Subsidiarily, interest rates are good enough compared to other institutions', as are their loan timeframes. Resonating a much heard argument in Nicaragua, he prefers to borrow individually because "soy yo quien le responde". By visiting his small business facilities, we could testify the difficulties of a small-scale producer in today's Nicaragua: the energy crisis makes available only 7 hours of energy per day. In his case, a small energy generator plays a crucial role. Despite these challenges, he looks into expanding his business and hopes to invest 30,000 cordobas in the right equipment to produce drinking water and oil. When asked how these benefits have translated into benefits for his family well-being, he does not hesitate and in a matter-of-fact way mentions improvements in diet and the ability to access private health services – which are better because they are readily accessible and more effective. This should certainly make all the difference.

✍️✍️ Are IAF-supported credit funds reaching the poorest? If not, why?

The IAF donation enabled Espino Blanco to leverage a fund to guarantee access to credit capacity building, technical assistance and strengthen community organization. Espino

Blanco has seen this fund grow and increased the breadth of its coverage. And how has its performance been in terms of reaching the poorest?

In order to answer this question, two main factors will be considered about the poor's ability to access credit, namely: institutional targeting – Espino Blanco's guidelines - and interest rates.

1. Espino Blanco has consolidated its activities as an institution that, albeit specialized in micro-credit, has combined it with committed and complementary actions of training and technical assistance, having worked mainly with rural communities along the years. It developed an expertise based on the importance of listening and dialoguing with people that are seldomly heard, whilst they need to find solutions that are almost always linked to resource scarcity. So what they call “pre-credit chats” have an extraordinary importance to create trust and reinforce social capital. Its experience with rural communities is based on the expertise of its members in rural technical assistance and to the population in more depressed urban areas that need support to improve their housing. Espino Blanco has a dynamic to implement its activities with beneficiaries based on a logic that articulates the direction of loans with a strong poverty focus. Within this context, it is worth noting that the implementation of the Credit Fund was able to benefit more than 500 small entrepreneurs per year, where more than 50% were for women and in depressed economic areas. The upbringing of a technical committee to select the projects has maintained the consistency of Espino Blanco performance and also its strong links with the different communities and beneficiaries within them

The project gave support to poor sectors, and although a little higher than expected, the average grant was around US\$ 700,00, and the minimum credit of US\$ 100,00, and in many cases the loans are between US\$ 150,00 and US\$ 300,00. During our visits to several beneficiaries in rural and urban areas, we could see that they had very few resources, hence relying on these loans to obtain the necessary working capital to continue their economic activities. It is difficult to affirm that they were the poorest, but undoubtedly the small amount loans they could afford hint at their level of income. Based

on the documents and the visits to several beneficiaries, in most cases very poor rural producers and craftsmen, urban and rural dwellers and very poor communities have been reached by the loans, be it as individuals be it as beneficiaries of the social investment. These funds have been essential to help beneficiaries carry on with their lives more comfortably, mainly as part of a process where they do not default on installments and continue reborrowing in order to improve their small business, buy raw material for their small industries/ artisanship.

Espino Blanco members already had an important interaction and identity with the communities, as a result of their previous activities. This represents a relevant element to consolidate alliances with the community leaderships. These facts notwithstanding, the evaluation of the coordinators is that most of the relations established are more personal – which we could easily verify during our visit to León and its surroundings. The main challenges have been the low income level of the beneficiaries and the need to create focused groups of potential beneficiaries that will be able to commit themselves with credit at accessible interest rates and a repayment schedule that are tailored to their financial conditions.

Espino Blanco average loan lasts 12 months. This design tries to ensure that clients with their contracts. As a result, the number of clients in debt has been very reduced and most of the clients repeated their loan request. The challenge has been to motivate micro-credit clients improve their activities, which is linked to training and talks in pre-credit activities. The comparative advantage of Espino Blanco is their previous experience with rural development and their capacity to train people to deal with and manage the available resources in order to become entrepreneurs.

Can IAF-supported credit funds help the poorest? If so, how?

The constraints facing the poorest borrowers are associated to small plots of land, small businesses, exclusion from formal financial system and precariousness of revenues.

The experience of Espino Blanco indicates that it is possible to reach poor population in demand of credit to develop their activities. As its clients are from rural areas, they certainly are among the poorer sectors of the population. They were able to increase their productive capacity and economic performance and their engagement in participatory practices linked to the benefits of investments in their community. Credit is essential to their economic improvement and their entrepreneurship. All interviewed emphasized it, as through the loans they are being able to reduce their social and economic exclusion. For Espino Blanco “ the possibility to give loans to poor segments of the population has shown not to be a risky activity , because they are very aware of their difficulties and constraints, and only in very specific cases, that represent less than 5% of indebted, which does not affect the portfolios performance. As most of the clients have been repeating their loans for several times, this indicates the satisfaction with the possibility they are having to access credit.

In order to increase the efficiency and guarantee the return, it advises borrowers about all the necessary details to the adequacy of credit to their needs and possibilities and established since the first moments of relationship , a very intensive relationship which includes one to one interviews, telephone follow-ups, periodical visits, technical assistance, training on specific issues to improve their performance. This has increased Espino Blanco’s credibility before its clients and also ensured better rates of return. It also has been an important channel for small farmers to have access to technical assistance, a strength of Espino Blanco as well as the learning process on organizational practices and strengthening of social capital in urban as well as rural areas.

“Trust has been an essential reference for the clients” affirmed the Executive Director Julio Santana in one of the interviews, and this is confirmed by Emilo Munõz , small grocer shop in Nagarote that said “ I have always had credit when I asked for it because

we created a relation of trust, and he knows exactly what I can get and pay back, and I also know”. So this reproduces the main premise of the organization as to adjust the loan amount according to the repayment capacity and the needs of the borrower.

So it can be said that the role of IAF credit funds in fostering development and helping the poor can be accomplished when considering that credit is made accessible in favorable conditions– i.e. flexibility and adequacy to specific circumstances, such as business cycles and contingencies in farmers’ economic cycle. The fact that 54% of the beneficiaries are women indicate the relevance of it to engage them in the economic circuit and as many of them have already had more than four credits this has had positive outcomes for the lending organization as well – as beneficiary and Espino Blanco generate mutual ties and strengthen a solid financial relationship, that enhances mutual learning.

☞☞What are the impacts of credit funds with technical assistance?

Espino Blanco’s activities promoted an important change in the lives of the beneficiaries, ranging from community engagement to increases in farming performance. Several aspects were already presented, however the issue of technical assistance is recalled by all interviewed as a strong component of the trust and legitimacy of Espino Blanco’s activities. For Danilo Martinez a craftsman that is proud of his improvement through the access to Espino Blanco loans this legitimacy is due to his being well-informed, flexibility of the institution and the assistance in terms of the best way to manage, prepare accountancy and improve merchandising. Farmers also stressed the importance of technical assistance as Espino Blanco’s expertise in rural activities helped them in terms of improving agricultural and livestock practices and financial management. Their access to more elaborated management skills was seen as very relevant to improve their management skills and also to be more aware on the need to be very cautious with investments due to their fragile economic situation. Julio Santana , Executive Director of Espino Blanco emphasizes their role to teach the client about the use of money, its management and the challenge of becoming an entrepreneur.

Did the management of credit funds build a stronger Espino Blanco?

The grant of IAF helped Espino Blanco to consolidate itself as a financial institution, by improving its performance. After the conclusion of the project where 1647 micro-credit were awarded, 53% in rural areas and 47% to agricultural related activities. There has not been a significant growth in the number of beneficiaries, but the goal of (at least) 500/year was reached. The main argument presented by the directors of Espino Blanco, and this is important to stress, is that although Espino Blanco is a private enterprise, and because of its legal status, due to the current legislation, it has had difficulties to obtain funds to increase their activities with micro-credit. To make a shift in its performance it has to comply with some indicators that correspond to this type of organization mainly linked to the evaluation of corporative risks. Espino Blanco is in a very curious situation, because it is a private organization with NGO practices (mission), and this can be observed in terms of its relationship with clients. Most of the micro-credit loans are given to small entrepreneurs, with an interest rate of around 18% for farming loans, and smaller interest rates for loans with lesser risks. Through this dynamic it has established a strong relationship with its clients, which are faithful through the years, and give much value to the flexibility of Espino Blanco in dealing with them, to its small bureaucracy and mainly to the way of facing their problems, when they arise.

The growth in the portfolio through the years illustrates Espino Blanco's institutional strengthening:

Table 2. Portfolio

| | |
|-----------|----------------|
| 2001/2002 | U\$ 113.971,11 |
| 2003 | U\$ 251.148,15 |
| 2004 | U\$ 272.196.02 |
| 2005 | U\$ 428.406.67 |
| 2006 | U\$ 343.922.27 |

At the institutional level, the management of credit funds allowed Espino Blanco to strengthen its institutional capacity and gave the organization a basis to develop a portfolio that it did not have before. For Espino Blanco the funds obtained from the IAF were essential to its consolidation, and given its limitations it was very difficult, and the challenge is presently to have access to other funds, as the European Union.

Project NC230 laid the basis for Espino Blanco's later achievements. Their staff has increased, as did the number of beneficiaries. They have also moved their offices to better facilities.

Of the initial IAF-related Monitoring and Evaluation (M & E) system, of GDF, grantee carries on monitoring its beneficiaries' income and assets. Therefore, much of the GDF has not trickled down in the institution.

One thing is certain though: the provision of credit alongside technical assistance works as a good drive for the beneficiary to seek improvements in his business. Just as important as receiving technical assistance, which can be more passive, is to provide capacity building, which increases the likelihood of learning.

Box 1. Innovation: Social Investment Fund

It is important to introduce the other project component, the Social Investment Fund.

The combination of these two programs had on one side the economic improvement and living conditions of individual beneficiaries and on the other the opportunity to aggregate community members in collectively defined projects to improve their quality of life and/or fulfill specific demands decided by communities.

The outcomes of the Implementation of the Local Fund for socio-economic and socio-environmental investment is the innovation of the project.

Within this scope 10 projects of Social Investment Fund were implemented and approximately 1900 families were benefited in different projects, and 8% were beneficiaries of Espino Blanco. The logic that follows the available resources is linked to the borrowing capacity of Espino Blanco, as 2% of each credit obtained goes to this Fund.

The projects linked to the Fund for Social Investment Social Investment are guaranteed by the premise that implies that the larger the number of clients the better to guarantee more funds. During the project the amount spent was US\$ 26.173,69, being 37% with funds provided by the Investment Fund, 36% by communities, 20% by municipal governments and 7% by other organizations. The projects developed were an outcome of priorities defined by the communities in direct interaction with the communities and with the assistance of Espino Blanco members.

The investments supported by the project had a varied range: the construction of a substation of police in a neighborhood with serious problems with violence and lack of safety, benefiting almost 1200 households, the construction of communal dwells for 290 families, the construction of pit latrines for 24 families, the reparation of housing for 26 families, the installation of public lighting for 80 families, the reparation of two churches for 108 families. They also implied according to the beneficiaries and leaderships in capacity building to strengthen institutions and leadership.

As to the municipalities they emphasized the importance of Alliances, the possibility of households engagement in Strategic Planning, their participation in the diagnosis and appraisal of problems. The triple alliance enterprise/community/government was considered an important step to democratize decisions on investments according to needs formulated by communities.

The groups of technicians of the four municipalities were trained as to enable a social learning process to implement participatory methodologies with the communities linked to the definition of priorities for investments of the Fund of Credit and Social Investment. The process of articulation with the municipalities is documented and the interviews with mayors and aides to mayors allowed to observe the effectiveness of the goals previously defined.

For the government employees in the four municipalities where project were implemented the arguments are recurrent. In Leon, Marta Calero and Luz Ester Garcia mention the role of Espino Blanco in alliance with municipal institutions , acting as a neutral actor and a facilitator to mobilize the community to define its priorities. The trilogy- Municipal Government/Financial Organization/Community created an important synergy to fix up cooperation between the public and the private spheres. The technician of the project in Nagarote- Pablo Salgado had a very positive evaluation of the process. He considered that the process implemented was well succeeded and that the choices of four projects made to improve public lighting in one community the access to a cemetery in another, construction of an aqueduct and the remodeling of a church in two rural areas were accomplished.

According to interviews with beneficiaries the interactions were very well evaluated. Manuela Gonzalez and José Jimenez, community leaders in Reparto Ruben Dario in Leon consider the outcomes of the process very positive. They accomplished the construction of a police station in the neighborhood, something that was very demanded by the community. They stress the importance of the alliances and how they helped reduce tensions between households and municipal authorities. The role of Espino Blanco as a facilitator that coordinated meetings, organized the activities and gave the

input of the building materials, while the municipality designed the project and the community its labor force.

In Los Portillos a community within the municipality of La Paz Centro, José de la Cruz , the community leader engaged himself and the very poor and excluded community that chose the construction of pit latrines for 45 families. For him the Alliance “is essential and the technical assistance provided to build the latrines donated by the Social Investment Fund are just the beginning of resolution of basic needs and the reduction of socio-environmental problems of the community that have not been solved by municipal policies”.

People participated actively in the meetings and enlarged its space of participation in the participatory planning arena. This increased legitimacy of the municipalities and Espino Blanco. In Telica the contribution was the reform of the communal water pumping system. The community leader in Telica, the community leader Cruz Perez, stressed the importance of the alliance between the different stakeholders of the process and the achievement of the goal. Espino Blanco provided the water pump, the community labor force and the municipality the administrative issues.

This process generated in the four municipalities an involvement of the communities and a strengthening of ties with the institutional operators and those responsible for the articulations with the local leaderships.

The main problem is presently the lack of continuity. Espino Blanco was evaluated positively as an efficient and responsive articulator and facilitator, that enabled the interactions taking into account the existing asymmetries between the stakeholders involved. For José de la Cruz of Los Portillos- distant 37 km of La Paz Centro, Espino Blanco was always responsive and present, notwithstanding the distance and bad roads in the meetings where the community defined its priorities and also in the follow-up of the construction process. For Cruz Perez of Telica “as the municipality has been very absent to the demands, the role of Espino Blanco in consultation, articulation and dialogue with the community has been essential to the success of the process, as they developed a methodology that stimulates the engagement of the people in projects of their interest and motivate their engagement in an activity that demands social involvement and that also helped to strengthen and legitimize the leaderships”.

The importance of the Fund for Social Investment is evaluated as to its effectiveness in terms of collection, reception of demands, choice of priorities by communities, the importance of the engagement of community labor force and the partnership with municipalities. In most situations municipalities counterpart was technical assistance and qualified labor force, and Espino Blanco generally contributed with administrative assistance and material resources. All stakeholders interviewed had a positive evaluation of the process and look forward for its replication.

The Community Leaders evaluate Espino Blanco’s performance as an important facilitator, who always gave assistance in meetings and was able to guarantee through the engagement of its members in each of the projects in urban areas—police station as well as in rural areas in isolated communities the accomplishment of the collectively defined social benefit - pit latrines/public laundries/drainage pipe. The dynamics implemented created organization within community, and it also has guaranteed the

maintaining of the equipment by the community. This has represented for Espino Blanco an important reference of legitimacy of the partnership, and also the institutional building of confidence in communal leadership. In some cases of significant poverty, the chance of obtaining a benefit that the community was not able to obtain from municipalities , became a important source of motivation for the community members to get involved, mainly in the most depressed areas, where the population lives very precariously.

Espino Blanco's Financial Status

Financially, it is safe to assert that Espino Blanco capitalized on the IAF donations, since their inception in 2000, when these funds were the main source of resources of the institution. Its portfolio has not changed and its main clients are mainly in the rural areas and belong to low income entrepreneurs. The average loan is around U\$ 697,96 but still many borrowers are in the range between U\$ 100,00 and 500,00. The minimum credit is U\$100,00. Most of credits are from existing clients. After the conclusion of IAF grant, Espino Blanco has maintained its same purposes, alliances have had a smaller impact, but the institution is still a reference to stakeholders and communities, and the challenge is to find ways to take up again the social investment actions.

The table (3) below show the situation of the institution portfolio in 2007, compared to 2005:

Table 3. Portfolio 2007

| Period | 01/04/05-30/04/05 | 01/08/07-31/08/07 |
|-------------------------------------|-------------------|-------------------|
| Total amount of loans in the period | 693,000.00 | 545,000.00 |
| Total number os loans in the period | 54 | 29 |
| Number of active loans | 597 | 600 |
| Current Portfolio | 12,086,393.55 | 6,841,968.91 |
| Defaulted Portfolio | 1,042,259.16 | 595,242.01 |
| Portfolio at Risk | 1788891,49 | 1405510,14 |
| Average Loan Amount | 12,833.33 | 18,793.10 |
| Men | 48% | 61% |
| Women | 51% | 38% |

Table 4. Portfolio of Clients – Loan Amount Composition

| | | |
|------------------------------------|-------------|------|
| < U\$ 650,00 | 50 clients | 9% |
| Between U\$ 650,00 and U\$ 1300,00 | 410 clients | 68% |
| More than U\$ 1300,00 | 140 clients | 23% |
| | 600 clients | 100% |

Source: Espino Blanco February 2007

The Revolving Fund interest rate for rural clients is maintained at 18% per year, or 1.5% monthly, while it is lower for other loans. The distribution by gender indicates that 44% are women. The expansion of the clients is centered on farming, urban artisans/craftsmen. Espino Blanco director understands that there is need to enlarge the number of clients, and that the creative answer to the needs of the clients is to adjust credit policy, and the challenge of flexibility associated with training. The average deadline of loans is presently 14 months, and this is linked to a majority of farming clients and in many cases of very low revenue.

Table 5. Espino Blanco: financial health indicators

| | |
|----------------------------|---------|
| Capital - Asset Ratio | 43,59% |
| Provision for loan losses | 148,25% |
| Defaulted Loans | 6,13% |
| Productive capacity | 93,60% |
| Financial Self-sufficiency | 135,56% |
| Return to Equity | 2,78% |
| Current Ratio | 2.36 |

Source: Grantee records

The grantee is in a comfortable situation, as its equity and capital would cover possible operational losses (capital to asset ratio). Its provision for loan losses is also more than sufficient to cover possible losses. On a rather negative note, however, the rate of

defaulted loans is still undesirably slightly high. Moreover, the institution has been able to generate its own revenue (without accessing external sources of funding) in order to cover its costs (incl. Operational, financial, etc). Finally, Espino Blanco is in a comfortable situation of liquidity as it has enough capacity to meet short-term obligations with the available resources.

☞☞What have been the winning features?

The relevant outcomes of Espino Blanco's performance are linked to two aspects. Initially we present the indicators of improvement as to living conditions, jobs created , income improvement and capacity building and participatory learning benefits. Secondly the aspects associated to institutional building and the implementation of the Social Investment fund that created the conditions to implement improvements that benefited communities in their quality of life.

The analysis of these issues using the Grassroots Development Framework allows to observe in terms of each variable the performance of the grant to strengthen the micro-credit operations of Espino Blanco between March 2000 and March 2004 .

The project allowed the reactivation of rural and urban micro-enterprises that presented serious difficulties.

As to the satisfaction of basic needs, loans were granted to 369 families, mostly for construction (40%) and improvement (52%), and according to the evaluations 99,5% considered that their living conditions improved. They have to use micro-credit that is not subsidized because there are alternatives out of market. Most of the benefited are households in poor communities that need urgent improvement of basic aspects of their houses, and mainly sanitation services and roofing. According to the data provided by the final report, most of the beneficiaries live in the peripheral areas of the four municipalities, and their housing present deficit of basic conditions to be inhabited. This fact added to the small offer of alternative credit that allows people to improve their housing according to their economic possibilities have been factors that facilitated the positive outcomes of the activities, were 87% of the beneficiaries consider that their

living conditions improved. An example of this is the testimony of Felix Lopes of the city of Nagarote for whom “ Espino Blanco always had a positive way to give directions so he would make an efficient spending according to my needs and constraints, so I have been a client that has made loans since 2002 until today and this made the expansion of my house a reality, and my family is living in a home in good conditions and with all services it needs”.

As to employment the number of jobs created, mainly referred to housing construction and improvements -eventual jobs - reached 1441, and 837 jobs were preserved associated to farming and small industries/crafts. The loans for small business created a very small amount of jobs, because they were directed to enable individual business.

An analysis of the of the impact of the loans allows to observe an increase in the farming average revenue as well for men (47%) as women (45%), and in small industries of 36% and 28% respectively and in services 55% and 40%, thus indicating an improvement of their personal economic conditions due to the success of their enterprise link to the obtaining of the loan. In the farming sector the annual average was U\$ 1.026,00 for men and it reached U\$ 1.968,00 at the end of the project. For women it was U\$ 986,00 and it arrived to U\$ 1.752,00.

Table 6. Average Income – in U\$

| Economic Activities | Beginning of Project | | End of Project | |
|---------------------|----------------------|-------|----------------|-------|
| | Men | Women | Men | Women |
| Farming Activities | 1.026 | 986 | 1.968 | 1.752 |
| Small Industries | 1.210 | 1.180 | 1.182 | 1.647 |
| Services | 1.080 | 1.012 | 2.380 | 1.680 |

Source: Espino Blanco Final Report - 2004

As to the acquisition of knowledge and training the outcomes reached 3484 persons, more than duplicating the number proposed and overcoming significantly the proposed goal, and the benefited were 50% women and 50% men. From the total of 147 activities, 25% were directed towards community organization, 55% to technical assistance on

farming activities information on animal health, 9% to pre-credit talks and 11% to management.

As to the application of knowledge and skills the outcomes indicate an effective assimilation by the beneficiaries is related to the methods of teaching/training that were positively evaluated as to their adequateness to their background and the places were most beneficiaries converge. From the total number of participants , 52 were women, and most of the participants followed the activities linked to Social Participation and Community Organization (70%), followed by Farming (20%).

Table 7. - Application of Knowledge and Skills

| Knowledge and Skills | Outcomes Obtained | | Total Participants |
|------------------------|-------------------|--------|--------------------|
| | Male | Female | |
| Farming | 368 | 219 | 588 |
| Environment | 82 | 95 | 177 |
| Financial | 31 | 83 | 114 |
| Merchandising | 0 | 10 | 10 |
| Social Participation | 718 | 815 | 1533 |
| Community Organization | 210 | 337 | 547 |
| | 1409 | 1559 | 2968 |

Source: Espino Blanco Final Report - 2004

As to the issue of alliances the workings of Espino Blanco were successful, and all articulations with the four municipalities and other organizations- universities and technical organizations, that collaborated in different activities of the project. Alliances included links with Governmental Agencies, Secretaries and National Projects on one side to obtain seeds , equipments and support for transportation of plants. On the other

hand, the strategic alliances with the four municipalities, the National Autonomous University of Nicaragua and National Institute of Farming Technology (INTA)

The Social Investment Program allowed the community to define priorities, implement the improvement and monitoring of the accomplishment of the investment. The understanding of all stakeholders interviewed as to the funds associated to a development strategy understand this as essential, mainly those involved and benefited by the socially oriented investments. They see this initiative as very relevant for the improvement of their lives, and understand the importance of obtaining funds through loans in a territorially based logic. So the challenge is obtaining more loans and therefore more resources to be associated to the definition of priorities to be undertaken on the basis of alliances between the financial institution, in this case Sociedad Espino Blanco, municipalities and communities. The community leaders interviewed understand that this initiative is very original, democratic and fundamentally reinforces social capital and promotes socio-economic development. They see credit funds as a possibility to solve their personal problems, but not necessarily as an overall development strategy.

☞☞What are the institutional challenges for managing a micro-credit fund portfolio as a component of different objectives and activities? How do grantees overcome the challenges?

The evaluation of Espino Blanco allows for an understanding of the complexities of an ambiguous situation in terms of dual provision of financial and developmental services. The IAF grant was essential to Espino Blanco's functioning as it covered part of the wages/ training activities and materials for the investment of the Social Fund. Although a private micro-credit institution, its practices are very linked to the professional origin of its members - rural extension. This has allowed an interesting combination of an expertise to advise clients on the issues linked to farming with the activities of loan

concession. Almost all loans are for individuals, and the concession to solidarity groups has not evolved positively, mainly because most clients do not feel at ease to gather with others due to the risks that are involved. Espino Blanco team looked forward to implement more collective loans, but the resistance of borrowers has been very strong. Grantees overcome the challenges basically when adequately advised and receiving permanent follow up of their performance. This issue is well dealt by Espino Blanco's team as their regional supervisors have a very close link with their clients and are able to oversee them.

The main challenges for managing a micro-credit fund portfolio as a component of different objectives and activities has been to guarantee the beneficiaries' commitment repaying the loans duly, and in this aspect Espino Blanco has not suffered too many difficulties, as the level of delay with installments has not been constraining to the financial structure of the organization. The majority of clients make all possible effort not to delay so they gain trust from the organization and can make new loans as most of them they cannot make their business work without the warrant of new loans to buy merchandise, raw material and improvement of equipment and local of work and or business. The beneficiaries try always to pay on the spot and are worried about delays, and only in very special cases, problems with cattle, drought, they have difficulties to fulfill with their commitments. According to the responses of clients and beneficiaries, Espino Blanco has responded creatively, mainly through a process of permanent dialogue and follow-up were problems that may occur are in most cases solved in a preventive way, as the responsible for each area of activity has an agenda to prevent or try to reduce the impact of delays in installments, mainly through some flexibility that allows to solve the problem without affecting the financial health of the institution. Great importance is given to clients' loyalty to the organization, without paternalism, taking into account special circumstances, including periods of liquidity crisis .

The project learning process was intense as they learned about fund management as they were implementing it. In this sense, they would appreciate having more capacity

building in issues of management, probably with greater information exchange with similar organizations.

Opening an office in Nagarote was not advantageous, because they would still have to transport all the resources to Leon (as there were not banks in Nagarote where to deposit the capital). This situation may change in the future since a private bank opened a branch in Nagarote c. 6 months ago, which facilitates Espino Blanco's operations by eliminating the risks associated with the transport of resources.

New country circumstances have also obliged them to change their legal status. Two years ago they changed from sociedad responsabilidad limitada to sociedad anonomia. They have adapted to the demands of "un pais cambiante". The country's changing character, however, has not contemplated an improvement in the regulatory benchmark for MFIs. Presently, there are many laws that contradict each other and which do not apply to cases of organizations that, although being small, aim at a profit. Given this regulatory void, credit and fund can be subject to different conceptualization. The application of the law is thus almost random.

Nevertheless, there has been some progress to improve the overall certainty for this niche of the financial market. It is possible to detect individual debtors through the internet, by consulting their ID number at the price of US\$ 1 for each hit. Espino Blanco, in its turn, provides a monthly report about its own clients.

IV. Conclusions

Overview

Espino Blanco initially operated a credit fund, but in very primitive manner, without the necessary tools to handle with credit in a efficient manner. IAF project allowed them to hire advisors – among which was Roberto Garcia (LLAS) – that fortunately managed to tackle most of its fragilities. This allowed it to remain until today and developed into a sustainable institution. Espino Blanco is an institution of intermediary level of development and carries out operations of commerce and services as well as agriculture and cattle raising.

It is a very clear example of an institution which received a fund from IAF, managed it well, made it grow a little bit and it is still providing services to the people. It is far from well develop as Leon 2000, in size as well as in professionalism, but it carries a clear mission of micro-credit which is not the case in other institutions such as Agrodorsa, for instance. Besides, the fact that it extends its services also to agriculture and cattle raising is very valuable as well, since those activities are far more difficulty than to deal with commerce and services.

✍️ Espino Blanco achieved its main goals as indicators presented above show. IAF was fundamental to enable its functioning, and although it strengthened its institutional setting and although they did not have a very significant expansion of loans is linked to the characteristics of its main clients, the rural small producers. But they consider that this is the segment with which they want to strengthen the institutional growth, as they have a very strong identity with the needs and their previous experience motivates them to articulate loan to rural producers associated with technical assistance.

The organization is aware of its limitations but also very motivated by its successes, and is willing to strengthen within its activities more socio-environmental awareness within its borrowers.

☞☞ Espino Blanco most problematic Shortcoming after IAF loan is the access to other financial sources and this issue is an important aspect of its agenda to be able to obtain resources from

☞☞ Its strategy emphasized the loans to low income farmers and low income households. From the total of the portfolio, the sectors that were most supported through credits granted are the farming related activities (agriculture, agro-industry and cattle) with 62% of the loans, improvement of housing (21%) thus representing 83% of the total. It also stressed loans to women 54% against 46% to men.

☞☞ It is also important to stress the role of the Social Investment Fund, and although not very significant in monetary terms, its outcomes in social and socio-environmental terms have been considered relevant. It is an important and creative innovation to strengthen community based development, a very relevant aspect to consider in IAF projects. The more initiatives within this framework the more social aggregation of local stakeholders and the aggregation of social capital, which is essential to reduce social exclusion and increase social participation and co-responsibility in the formulation, implementation and management of collective goods.

☞☞ The issue of technical assistance and training is strongly at stake and future grants of IAF should consider the importance of training associated to market needs, and their chances to increase production and basically improve their entrepreneurial skills.

List of Interviewees – Members of Sociedad Espino Blanco, Municipal Staff Members and Elected Officials, Community Leaderships and Beneficiaries of Micro-credit and Social Investment

Sociedad Espino Blanco

1. Julio Santana- Director of Espino Blanco- General Manager
2. Eddy Bernardo Martinez Blanco- Director of Espino Blanco
3. Francisco José Ortiz Gonzalez – Regional Loan Manager
4. Ismael Zamora Gonzalez- Former Regional Loan Manager – 1996-2006
5. Sergio Aguilar Henriquez – Regional Loan Manager

Municipal Staff Members

6. Marta Calero- Municipality of Leon- Planning Department
7. Luz Ester Garcia- Municipality of Leon – Planning Department
8. Pablo Salgado- Community of Nagarote- Department of Planning

Mayor

9. Fanor Sampson- Mayor La Paz Centro

Community Leaders

10. Manoela Antonia Gonzalez- Community Leader- Reparto
11. Ruben Dario - Reparto Community Leader
12. Jose Nelson Espinoza- Community Leader
13. Elisa Carrión- Community Leadership- Nagarote
14. José de la Cruz- Community Leadership- La Paz Centro
15. Neli Morales- Community Leadership- Nagarote
16. Cruz Perez- Community Leadership- Telica

Clients

17. Emilio Munõz- Beneficiary- Nagarote – Small Grocer Shop
18. Vicenta Aguilar- Beneficiary- Nagarote – Housing Improvement

19. Felix Manuel Torres Lopes- Beneficiary- Nagarote – Small Artisan
20. Elder Rafael Contreras- Beneficiary- Nagarote – Small Farmer
21. Denis Duarte – Beneficiary- Nagarote- Small Farmer
22. Francisco Dohmuz- La Paz Centro- Brick Production
23. Danilo Martinez- La Paz Centro- Artisan
24. Eudovina Scooto Hernandez/Reinero Scotto Hernandez- eneficiaries-
Small Farming- Telica
25. Maria Ester Pulido – Beneficiary- Housing Improvement- Leon
26. Marlene Aguilera Sanchez- Beneficiary- Artisan- Leon
27. Sonia Martinez
28. Gladys Aguilera
29. Julian Toreno
30. Miriam Blanco
31. Manoel Lopes
32. Jairo Callero

***both rounds of interviews**

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Project NC-234
Asociación Servicios
Agropecuarios y Desarrollo
(AGRODERSA)





**“PROYECTO DE REHABILITACIÓN Y CONSERVACIÓN DEL CORREDOR
BIOLOGICO VOLCAN MASAYA – EL CHOCOYERO”**

Project NC-234 Agrodorsa

Micro-credit Impact Evaluation

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Rio de Janeiro, October 2007.

This Version

E. Micro-credit Impact Evaluation: Project NC –230 – Agrodorsa

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Executive Summary: Micro-credit Lessons Learned

I. Executive Summary

History of Credit

Through the IAF project, AGRODERSA would help low-income, rural Nicaraguans affected by Hurricane Mitch recover productive capacity, and prevent future environmental disasters, by implementing activities in agricultural production and natural resource conservation. AGRODERSA would accomplish this by promoting economic diversification, improving crop yields, lowering agricultural production costs, increasing the use of agro-forestry practices and promoting various other natural resource conservation measures in the low-income communities. The initial project was structured under four components: organization, qualification, technical assistance and material delivering – inputs in general.

The initial agreement did not foresee credit fund. According to a timely mid-term evaluation, however, there was a clear demand for credit by the beneficiary families. Based on this diagnosis, an amendment was requested. The grantee requested additional US\$ 89,960.00 and an extra year for the completion of the project. With an adjustment in the initial budget allocation, the Revolving Credit Fund was established with US\$106,488.00. The fund would finance productive activities and would support the establishment of small businesses.

The conditions for accessing loans included: a) The credit should be used for project-related activities; b) Provision of a collateral: as most people do not have a title deed, the grantee would accept a letter from the municipality guaranteeing the solvency based on the land tax that the beneficiary paid; c) Interest rates were kept at 2,5% over the balance of the debt (not on the whole capital). The majority of credit was individually granted. Most loans were destined to agriculture or services.

The beginning of credit activities was difficult because the staff lacked the necessary experience with financial issues to implement it. Interestingly, this shift also marked a change in their relationship with their beneficiaries, as beforehand they would donate project inputs, whereas now they would lend it and charge it back. According to Julio Cardenas from Agrodorsa: "... It was hard for us to be tough with them. We are neither bankers nor financial men, we are agronomists, we like the countryside."

Credit Constraints

Officers and beneficiaries alike blame low repayment rates on the macroeconomic situation in Nicaragua. Some circumstances have indeed affected people's ability to repay their loans. For instance, as coffee prices plummeted, there have been high migration rates from the countryside. Public policies did not address such shift and small-scale farmers were left helpless. Few public resources are allocated to the rural sector that comprises most of the poor in the country. There are 1.6 million rural poor or 68.5% of the total rural population (1998) but more worryingly c. 30% of the total population. And access to productive resources is difficult: arable land makes up 15.9% of the land area in 2002, while irrigated land was 4.4% of cropland in the same year.

The number of loans has dropped considerably since the beginning of the credit fund – from almost 200 loans between June 2002 and May 2003 to 47 in 2006 (albeit on a rather positive note, there has been a greater balance in the gender distribution of loans). Conversely, the average loan amount has increased in the same period from 1130 cordobas to 4550 cordobas,

As a result of subsequent defaults and the end of the IAF agreement, the Credit Fund is virtually inactive. In order to recover the fund, they would have to implement a serious and costly strategy of personal visits and legal demands.

Credit-Related Lessons

Firstly, there is a strong perception in Agrodorsa that credit is not efficient for small-scale activities, which need subsidies instead.

Agrodorsa staff agree that separating credit from agricultural operations would have been desirable to increase the effectiveness of both strands of activities.

Evaluating the beneficiaries' business profile before granting the loan. They would be stricter in their assessment of beneficiaries even though this might increase their costs.

The soil conservation was the central aspect of the project initially and worked well, albeit being costly, laying the foundation for the later stages as they managed to diversify the production in the *fincas*. Credit thus is important as it ran parallel to or in the footsteps of the improvements in the productive structure. Agrodorsa recognizes the conflict of interest inherent to this dual operation of credit provision and technical assistance/capacity building. This creates a certain degree of confusion that the producer himself does not appreciate. The necessity of credit is paramount, but there is a void in public regulatory policy referring to this theme.

II. Introduction

The present report aims to define some of the main longer-term impacts of the Project NC-234 for its beneficiaries and the grantee. We will first address the project description and background to understand its main rationale. Then we will describe some of the project outcomes, as assessed at the end of the IAF intervention.

The fifth section will tackle the main aspects of the credit fund, which was not included in the initial design but introduced later on in the project.

Finally, we will transcribe the main interviews that happened during the evaluation visit in September 2007. These interviews will help to characterize the beneficiaries of the project (who received technical assistance and loans) including their survival strategies, and how they perceived the impacts of the project in their lives according to their own words.

In the conclusion, we will attempt to assess the impacts of the project vis-à-vis its original design to derive the necessary recommendations and lessons for future similar interventions.

III. The Grantee

The Asociación Servicios Agropecuarios y Desarrollo Rural (AGRODERSA) is a civil association that was founded in 1996 and obtained its juridical status the same year. AGRODERSA's mission is to assist low-income farmers to establish sustainable production systems through extensive use of natural resource conservation methods and working on strategies for local development with local institutional partnerships. In its rural programs, AGRODERSA has devoted itself to improving the quality of life for the Nicaraguan small-scale farmers whose social and economic conditions have deteriorated

in recent years. AGRODERSA's primary activities consist of providing training, technical assistance, and environmental conservation programs to low-income rural communities and organizations. AGRODERSA has managed rural development programs in reforestation, soil conservation, agro-forestry, agricultural training, and in other aspects of natural resource conservation and local development in poor rural communities.

Agrodersa's main objectives are:

- ?? Achieve the sustainable development of the agricultural and forestry activities through the use of technologies that are adequate to the beneficiaries' living conditions.
- ?? Contribute to the sustainable use of natural resources by implementing programs for the biodiversity conservation.
- ?? Enhance gender equality by involving women in the main project activities to support their development while also considering their strategic interests in the rural development project.

History of Agrodersa

According to Julio Cardenas, founder and member of Agrodersa: "We were employees of the government and the name of our institution was Nicaraguan Institute of Farming Technology and then suddenly we all got unemployed. We then decided to found an organism to work in an independent way, and we founded Agrodersa in 1995 whose specialty has always been agronomy, agriculture. Perhaps that is why our project has a strong component concerning the environment. Nowadays our presence in the municipality is still strong but not as strong as before anymore. "

The soil was broken and sloppy, with only a moderate quantity of rain, the properties were of small size and the population was very dense. One of the most important projects carried out was one concerning the soil conservation, involving mainly infrastructure to avoid erosion, and the incorporation of organic seasoning which required to convince and to qualify landowners.

IV. Project Description

The project initially targeted the following areas: Ticuantepe, la Concepción and Masatepe. Largely small-scale producers with weak productive systems and scarce financial resources to improve their situation formed the target group. “Presentan una alta motivación para el trabajo, poseen tierras fértiles, aunque accidentadas y altamente susceptibles a la erosión. No tienen acceso al crédito formal y viven en condiciones de pobreza y pobreza extrema. Los niños presentan cierto nivel de desnutrición y tendencias a enfermedades prevenibles. La participación de las mujeres, sobre todo en la administración y manejo de las fincas es alta y también existen muchas familias monoparentales jefeadas por mujeres beligerantes y que no reciben ningún tipo de apoyo. El grupo meta tiene cierto desarrollo organizativo alrededor de las iglesias y escuelas.” (Final report).

Through the project, AGRODERSA would help low-income, rural Nicaraguans affected by Hurricane Mitch recover productive capacity, and prevent future environmental disasters, by implementing activities in agricultural production and natural resource conservation. AGRODERSA would help to increase rural income, food security, and employment for 400 small farm families in 17 communities. AGRODERSA would accomplish this by promoting economic diversification, improving crop yields, lowering agricultural production costs, increasing the use of agro-forestry practices and promoting various other natural resource conservation measures in the low-income communities.

More specifically, the project aimed to achieve specifically these aims:

1. Improve the capacity and the skills of participating families in protecting of the environment and the conservation of natural resources and their sustainability.
2. Increase the technical knowledge of beneficiaries through their active participation in the project activities.
3. Promote the participation of women in the productive development that helps to keep the environment.
4. Increase participatory development where focal groups help to design, implement and assess their own projects.
5. Reduce erosion levels by implementing soil conservation measures.
6. Improve fertilization levels in the soil of the farms by introducing green fertilizers, compost and other organic fertilizers.
7. Boost the establishment of development models that integrate productive aspects with environmental conservation.
8. Increase the vegetation coverage by establishing appropriate agro-forestry systems.

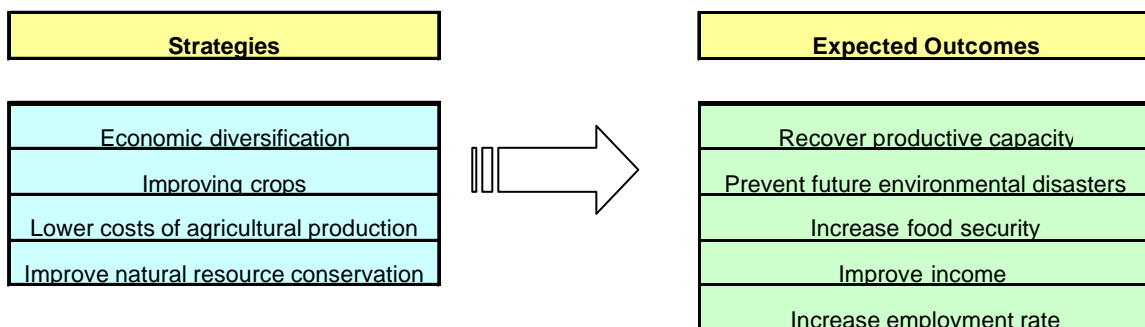
To achieve these objectives, AGRODERSA's agronomists would work closely with local promoters and 32 farmers' groups to introduce technologies for natural resource conservation such as wind breaks, natural fencing barriers, dikes, terraces, filtration ditches, organic production modules, and small water catchment basins. AGRODERSA would help construct nurseries for supplying seedlings to the communities for the reforestation of mountain hillsides throughout the region. To disseminate their

technologies, AGRODERSA’s agronomists would organize training workshops, field days, on-site demonstrations in the communities, farmer-to-farmer exchanges, and frequent follow-up visits by the extension agents to inspect the effectiveness of the new technologies being introduced. The training programs would cover the topics of agroforestry management, soil and water conservation, agricultural marketing, watershed management, integrated pest management, family farm planning, family gardens, and organic agricultural production. To effectively implement these programs, AGRODERSA would organize 32 small groups of farmers and add local promoters to its staff for working with the communities.

AGRODERSA would also provide farmers with construction materials for building fences and other infrastructure for the natural resources conservation and land protection practices.

AGRODERSA would provide the farm families with vegetable and legume seeds, and baby chicks, to improve their agricultural production and enhance their economic security. As a direct result of project activities, it is anticipated that over 400 families of small-scale farmers would be able to recover from the crop losses suffered as a result of Hurricane Mitch and take major steps towards decreasing future environmental damage.

Fig. 1. Project Flowchart (initial design)⁶



⁶ I.e. without a credit fund provision.

IAF funds (US\$ 346,261.00) would finance construction materials and agricultural supplies, training, and technical assistance costs, and administrative costs, and the 17 communities would provide the labor costs for the construction of land improvements and other small infrastructure and for improved agricultural production.

Edwin Padilla, founder and member of Agrodersa. We are five founders and members, all agronomists. Our main experience has been agriculture protection. We have been working hard in this project we presented to the IAF in 2000, about soil conservation. They visited us, we show them all the communities we wanted to carry out the project at, they spoke to the potential beneficiaries and approved the project.”

The project was structured under four components: organization, qualification, technical assistance and material delivering – inputs in general. The focus was the protection of small water catchments basins and in teaching the producers to consider the environment. We work together with the mayoralty, what make us three allies working together: the organism, the mayoralty and the producers, up to 300 families.

According to Julio Cardenas: To some of them we gave only plants, to other only birds. I mean, we do not give everything to everyone, we make a selection. To the very poor communities we gave birds, for example. And then we started to do credit, one year before the end of the program, which was not planned. We realized that we were just giving everything away and started to be concerned about our future. We did not want to be like other projects we see around, that endure for three year and then disappear. We have been working for eight years. Now we have an office and our activities have slowed down. We have at the moment a new project of agro-tourism.”

V. Project Outcomes

The project had benefited 870 people (206 women and 664 men) of 19 communities, organized in 35 groups of producers by the end of 2004. Activities had focused on 4 large issues:

- a) Agriculture
- b) The environment
- c) Finance
- d) Capacity building

According to the Final Report written at the end of the IAF intervention, these were the following outputs of the project at the time:

- ~~✍~~ 52 hectares of branches (“enramadas”) with three different types of plants: calala, chayote y granadilla.
- ~~✍~~ 34 plant vivarium where a total of 232,000 different species had been produced, including, fruits, wood, herbs, coffee and ornamental plants.
- ~~✍~~ These plants helped to establish or enhance agro-forestry systems in need of hedges, live and trees.
- ~~✍~~ 82,000 of these plants were allocated to the communal areas in a partnership with the municipal government.

The strongest environment-related component concerned soil conservation in order to diminish the erosion from the wind and rain. As the final report mentioned, the soil is weak given its volcanic origin inclined at 20 to 45 degrees.

Table 1 - Project Outputs – soil conservation

| Task | Target | Effective |
|-------------------------------|---------------|--------------------------|
| Ridge-type Terrace | 50,000 meters | 67,979 meters |
| Infiltration drains | 1,600 meters | 9,370 meters |
| Infiltration buckets | 1,600 units | 2,647 units |
| Infiltration ditches | 1,600 units | 1,618 units |
| Dams | 2,000 meters | 2,120 meters |
| Hedgerow | 35,000 meters | 34,200 meters |
| Barriers (with plants) | - | 14,430 meters |
| Organic fertilizers | - | 85 hectares (7,800 bags) |

Source: Final Report.

VI.IAF-supported Credit Fund

The initial agreement did not foresee credit fund (see fig. 1, flowchart page 6). According to a timely mid-term evaluation, however, there was a clear demand for credit by the beneficiary families. Based on this diagnosis, an amendment was requested in December 2002:

“La presente solicitud de enmienda, constituye una alternativa que posibilita alcanzar la autosuficiencia financiera y sostenibilidad del proyecto (...) La evaluación de medio término, coincide con las recomendaciones hechas por la Oficina de Enlace SEAL (...) Por otro lado, es menester señalar que paralelo a la evaluación intermedia, se realizó un diagnóstico socioeconómico, en donde se identificó una demanda potencial de recursos (crédito) como eje fundamental para desarrollar las unidades productivas, el sector comercio, pequeñas y medianas microempresas y el sector agropecuario del entorno del corredor biológico”.

For these reasons, the grantee requested additional US\$ 89,960.00 and an extra year for the completion of the project. With an adjustment in the initial budget allocation, the Revolving Credit Fund was established with US\$106,488.00. The fund would finance productive activities and would support the establishment of small businesses.

Through an IAF-promoted conference, Agrodorsa came to know other credit institutions in Nicaragua and became attracted to the idea of credit provision. Therefore, credit was adopted halfway through the project because they saw that beneficiaries would remain quite vulnerable once the project – as it existed – would end. The beginning of credit activities was difficult because the staff lacked the necessary experience with financial issues to implement it. Interestingly, this shift also marked a change in their relationship with their beneficiaries, as beforehand they would donate project inputs, whereas now they would lend it and charge it back..

The conditions for accessing loans included:

- a) The credit should be used for project-related activities;
- b) Provision of a collateral: as most people do not have a title deed, the grantee would accept a letter from the municipality guaranteeing the solvency based on the land tax that the beneficiary paid.
- c) Interest rates were kept at 2,5% over the balance of the debt (not on the whole capital).

The majority of credit was individually granted, as previous group experiences had been negative. If and when one participant defaulted on a loan, the others would become hesitant about gathering up again and having to assume someone else's risks and debts. Most loans were destined to agriculture or services (table 2).

Table 2 - Loans: type and amount (2004)

| Loan Purpose | Number of Loans | Average amount of the loan (US\$) |
|-------------------------------|------------------------|--|
| Agriculture and Cattle | 187 | 382.90 |
| Manufacture | 38 | 244.55 |
| Trade and Services | 171 | 241.84 |
| TOTAL | 396 | 310.54 |

Source: Final Report.

Table 3 - Loans: type, gender and total amount (2004)

| Loan Purpose | Loans | Men | Women | Total Amount US\$ |
|--------------------------------|--------------|------------|--------------|--------------------------|
| Agriculture | 163 | 105 | 58 | 58,323.82 |
| Large scale cattle | 10 | 2 | 8 | 9,679.93 |
| Small scale cattle | 14 | 5 | 9 | 7,428.6 |
| Small scale manufacture | 38 | 17 | 21 | 9,292.89 |
| Trade (businesses) | 148 | 56 | 92 | 37,635.42 |
| Services (transport) | 23 | 14 | 9 | 3,719.88 |
| TOTAL | 396 | 199 | 197 | 126,080.54 |

Source: Final Report.

The grantee provided some documents containing the description of loans since the beginning of the credit fund in 2002 until December 2006 (the last period for which they

have consolidated data). According to their accounts – which we will adjust in the following pages - the situation of their portfolio in this period was as follows:

Table 4 - Credit Fund – 2002 –2006.

| Porcentaje | JUNIO 02- NOV 02 | | DIC 02-Mayo 03 | | Jun 03- Nov 03 | | Dic 03 - Mayo 04 | | Jun 04 - Nov 04 | | Dic 04 -Dic 05 | | Enero-06-Noviembre06 | |
|-------------------|------------------|-----------|----------------|-----------|----------------|----------|------------------|------------|-----------------|------------|----------------|------------|----------------------|-----------|
| | Monto | Saldo | Monto | Saldo | Monto | Saldo | Monto | Saldo | Monto | Saldo | Monto | Saldo | Monto | Saldo |
| Montos Cancelados | 122.806,56 | - | 156.837,96 | - | 13.100,00 | | 844.424,64 | | 677.251,46 | | 1.105.145,30 | - | 164.354,33 | - |
| 1%-50% | 19.541,00 | 6.563,49 | 99.580,00 | 2.438,54 | - | - | 86.896,60 | 27.707,56 | 91.972,00 | 27.912,31 | 218.109,75 | 27.321,42 | 275.654,33 | 2.160,15 |
| 51%-75% | 25.076,00 | 12.810,65 | 72.000,00 | 52.693,05 | 160,00 | 84,82 | 9.800,00 | 6.450,61 | 73.972,70 | 48.444,49 | 71.700,00 | 42.358,27 | 529.108,66 | 11.646,80 |
| 76%-100% | 66.874,07 | 70.235,31 | 400,00 | 400,00 | 1.000,00 | 1.000,00 | 35.331,45 | 34.649,13 | 59.200,00 | 57.746,12 | 181.740,23 | 177.127,65 | 27.000,00 | 24.638,16 |
| más de 100% | | | | | | | 33.840,00 | 50.894,78 | 63.900,00 | 97.035,45 | 36.500,00 | 49.562,78 | - | - |
| Total | 234.297,63 | 89.609,45 | 328.817,96 | 55.531,59 | 14.260,00 | 1.084,82 | 1.010.292,69 | 119.702,08 | 966.296,16 | 231.138,37 | 1.613.195,28 | 296.370,12 | 996.117,32 | 38.445,11 |

Source: Grantee

Nevertheless, when looking at the files concerning the year 2006, we have observed that their accounts are not accurate because they have added up the amount of loans twice in most cases for that year. As it becomes clear from the table below, 47 loans were provided in that year, of which 33 loans amounted to 164.354,33 cordobas that had been borrowed and paid off (with interest rates). The remaining loans (14) together total 49600 cordobas, with a total of 213,954.33 cordobas borrowed in 2006. Conversely, according to their files, however, the total amount of loans had been 996,117.32 simply because the amounts in the last column highlighted in blue had been added up cumulatively (table 2).

Table 5 - Loans and Repayment Status in 2006 (prior to adjustment)

| Fecha | Beneficiario | H | M | Monto |
|----------|------------------------------|---|-----|----------|
| 20-01-06 | Lilliam Moraga Cruz | 1 | C\$ | 2.000,00 |
| 20-01-06 | Celia Patricia Gutierrez | 1 | C\$ | 4.000,00 |
| 20-01-06 | Santos Roman Pavon | 1 | C\$ | 2.000,00 |
| 20-01-06 | Lilliam Teresa Amador Moraga | 1 | C\$ | 2.500,00 |
| 27-01-06 | Eudilia Calero | 1 | C\$ | 3.000,00 |
| 17-02-06 | Elisa Maritza Guevara C | 1 | C\$ | 2.000,00 |
| 17-02-06 | Geronima Quintero | 1 | C\$ | 2.500,00 |
| 17-02-06 | Nelson Antonio Ampie Bustos | 1 | C\$ | 1.600,00 |

| | | | | |
|----------|-------------------------------------|----|------------|-------------------|
| 17-02-06 | Pedro Jose Mercado Carrion | 1 | C\$ | 2.000,00 |
| 17-02-06 | Ronaldo de Jesus Guevara Rodriguez | 1 | C\$ | 3.280,00 |
| 17-02-06 | Luis Manuel Martinez Aguirre | 1 | C\$ | 3.000,00 |
| 17-02-06 | Margot Guevara Calero | 1 | C\$ | 2.000,00 |
| 05-04-06 | Jose Benito Calero Mercado | 1 | C\$ | 9.274,33 |
| 26-04-06 | Jose Luis Canda Potosme | 1 | C\$ | 7.000,00 |
| 19-05-06 | María Yamileth Hernandez H | 1 | C\$ | 3.000,00 |
| 19-05-06 | María Eduarda fuentes F | 1 | C\$ | 4.000,00 |
| 19-05-06 | Lissette del Carmen Rodriguez López | 1 | C\$ | 5.000,00 |
| 26-05-06 | Noel de Jesus Hernandez Mercado | 1 | C\$ | 3.000,00 |
| 26-05-06 | Domingo Jose Vasquez B. | 1 | C\$ | 3.000,00 |
| 22-09-06 | Adelaida Toruño Cerda | 1 | C\$ | 3.500,00 |
| 22-09-06 | Manuel Salvador Gonzalez | 1* | C\$ | 3.000,00 |
| 22-09-06 | Eudilia Calero Cerda | 1 | C\$ | 3.000,00 |
| 22-09-06 | María Concepcion Cerda López | 1 | C\$ | 3.000,00 |
| 11-10-06 | José Nicolaás Aguirre | 1 | C\$ | 10.000,00 |
| 22-09-06 | Juan Alberto Ruiz L | 1 | C\$ | 1.200,00 |
| 27-01-06 | Antonio Perez Gonzalez | 1 | C\$ | 10.000,00 |
| 20-01-06 | Lester Josué Umaña Calero | 1 | C\$ | 3.000,00 |
| 17-02-06 | Gloria Elena Blanco Perez | 1 | C\$ | 4.000,00 |
| 22-09-06 | Santos Roman Hernandez | 1 | C\$ | 2.000,00 |
| | Ana Bell Gomez Martinez | 1 | C\$ | 35.000,00 |
| 29-09-06 | Juan Francisco Salgado | 1 | C\$ | 12.000,00 |
| 26-05-06 | Segundo Calero Velasquez | 1 | C\$ | 8.000,00 |
| 26-05-06 | Jamileth del S. Balladares Calero | 1 | C\$ | 2.500,00 |
| | Cientes sin saldo | | C\$ | 164.354,33 |
| <hr/> | | | | |
| 04-04-06 | Jose Benigno López López | 1 | C\$ | 600,00 |

| | | | |
|----------|----------------------------|---|-----------------------|
| 19-05-06 | Claudia Dolores GutierrezG | 1 | C\$ 3.500,00 |
| 17-02-06 | Denis Jose Gonzalez Cerda | 1 | C\$ 2.000,00 |
| 22-09-06 | María Leonida Melendez | 1 | C\$ 2.000,00 |
| 26-05-06 | Isabel Bermudez Mendoza | 1 | C\$ 3.000,00 |
| | 1-50% | | C\$ 275.654,33 |

| | | | |
|----------|-------------------------------|---|-----------------------|
| 20-01-06 | Luis Mariano Sevilla | 1 | C\$ 3.500,00 |
| 26-05-06 | Jaime Umaña Calero | 1 | C\$ 4.000,00 |
| 19-05-06 | Josefa Dolores Sánchez Ortega | 1 | C\$ 4.000,00 |
| | | | C\$ 529.108,66 |

| | | | |
|----------|-----------------------------|-------|----------------------|
| 21-04-06 | Felix Manuel Sanchez Calero | 1 | C\$ 9.000,00 |
| 19-05-06 | Pastora Susana Lopez C | 1 | C\$ 3.000,00 |
| 26-04-06 | Jose Denis Villavicencio | 1 | C\$ 3.000,00 |
| 17-02-06 | Andrea Avelina Velasquez | 1 | C\$ 4.000,00 |
| 24-02-06 | Juan Bautista Hernandez S | 1 | C\$ 3.000,00 |
| 09-10-06 | Dina María Romero Alvrez | 1 | C\$ 5.000,00 |
| | | | C\$ 27.000,00 |
| | | 24 23 | 996.117,32 |

Source: Grantee

Comparatively, this is what their accounts should look like instead:

Table 6 - Loans and Repayment 2006 (Adjusted).

| Fecha | Beneficiario | H | M | Monto | Monto Total | Saldo |
|----------|------------------------------|---|-----|----------|--------------|-------|
| 20-01-06 | Lilliam Moraga Cruz | 1 | C\$ | 2.000,00 | C\$ 1.472,96 | - |
| 20-01-06 | Celia Patricia Gutierrez | 1 | C\$ | 4.000,00 | C\$ 4.160,00 | - |
| 20-01-06 | Santos Roman Pavon | 1 | C\$ | 2.000,00 | C\$ 2.080,00 | - |
| 20-01-06 | Lilliam Teresa Amador Moraga | 1 | C\$ | 2.500,00 | C\$ 2.600,00 | - |
| 27-01-06 | Eudilia Calero Calero | 1 | C\$ | 3.000,00 | C\$ 3.120,00 | - |

| | | | | | | | |
|----------|------------------------------------|---|-----|-----------|-----|-----------|---|
| 17-02-06 | Elisa Maritza Guevara C | 1 | C\$ | 2.000,00 | C\$ | 2.080,00 | - |
| 17-02-06 | Geronima Quintero | 1 | C\$ | 2.500,00 | C\$ | 2.600,00 | - |
| 17-02-06 | Nelson Antonio Ampie Bustos | 1 | C\$ | 1.600,00 | C\$ | 1.664,00 | - |
| 17-02-06 | Pedro Jose Mercado Carrion | 1 | C\$ | 2.000,00 | C\$ | 2.080,00 | - |
| 17-02-06 | Ronaldo de Jesus Guevara Rodriguez | 1 | C\$ | 3.280,00 | C\$ | 3.411,20 | - |
| 17-02-06 | Luis Manuel Martinez Aguirre | 1 | C\$ | 3.000,00 | C\$ | 3.120,00 | - |
| 17-02-06 | Margot Guevara Calero | 1 | C\$ | 2.000,00 | C\$ | 2.080,00 | - |
| 05-04-06 | Jose Benito Calero Mercado | 1 | C\$ | 9.274,33 | C\$ | 9.645,30 | - |
| 26-04-06 | Jose Luis Canda Potosme | 1 | C\$ | 7.000,00 | C\$ | 7.280,00 | - |
| 19-05-06 | María Yamileth Hernandez H | 1 | C\$ | 3.000,00 | C\$ | 3.120,00 | - |
| 19-05-06 | María Eduarda fuentes F | 1 | C\$ | 4.000,00 | C\$ | 4.160,00 | - |
| 19-05-06 | Lisette del Carmen Rodriguez López | 1 | C\$ | 5.000,00 | C\$ | 5.200,00 | - |
| 26-05-06 | Noel de Jesus Hernandez Mercado | 1 | C\$ | 3.000,00 | C\$ | 3.120,00 | - |
| 26-05-06 | Domingo Jose Vasquez B. | 1 | C\$ | 3.000,00 | C\$ | 3.120,00 | - |
| 22-09-06 | Adelaida Toruño Cerda | 1 | C\$ | 3.500,00 | C\$ | 3.640,00 | - |
| 22-09-06 | Manuel Salvador Gonzalez | 1 | C\$ | 3.000,00 | C\$ | 3.120,00 | - |
| 22-09-06 | Eudilia Calero Cerda | 1 | C\$ | 3.000,00 | C\$ | 3.120,00 | - |
| 22-09-06 | María Concepcion Cerda López | 1 | C\$ | 3.000,00 | C\$ | 3.120,00 | - |
| 11-10-06 | José Nicolaás Aguirre | 1 | C\$ | 10.000,00 | C\$ | 10.400,00 | - |
| 22-09-06 | Juan Alberto Ruiz L | 1 | C\$ | 1.200,00 | C\$ | 1.248,00 | - |
| 27-01-06 | Antonio Perez Gonzalez | 1 | C\$ | 10.000,00 | C\$ | 10.400,00 | - |
| 20-01-06 | Lester Josué Umaña Calero | 1 | C\$ | 3.000,00 | C\$ | 3.120,00 | - |
| 17-02-06 | Gloria Elena Blanco Perez | 1 | C\$ | 4.000,00 | C\$ | 4.160,00 | - |
| 22-09-06 | Santos Roman Hernandez | 1 | C\$ | 2.000,00 | C\$ | 2.080,00 | - |
| | Ana Bell Gomez Martinez | 1 | C\$ | 35.000,00 | C\$ | 36.400,00 | - |
| 29-09-06 | Juan Francisco Salgado | 1 | C\$ | 12.000,00 | C\$ | 12.480,00 | - |
| 26-05-06 | Segundo Calero Velasquez | 1 | C\$ | 8.000,00 | C\$ | 8.320,00 | - |
| 26-05-06 | Jamileth del S. Balladares Calero | 1 | C\$ | 2.500,00 | C\$ | 2.600,00 | - |

| Cientes sin saldo | | C\$ 164.354,33 C\$ 170.321,46 | | | |
|--------------------------|-------------------------------|--------------------------------------|----------------------|----------------------|----------------------|
| 04-04-06 | Jose Benigno López López | 1 | C\$ 600,00 | C\$ 624,00 | 18,66 |
| 19-05-06 | Claudia Dolores GutierrezG | 1 | C\$ 3.500,00 | C\$ 3.640,00 | 375,06 |
| 17-02-06 | Denis Jose Gonzalez Cerda | 1 | C\$ 2.000,00 | C\$ 2.080,00 | 384,18 |
| 22-09-06 | María Leonida Melendez | 1 | C\$ 2.000,00 | C\$ 2.080,00 | 393,01 |
| 26-05-06 | Isabel Bermudez Mendoza | 1 | C\$ 3.000,00 | C\$ 3.120,00 | 989,24 |
| | 1-50% | | C\$ 11.100,00 | C\$ 11.544,00 | C\$ 2.160,15 |
| 20-01-06 | Luis Mariano Sevilla | 1 | C\$ 3.500,00 | C\$ 3.640,00 | 1.965,34 |
| 26-05-06 | Jaime Umaña Calero | 1 | C\$ 4.000,00 | C\$ 4.160,00 | 2.482,92 |
| 19-05-06 | Josefa Dolores Sánchez Ortega | 1 | C\$ 4.000,00 | C\$ 4.160,00 | 2.878,24 |
| | | | C\$ 11.500,00 | C\$ 11.960,00 | C\$ 7.326,50 |
| 21-04-06 | Felix Manuel Sanchez Calero | 1 | C\$ 9.000,00 | C\$ 9.360,00 | 7.079,30 |
| 19-05-06 | Pastora Susana Lopez C | 1 | C\$ 3.000,00 | C\$ 3.120,00 | 2.648,14 |
| 26-04-06 | Jose Denis Villavicencio | 1 | C\$ 3.000,00 | C\$ 3.120,00 | 2.850,91 |
| 17-02-06 | Andrea Avelina Velasquez | 1 | C\$ 4.000,00 | C\$ 4.160,00 | 3.859,81 |
| 24-02-06 | Juan Bautista Hernandez S | 1 | C\$ 3.000,00 | C\$ 3.120,00 | 3.000,00 |
| 09-10-06 | Dina María Romero Alvrez | 1 | C\$ 5.000,00 | C\$ 5.200,00 | 5.200,00 |
| | | | C\$ 27.000,00 | C\$ 28.080,00 | C\$ 24.638,16 |
| 24 23 | | | 213.954,33 | 221.905,46 | 34.124,81 |

Source: Grantee

After this adjustment is made, the real situation of their portfolio across the years is revealed, as follows in Table 7:

Table 7 - Portfolio 2002-2006

| SALDO DE CARTERA JUNIO-2002- 30-Junio-07 | | | | | |
|--|--------------|------------|------------|---------|---------|
| Período | Monto | Saldo | Porcentaje | hombres | Mujeres |
| JUNIO 02- NOV 02 | 234.297,63 | 89.609,45 | 38% | 190 | 17 |
| DIC 02-Mayo 03 | 328.817,96 | 55.531,59 | 17% | 15 | 4 |
| Jun 03- Nov 03 | 14.260,00 | 1.084,82 | 8% | 5 | 3 |
| Dic 03 - Mayo 04 | 1.010.292,69 | 119.702,08 | 12% | 72 | 64 |
| Jun 04 - Nov 04 | 966.296,16 | 231.138,37 | 24% | 78 | 92 |
| Dic 04 -Dic 05 | 1.613.195,28 | 296.370,12 | 18% | 68 | 120 |
| Ene-06-Sept-06 | 213.954,33 | 34.124,81 | 16% | 24 | 23 |
| Totales | | | | | |
| | 4.381.114,05 | 737.951,79 | 17% | 422,00 | 323,00 |
| | | | | | 745,00 |

As a result, we observe that the number of loans has dropped considerably since the beginning of the credit fund – from almost 200 loans between June 2002 and May 2003 to 47 in 2006 (albeit on a rather positive note, there has been a greater balance in the gender distribution of loans). Conversely, the average loan amount has increased in the same period from 1130 cordobas to 4550 cordobas, roughly.

The level of default has improved after the first year – when the learning curve should have been steeper for the grantee – but remained steadily high afterwards. Two possible reasons for this could be pointed out here: (i) lack of repayment capacity (economic crisis) and/or (ii) lack of rule enforcement by the grantee or poor management.

In order to better address the second hypothesis, we would need to check the fund management by the grantee. Despite our efforts to gather the financial statements of the grantee, including our trip to Nicaragua and several telephone calls afterwards, however,

they have not provided their financial statements – which could help to understand their current loan provision status.

Alternatively, there is a slight indication that the weak reinforcement of debt execution may not have helped to increase repayment either. As we will learn from the interviews transcribed in the following sections, beneficiaries have managed to repay their loan even amid difficulties.

Furthermore, the costs of the mortgage (around 2% of the loan) were almost too high given the project's context – hence seizing the property would not be worthwhile for small loans. As we found out, Agrodersa's managers found increasingly hard to execute debt guarantee because the judicial process is “slow and inconvenient”.

Julio Cardenas says “Our interest rates were the lowest of the market, only 2.5% a month.” The payment period generally was six months, sometimes four months. Some repaid monthly, some at the end, it depended on the culture. Only loans above 300 dollars had collateral and there was no group lending. Still according to him the repayment rate was around 50%, the other 50% are in default. Before they use paid well. Due to contagion to the general situation of the economy as well. “In the beginning we did not put much pressure, since we did not want to take away anyone's property to recover funds which were giving by the IAF. It was a delicate issue.... Another difficulty we found was that when we tried to charge for the repayment it was as if there were no laws in the country. Even if you have formal collateral, when you ask for it to be executed there is no one that will apply the law.” he added.

Julio Cardenas adds: “It has not been easy because we had very little experience with credit. When you start giving things to the people and then you begin to ask for repayment the relations change. To lend and ask for a person's land as collateral, for example, is quite uncomfortable. It was hard for us to be tough with them. We are neither bankers nor financial men, we are agronomists, we like the countryside.”

Officers and some beneficiaries alike also blame low repayment rates on the macroeconomic situation in Nicaragua. According to Edwin Padilla: “the government should trace the macroeconomy so that the organisms can follow. The government does not have to provide the credit, but it ought to define a line to guide the institutions. If we do it independently from the policies form above it does not work. It has to be the nation’s strategy and then the organisms should get on the track like a train following a locomotive, providing technical support, research, validation, transference of technology.”

Some circumstances have indeed affected people’s ability to repay their loans. For instance, as coffee prices plummeted, there have been high migration rates from the countryside. Public policies did not address such shift and small-scale farmers were left helpless. Few public resources are allocated to the rural sector that comprises most of the poor in the country. There are 1.6 million rural poor or 68.5% of the total rural population (1998) but more worryingly c. 30% of the total population. Coffee is still the main export crop – 21.8%. A structural unbalance also hampers an improvement in this scenario: rural population represents 42.7% of the total population in Nicaragua (2003), while agriculture represents only 17.9% of the country’s GDP (2003). And access to productive resources is difficult: arable land makes up 15.9% of the land area in 2002, while irrigated land was 4.4% of cropland in the same year.⁷

Concomitantly, the country’s macroeconomic policies did not facilitate the actions of institutions like Agrodorsa. Such organizations hardly have any channels of communications with the government. Furthermore, the State centralizes its activities that relate to rural credit. This combination of factors hinders the proliferation of economic and productive activities and the circulation of capital.

⁷ www.ruralpovertyportal.org/english/regions/americas/nic/statistics.htm

In view of the non-executable character of the collaterals, the chances of recovery are little. Defaults, however, do not seem to be Agrodorsa's privilege: 5 large banks went bankrupt in recent years, including Banco Popular. The government would come to the rescue of these banks by condoning their debts and spiraling inflation further.

The financial sector seems to be in a constant recovery phase and there is hardly any regulatory framework for the microfinance institutions (MFIs). "By the end of 2002, there were only six banks in Nicaragua (most of them head-quartered in Managua or other metropolitan areas), as compared to a regional average of 107 per country. The total assets of these Nicaraguan banks (in millions of US dollars) were \$2,009 compared to a Central American average of \$30,133. Having 15 times less banking resources than its Central American counter-parts means that the Nicaragua struggles to provide enough lending opportunities for its citizens."⁸

As a result of subsequent defaults and the end of the IAF agreement, the Credit Fund is virtually inactive. In order to recover the fund, they would have to implement a serious and costly strategy of personal visits and legal demands.

VII.Credit-Related Lessons

Firstly, there is a strong perception in Agrodorsa that credit is not efficient for small-scale activities, which need subsidies instead. This perception may have biased their fund allocation towards better resourced businesses, hence explaining the drop in the average loan amount as well as the total number of loans across the years.

What's more, they would improve their borrower selection, by:

- Strengthening their guarantee systems to avoid the sale of compromised assets given as collaterals for the loan. They asked for few guarantees because they would not want to create a bad atmosphere among the community members, and

⁸ In: (<http://www.fsdinternational.org/?q=ntlopps/country/nicaragua/microfinance>)

they also relied on their mutual acquaintance as a confidence factor that could avoid default. Providing loans for associations did not prove any easier either, as few of them have a legal status that would allow them to be represented before the courts, in case of debt execution.

- Evaluating the beneficiaries' business profile before granting the loan. They would be stricter in their assessment of beneficiaries even though this might increase their costs.
- Mr. Cardenas and Mr. Martinez both agree that separating credit from agricultural operations would have been desirable to increase the effectiveness of both strands of activities. For instance, people who were indebted would not take part in capacity building – further compromising the effectiveness of the project.
- According to Roberto Garcia – IAF LLAS for Nicaragua. The case of Agrodorsa was also an interesting one. In the beginning they did not have a fund of credit, they had a fund called productive incentive, which was in practice a masked subsidy, concerning donation of goods and money. Then a group managed to convert this fund into a credit based one, and we can say it somehow succeeded. It was interesting because, as we say here in Nicaragua, "*Lo que no nos cuesta, hagamos fiesta*", which means that people do not value things that are freely achieved. Besides, it helped to create a culture of responsibility.

VIII. Impacts

The project aimed to improve the conditions of the soils and the terrain, which were steep and dry. Therefore, in order to address these problems, the project was firstly organized in two strands of activities comprising:

- a) Capacity building, organization-building, environmental conservation
- b) Delivery of plants and seeds.

Concerning these two activities, beneficiaries were selected according to the size of their farms (1 hectare minimum) and whether they owned their land – as Mr. Cardenas

explained, their ownership helped to determine their commitment to the project activities.

A third activity was added to the project with the introduction of a credit fund. These activities could happen simultaneously to each other in the course of the project – the project impacts will refer here to all of these activities.

We visited some of the project beneficiaries located in La Concepción or La Concha, as they call it. After a short drive through a lush mountain of tropical vegetation, one arrives at this small community some 40 kms off Managua's center. La Concha used to be a heavy coffee producer, but since the drop in coffee prices, it has shifted to pineapple production.

Through the accounts below, we will try to characterize the diversity of beneficiaries, their survival strategies, the project's impacts and their own evaluation about the contribution of the project to an improvement in their lives.

a) Loans for Rural Activities with Women Beneficiaries

The two accounts below show the different ranges of loan amounts provided to women who invested in their *fincas*. Both are heads of their households and have experienced the repayment differently: Rafaela has not found the interest rates high, as opposed to Auxiliadora, who nonetheless has borrowed more.

?? Rafaela Lopes Garcia, Finca San Rafael, km 24 de la carretera La Concepcion

Loan track record: 8,000 cordobas in November 2004, 10,000 in July 2005 and 10,000 in April 2007.

Señora Garcia borrowed money from Agrodorsa to invest in her coffee plantation. Her track record has around 3 loans with Agrodorsa, whose interest rates are low and repayment conditions "easy". It helps that they keep a friendly relationship with their customers and are flexible with payment delays, for instance when a producer falls ill.

Aside from credit, she also received plants, such as *mandarina* and *cacao*, for cultivation as well as woods such as *roble*, *acetuno* and *bamboo*. In order to improve the structure of her farm, she had access to financial support to buy barbed wire and fertilizers “pues que el suelo es quebradito” and hard to grow coffee. Following the Nicaraguan trend, she has also borrowed individually, providing her coffee production as a guarantee for the loan.

Quite simply, when asked what benefits this partnership has brought her, she is assertive in saying that being able to work gives her plenty of satisfaction. Before Agrodersa’s intervention, the land was arid and production was low. Following their input, her farm improved (“Pasito adelante”) not only through credit, but also with technical assistance that introduced the technique of terrazas for the steep terrain where coffee was being planted. Technical assistance has been provided mainly to her employee, Santos Sanchez, “entre varones”, as she tells.

Her land measures around 30 manzanas (c. 21.132 hectare⁹), which provides one harvest per year. Her last loan was taken in April, 2007 for 10,000 cordobas (c. 540 USD¹⁰) to buy pesticides for the next coffee harvest. The loan was initially designed to be repaid within 6 months but she has managed to repay only 2 installments so far, having 6,000 cordobas left to pay back. This has occurred because she will only receive income once the coffee has been harvested, that is, in December. Meanwhile, she depends on her children’s help for maintenance. She foresees that she will be able to pay off the loan once the harvest is sold and will keep some profit.

Her husband used to run the farm, but left her around 7 years ago and she had to learn it all by herself. She did not have enough capital to afford fertilizers, pesticides and salaries. Nowadays, her plantation is looking better and “el sacrificio no es de balde”. She has also been able to pay her employees. “Uno esta tratando de seguir adelante”, she

⁹ Source: <http://www.onlineconversion.com/area.htm>

¹⁰ Source: <http://www.xe.com/ucc/>

says as a sign of the changes from the project. Apart from these measurable indicators, and perhaps more importantly, she tells about her more settled state of mind “cuando las cosas les van bien, uno descansa”.

?? Auxiliadora Lopez Hernandez

Loan track record: 25,000 in November 2002 and 35,000 in February 2003.

Auxiliadora owns a Pulperia (a shop that sells pulse crops such as beans, among other groceries) but has borrowed from Agrodorsa to buy fertilizers and pesticides for her farm where she grows chayote and granadilla. It is worth noting that the chayote is sold between July and December, while the citric fruits are sold between February and April – hence providing her with potential food and income for most of the year, as the project design intended initially. She first took a loan of 10,000 cordobas, but her most recent one has reached 50,000 cordobas (c. 2700 USD). In order to guarantee these loans she provided her farm title deed. In view of the bad winter, her fruit production has not obtained good prices in the market –. Therefore, she has relied on the revenue from her Pulperia in order to repay her loan monthly. She has done so, however, with some difficulty given the high costs of this loan. There is little profit after the math is done, but she says that “sin ayuda no pueden trabajar”, because this loan helps to increase the production by allowing the purchase of important fertilizers and the clearance and maintenance of the “ramada” (branches). Technical assistance has also proved essential to ensure her gains at the end of the productive cycle. She raises her 2 children on her own and runs both the pulperia and the farm. For this reason, it is so important for her that Agrodorsa keeps a flexible approach to loan repayment.

b) Loans for Urban Activities with Women Beneficiaries.

The following stories show an interesting contrast: not only in the amount of loans, but also in the stark difference in repayment ability. The first account shows a steady track

record of borrowing and the second account reveals the difficulties of the borrower, given the economic hardship in her community.

?? Alba Nidia Calero

Loan track record: 6,000 cordobas in February 2004; 4,000 in September 2004 and 6,000 in March 2005.

Alba is the young owner of the Salao de Belleza Gloria, also in La Concha. Her relationship with the grantee began almost 4 years ago, when she borrowed 5,000 cordobas. Given her good track record, she has been able to keep borrowing – recently she borrowed 19,000 cordobas (c. 1026 USD) to buy supplies for her business at 3% interest rates (which she does not find excessive). As she owns 2 houses, she was able to provide one of them as a guarantee of the loan. She has chosen Agrodorsa among other banks because they release resources faster and enable her to renovate her stock. Nevertheless, her business alone does not provide enough revenue to pay off the loan and she also relies on the rent from her other house in order to complement her monthly income. Within these circumstances, she has been able to perceive a profit and invest I in her home, apart from buying equipment for her salon and improving her family's diet.

?? Elisa Monterrey

Elisa runs a restaurant in La Concha and has known the engineers from Agrodorsa for a long time. She gained greater profit after accessing credit – her first loan amount was 1,000 cordobas. The restaurant revenue alone would not be enough to keep her and her family, so credit has helped to lift it up. Despite this, she has been indebted lately her last loan was of 4,000 cordobas, which she has not been able to pay off. She attributes her difficulty to the economic hardship of her own clients, as a reflection of the macroeconomic situation. Agrodorsa has been flexible enough and its “areglo de pago” is helpful in dire times. She is aware of other institutions but has chosen Agrodorsa because they are local and charge lower interest rates.

b) Loans for Rural Activities with Men Beneficiaries.

The diversity of women beneficiaries is mirrored by the diversity of men: the two interviews transcribed below will show the differences in men’s profiles in terms of risk taking and productive capacity, not least in view of their age difference and size of land.

?? Marlon Valle

| Date | Loan Amount (cordobas) |
|------------|---------------------------|
| June 2002 | 580 |
| July 2003 | 1960 |
| March 2004 | 10000 |
| April 2005 | 25000 |

Marlon is one of the three partners in a cooperative that borrows from Agrodorsa. Eight years ago shares of the hitherto communal land were raffled among members of the community and he was assigned some 3 manzanas. Only three years ago he obtained the title deeds. Their involvement with the grantee began with technical assistance, for instance by introducing “curvas a nivel”, soil conservation and reforestation and workshops that, according to him, provided the motivation to carry on working with Agrodorsa, as he and his friends saw good outcomes from this intervention. Aside with technical assistance, Agrodorsa also provided loans at 2,5% monthly interest rates – he took his last loan 2 years ago to improve the “ramada” of chayote and granadilla – both of which he sells directly in the markets. Interestingly, although being a member of a cooperative, he sells his products individually and the advantage of the cooperative is mostly in the wholesale purchase of inputs for production at lower prices and in their mutual support. The previous experience of sharing the land and producing together was

rather innocuous because, as he explains, each farmer has his own rhythm and pace, which makes collective work harder because some may produce more than other whilst all reap the same benefits.

Before having access to credit from Agrodorsa, he produced less quantity and only three types (beans, maize and citrics). After Agrodorsa's project, he now has 25 types of plantation and 3 manzanas in total. "Soy generador de empleo", he says proudly. His total annual investment is 60,000 cordobas (3240 USD) and his revenue may reach 80,000 (4320 USD). Before the project, he only had c. 40% of this amount and did not have enough resources to sow the land, in which case "que vá a sacar?" – he asks.

Marlon is convinced about the virtues of diversifying his production: he has products all year round. His income has increased as a result and his family has felt the impacts through a better diet.

?? **Cristino Aguillar**

Across the road from Marlon's finca, we met Dom Cristino Aguillar – another (and older) member of the cooperative. He also used to share the land and later obtained his private farm. Five years ago he began working with Agrodorsa. He shares Marlon's opinion about the benefits of separating the land: it is better because they have greater autonomy. Agrodorsa followed in the footsteps of the Campesino Campesino Organization (which helped to build the terrazas). Agrodorsa has been of great help because his finca is not considered enough guarantee to secure a loan and he needs capital for his plantation. Two years ago, he borrowed 800 cordobas (43 dollars) to buy the plants. His production of coffee has grown since the start of the project – but he borrowed far less than Marlon and has not been able to increase the size of his land showing a more conservative profile maybe reflecting his age (capacity to produce).

Interestingly, both interviews show the trend towards individual activities, as the excerpt below explains:

“In Nicaragua, a series of commodity booms in coffee, cotton, and meat, together with a set of policy distortions that encouraged the accumulation of land, gave, from the late 19th century, rise to a systematic process of land concentration (e.g. Paige 1997). This process was accentuated by land acquisition through A. Somoza, who assumed the presidency in 1936, and his family. The Sandinista revolution in 1979 unseated Somoza and distributed large tracts of lands to former workers. However, during the Sandinista period, which lasted from 1979 to 1990, and especially in its final phase, the Government distributed, through its agrarian reform program, large amounts of land it did not legally own, thereby laying the seed for continuing insecurity in the sphere of property rights.

(...)

The importance of these issues is most strikingly illustrated by the case of cooperatives. The large majority of these cooperatives have long been disbanded and *de facto* individualized. However, inability to determine whether or not current members of the cooperatives are rightful owners of their land, together with an institutional and legal framework unable to resolve the issues, especially provision of the 5 legally required documentation, at the speed required, made it virtually impossible for members of cooperatives to formally make the *de jure* transition to individual land ownership. The productive inefficiency of collectives and the need to continue fighting legal battles for their land led to a precipitous economic decline of the cooperative sector and a wave of distress sales (Jonakin 1997), both of which affected primarily the poorest groups in the population.”¹¹

IX. Institutional Challenges

According to Julio Cardenas: “80% of Nicaragua economy is based on farming. Cattle raising, for example, is still very little developed and should be further developed, as

¹¹ In **Investment and income effects of land regularization: The case of Nicaragua** Klaus Deininger and Juan Sebastian Chamorro - World Bank; University of Wisconsin, Madison World Bank Policy Research Working Paper 2752, January 2002

well as agriculture together with tourism, agro-tourism. We do a project together with the mayoralty, always focusing on the environment. The problem with the mayoralty is that its term lasts only for four years. The mayor changes and then we have delays in the project.”

One of the greatest challenges of the project was to convince the beneficiaries about the virtues of soil conservation and the use of organic fertilizers. Once this initial adaptation phase was over, beneficiaries could see the benefits and would subscribe to the overall strategy more easily.

Interestingly, a shift from purely technical activities to technical+credit services also marked a change in the grantee’s relationship with their beneficiaries, as beforehand they would donate project inputs, whereas afterwards they would lend resources and expect a repayment. This required a change in the general culture of relief approach towards a more responsible use and management of resources – which has been out of the control of the grantee. According to Edwin Padilla the technical assistance and credit provision have to go in a parallel but independent way. “We go together to a farm and I say: this man does the credit and I do the technical part. But at the same time it has to be coordinated.”

Agrodersa has come a long way since the beginning of the project. According to their own evaluation, they have gathered more experience and knowledge and have also increased their network as a result of this particular project. “Estamos los cinco [agronomos]”, Mr. Martinez sums up, “todavía con muchos obstáculos. Llegamos a tener mucho impacto en las comunidades en nuestra forma de trabajar, pero faltanos mas capital para proyectos paralelos al credito, como por ejemplo organización y capacitacion”.

The IAF project has increased Agrodersa’s leverage (technical knowledge plus reach) in the region. For instance, it obtained an important support from CAT. It has also helped to boost projects outside the La Concha area (in Matagalpa, for instance). The IAF

project contributed with much knowledge and experience, but it also provided good evaluations of Agrodorsa's performance, which helped to secure these more recent partnerships. Before the project, "todo era regalado" – and this has been for sure a great learning curve for the grantee.

Despite having had previous experience as an agronomist, Eduardo Callero, Agrodorsa's field and credit officer, felt that the IAF project provided much learning to him and his colleagues, so that now they are able to carry on with credit activities. The project has strengthened Agrodorsa by providing invaluable lessons, for instance about the different products and services in both rural and urban areas – and their implications for credit. The greatest challenge ahead is still the good use of the loan, that is, to ensure that the beneficiary learns how to apply the borrowed capital appropriately. The high default rates are attributed to the macroeconomic situation of the country. Once a borrower delays a payment, an officer visits him to check the reasons for this delay. If, for instance, the borrower really is not able to repay it, Agrodorsa arranges a restructuring of the payment schedule or "areglo de pago" giving a longer deadline for the borrower to pay.

X. Conclusions

The soil conservation was the central aspect of the project initially and worked well, albeit being costly, laying the foundation for the later stages as they managed to diversify the production in the *fincas*. Credit thus is important as it ran parallel to or in the footsteps of the improvements in the productive structure. Agrodorsa recognizes the conflict of interest inherent to this dual operation of credit provision and technical assistance/capacity building. This creates a certain degree of confusion that the producer himself does not appreciate. The necessity of credit is paramount, but there is a void in public regulatory policy referring to this the me.

The initial design of the project thus rightly invested resources in conservation-related aspects, but overlooked the investment capacity of the beneficiaries. Thanks to a timely mid-term evaluation, the demand for credit was diagnosed and duly addressed. In terms of impacts, it could be said that above all, the loans have had a role of providing working capital, in a region starving for more investment. Beforehand, people had worried about the means to acquire important productive inputs – a concern that the credit fund has helped to put aside (at least for a while).

Could the project have achieved more in terms of credit? Probably. As we saw in Table 7, the number of loans has dropped significantly since the end of the project – while the demand for loans does not seem to have changed. In the absence of financial records, we could not make a better assessment of the reason for this drop in borrowing levels. Therefore, we noted two probable origins for this indicator, namely, economic crisis leading to a lack of repayment capacity and/or the poor management of the credit fund. Agrodorsa has struggled to keep its initial reach towards its beneficiaries, which has been made more difficult by the steady low repayment rates, probably tightening its resources even further.

Agrodersa's main strength in its beneficiaries' view has been its flexible approach to loans. It has shown a commitment to its social mission of enhancing development while taking its beneficiaries' need in consideration. To further this purpose, it could re-design its loans in order to meet the schedule of the borrowers in rural areas, where income is only gained after the harvest (borrowers incur in debt before the harvest) and re-allocate a share of its portfolio to urban activities in the meantime.

The Grassroots Development Framework (GDF) was considered useful for the measurement and assesment of some indicators, but most of its concepts have been "hard to capture", as Agrodersa officers reported. This monitoring ethos has not remained within the organization, which currently does not have any system in place to follow the outputs or impacts of its activities.

Agrodersa has shown institutional growth, which was most noticeable during the implementation of the project not least because of the great challenges that the project presented in its course (e.g. credit fund management) making the learning curve steeper. It has also managed to improve loan repayment rates after the first year of the credit fund. Nevertheless, they have aired their concerns about providing technical and credit services side by side, given their lack of financial experience and the conflict of interest inherent to this situation (providing resources free of charge and providing loans that need to be repaid).

As a result of the project's lessons and experience, the grantee has been able to expand its activities to other projects. For instance, it is working now in a partnership with the municipality on a ecotourism project, among other important strategic alliances with the municipality and organization Marena.

Likewise, one of the main indicators of the beneficiaries' progress as a result of the project was the evolution in their demand, according to Agrodersa: at first, they would

require productive inputs; in the last year of the project, they asked for credit (demonstrating an increased ability to repay).

The macroeconomic situation in Nicaragua has shown slightly better indicators, but rural poverty is still prevalent. This has made Agrodorsa's targeting more important, but its effectiveness harder in view of the wide needs of the rural population in terms of access to resources, markets, etc.

List of Interviewees

Beneficiaries

Rafaela Lopes Garcia

Auxiliadora Lopez Hernandez

Alba Nidia Calero

Elisa Monterrey

Marlon Valle

Cristino Aguillar

Staff

Julio Cardenas

Edwin Martinez

Eduardo Callero

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F. Conclusions

I. Interview with Roberto Garcia on IAF micro-credit projects in Nicaragua

✍️ Personal experience and the beginning of microfinance in Nicaragua

Roberto Garcia is The Inter-American Foundation LLAS in Nicaragua and given his experience he provides support to credit activities. Roberto has worked with micro-credit for more than twenty years. He was the founder of the first micro-credit experiences in Nicaragua starting with a Canadian religious organization involved in economic development projects that launched the first project in microfinance in Nicaragua. When it had around six thousand clients and one million dollars in its portfolio it evolved to a microfinance bank named ProCredit. This interview closes the 2007 evaluation project which fulfills perhaps the main role of FGV as a messenger for the IAF while also gathering a pool of project-specific knowledge.

✍️ History of microfinance in Nicaragua and IAF projects

Neri: Could you talk in general about micro-credit experiences here in Nicaragua?

In the Eighties, during the revolution, both the economy and the financial market were severely affected. The financial market was nationalized, and the revolution bank gave many benefits to the peasants, which were not sustainable. They provided credit as donations and in at least two different moments a massive donation took place. People received credit, land and tractors, did not pay it back and the government was not concerned about it. It damaged the economy but especially in what refers to the economic culture, destroying the culture of responsibility towards financial duties. The paradigm of the nineties was to provide technical qualification, technical support and credit. But, as long as the institutions developed, it became clear the need to separate financial services from non-financial services.

Therefore in the nineties we started to implement micro-credit experiences such as those that already existed in other South American and African countries, seeking to rebuild a culture of repayment among the microentrepreneurs as well as among the peasant and the rural population in general. Then we launched around five projects with cooperation of European Union, USA, Netherlands, Switzerland and Denmark. At that time, we had a parallel development of two different approaches. On one hand we represented a *business approach*, aiming to teach people how to make business and to reintroduce a culture of repayment. On the other hand we have entities carrying out a *relief approach*, based on donations, gifts and assistance. These strands developed separately from each other, and obviously the second one turned out not to be sustainable. The ones that have evolved and succeeded in consolidating themselves were the ones who had a focus on business.

Neri: How would you classify these institutions we are interested in concerning these two approaches you mentioned before?

Roberto: I would say Espino Blanco is in the intersection, Agrodersa would belong to the relief approach and Leon 2000 to the business approach.

Neri: We found quite different economic perceptions and perspectives across the different projects. Could you compare the projects regions in economic terms.

Roberto: There is not much regional inequality. Although, there is more poverty in Leon and *Chilandea*, where are Espino Blanco and Leon 2000, than in *La concha de La Concepción*, where is Agrodersa. I think this difference is due to (i) people's attitude towards credit; (ii) the capacity to organize in order to develop this sort of activity.

Micro-credit Issues

✍️✍️Credit for Commercialization

Neri: Do you think the issue of commercialization is important? How do you see credit linking with commercialization, for example, to achieve better prices?

Roberto: I see this as the formula of success. If a donor does not succeed at the end in strengthening its organization in helping the producers to commercialize its products, the chances of success are very small. Lack of access to markets is one of the main difficulties faced by the producers. Ten years ago the problem was lack of money to produce and in reaction to that there was an effort by development and assistance institutions to overcome this problem by providing technical qualification and credit. Then, when they managed to overcome this production problem, the main problem was to find channels to the markets. Otherwise they would either produce and stay with the production, or produce and have the production bought by a very low price, because the intermediaries would be the ones to appropriate the aggregated value. Therefore now the main issue is marketing and there are even those who speak of exporting towards global markets.

✍️✍️Land Reform

Neri: The basis of a micro-credit industry involve the question of collateral and property rights. How these issues evolved during Nicaragua recent history and how theses changes have affected the micro-credit industry? What is the situation of land distribution in the country and the use of land as collateral?

Roberto: The revolution at the Eighties, by means of a large land reform, redistributed millions of hectares of land among the peasants and non-peasants as well. However, since the government in power expected to be forever in power, it did not worry about the juridical aspect of it. Therefore, when there was a change in the ruling power, many people were in a situation that they occupied a piece of land without having the property

title , and this is a huge problem in Nicaragua. Among the small landowners, the large majority, surely above 80%, does not have the property title of their lands which would allow them to use it as collateral.

Before we used to have a lot of land belonging to the municipalities, but nowadays it is very rare to find communal or collective land, because the land reform gave them all to individual peasants. A lot of land was confiscated, but the property was not transferred. This problem is not so present currently, but it is a problem which is latent, since it is not solved. There are many people who still demand their land back, but this land are being used by someone else.

The Juridical System

Neri: What about the judicial system of Nicaragua? Does it have enough speed to make the micro-credit system to function? For example, with respect to the use of housing as collateral and enforcement of property rights, does it work well?

Roberto: Yes, it has been working perfectly for more than one century with individual credit. Social credit – in this group we have group lending and communal lending – exists then as an alternative to the poor people who have no possibility to offer a collateral and whose business are really small, without even a fixed place. The chosen lending methodology is directly linked to the poverty level of the segment it serves. For example, in the nineties, the moment when we had the boom of microfinance, the step system we had was: (i) communal bank – between 15 and 20 members - to the poorest, (ii) group lending – between 5 and 7 members - to the a little bit less poor, and (iii) individual lending to the even less poor. The three are poor, the three are microentrepreneurs, but at different levels of poverty and business structure.

The role of the Inter-American Foundation

Neri: Do you see a contradiction between donations and microfinance? I mean, IAF provide grants, which are a kind of donations, whereas at the same time seeking to develop micro-credit projects.

Roberto: Yes, there is a contradiction. However, in the way we manage it in Nicaragua, IAF provides donation, but which is not supposed to be directly consumed. It is not a donation to be given away but, instead, to strength institutions, groups and communities. It works very well and people understand it well. Of course, if someone arrives at a community and asks if they want to receive helicopters, food, inputs or whatsoever they would be glad, and will support the idea, but they know they have to make an input. The IAF supports development projects, not assistance projects. Therefore, in order to succeed in its mission, IAF has to be able to identify institutions that have this kind of approach.

In my opinion, institutions such as Leon 2000 should not receive support from IAF, since they already have a volume of resources and a presence in the market large enough to raise funds from the capital market. Therefore, the money from IAF, which is relatively not much – between 12 and 14 millions dollars per year to be split among around sixty institutions – should finance institutions that really need it, the small ones. The role of IAF should not be to develop the sector of microfinance, but to support the development of the territory from the level of localities.

It is true that then IAF is one of the institutions that has less requirements with respect to the presentation of proposals and also one of the institutions that intervenes less in the projects executions. In my opinion, this is a good thing. However, it does not mean that the fund is free to be used anyhow. Everyday, thousand of people are doing thousand of business, without the need of IAF or whatsoever. What IAF does when it supports this kind of initiative is to try to organize these relations and capitalize the best ways of doing business to show to the small microentrepreneurs the most efficient way of doing it.

II. Recommendations at Programs, Institutional and Country Level

IAF-supported credit funds fit into the country context and existing legislation and micro-lending institutions. The examples of the two grants to FUndacion Leon and Espino Blanco indicate this adequacy. Agrodorsa presented limitations in terms of the vocation of the institution for credit services, but even in this circumstance, micro-credit helped its clients to meet some basic needs and defend against risks. As to the impact of IAF-supported credit funds it will depend basically on the existing information network. The existence of ASSOMIF is an important reference as to the potential multiplying factor vis-à-vis other in-country micro-finance institutions. Its network could be used as an extraordinary multiplier of better practices and of innovation.

If future IAF grants should consider the importance of training associated to market needs, and their chances to increase production and basically improve beneficiaries' entrepreneurial skills. This may allow them to look for other opportunities, and in most cases this has not occurred because their range of action is much reduced.

The IAF should strengthen its project monitoring, as the institutions consider it having more feedback on their activities, the gaps and advances that are to be evaluated so as to reduce shortcomings. The importance of strong financial reporting cannot be too stressed here either: it both helps to ensure accountability as well as to help train the grantees in the financial routines that will help in the future management of funds, once the IAF withdraws.

It is also important to stress the important role of the "social investment fund", and although not very significant in monetary terms, its outcomes in social and socio-environmental terms have been considered relevant. It is an important and creative innovation to strengthen community based development, a very relevant aspect to consider in IAF projects. The more initiatives within this framework the more social

aggregation of local stakeholders and the aggregation of social capital, which is essential to reduce social exclusion and increase social participation and co-responsibility in the formulation, implementation and management of collective goods. This implies in creation effective conditionalities within projects to allow the implementation of this innovative way to articulate individual financing performance to collective outcomes converted in social investments according to the amount generated.

In spite of the high participation of women in MFIs, data indicate that they receive 42% of the funds in the urban sector and 17% in the rural one (Deugd, 2002), and the amount per women client is much lower than for men, indicating lower payment capacity.

We agree with Marulanda and Otero(2005), that micro-lending programs have the potential to cover their own costs. The interest each borrower pays helps to finance the cost of lending to another. In most poverty alleviation efforts, every person helped brings the program closer to its financial limits. Successful micro-lending programs, on the other hand, generate more resources with each individual they help. As a result, well-managed micro-lending programs generate more income than they spend. Once they become economically viable financial institutions, they have the ability to access a virtually unlimited source of lending capital.

It is also important to stress that technology—both software and hardware—will be fundamental to improve the quality of the financial services offered to low-income people in the region because they will allow microfinance institutions to improve their efficiency and expand their services to unserved markets, with both costs and risks that are reasonable. This is already to be seen in both cases evaluated as they have the means to develop the follow-up of its clients and to reduce the delay of payments.

Micro-credit can only be provided to those people (or population segments) that have an established minimum capacity to repay a loan.

Therefore, in the next years, there should be a focus on providing financial services to the poorest people, to result in the deepening of efforts to effectively reach unserved markets.

Nicaragua has the lowest commercialized microfinance market in Latin America, where institutions that seek profit represent only 6% of the total of clients and 16% of the funds. NGOs are responsible for the expansion of coverage, representing 75% of the total of clients and 60% of the funds invested. These data should indicate that given this situation the coverage to the low income groups would be significant. But this is not necessarily occurring to reach the poorest, between US\$ 100,00 and US\$ 150,00 (Lanuza, 2004). These data are relevant to analyze the fact that it is one big challenge to reach the poorest and that the best way could be through solidary loans, but this has proved very little effective and most beneficiaries oppose to it. Presently from most NGOs, a very small number is reaching efficiently with an average amount of US\$300,00, and this could mean that the techniques of loans are inadequately used (ASOMIF, 2006). The changes that occurred at the beginning of 2004, when ASOMIF was successful to pass a law at the National Congress, where spaces are created within banking regulation to allow the functioning of microfinance institutions, that due to their size cannot become finance institutions, particularly most of NGOs. The law eliminates the ceiling on interest rates and establishes a specific legislation designed for small microfinance institutions. The challenge now is to reach an adequate scale as well as to be able to increase loans to reach the poorest, and particularly through group loans.