

“There is very little penetration of financial resources in this region. The cooperatives that have been able to provide financial services, like Nueva Huancavilca, are going to carry out positive change. But they will require an investment of economic resources, as well as building their expertise and capacity.”

— *Xavier Muñoz, economist, Financoop Caja Central Cooperativa (Financoop Central Cooperative Bank), Quito, Ecuador*

### Fit within overall Initiative

The Ecuador Economic Empowerment Large-Cap Initiative will directly address the financial and social factors contributing to poverty and exclusion in the region. Work for this project will be coordinated by Zurich, Switzerland-based SwissContact, whose goal is to promote private economic and social development through advisory services, training and continuing education.

# Guayas Microloan Project

Strengthening Microfinance Support for Ecuadorians



*Nueva Huancavilca worked with local government in November 2005 to finance mobile shoeshine booths for entrepreneurs. Alberto Caiza, the cooperative's director (left), congratulates a beneficiary.*

### Summary

**Investment:** \$198,750 | £101,017 | €148,876

**Expected change:** 2,000 lives

**Cost per life impacted:** \$99.38

**Project duration:** 24 months

**Sector:** Economic empowerment

**Focus:** Microcredit

**Organization:** Cooperativa de Ahorro y Crédito Nueva Huancavilca (Nueva Huancavilca Savings and Credit Cooperative)

**Location:** Guayas province, Ecuador

**Geneva Global ID:** 073002

**Delta Score:** *(What's this? See page 7.)*



## Expected Change

This investment of \$198,750 expands and strengthens Nueva Huancavilca's microfinance program by providing loan capital to poor entrepreneurs, while building the organization's effectiveness through training and technical assistance. A total of 2,000 people will be impacted, some in multiple ways:

- 500 borrowers and 1,500 of their family members increase household income, enabling them to afford school fees and uniforms, healthcare, better nutrition and household supplies
- 500 borrowers increase their assets by meeting requirements for savings deposits accompanying loan payments
- 200 borrowers learn the habit of regular voluntary savings
- 150 people gain awareness of community problems and risks, such as poor health practices, malnutrition and migration

## Project overview

With little or no access to capital to grow small businesses, fishers and entrepreneurs in impoverished communities of Ecuador's coastal Guayas province struggle to meet their families' health, educational and household needs; often, their only alternative is to borrow from money-lenders at exorbitant interest rates.

This project will strengthen and expand the work of one of the few microfinance institutions serving these communities, by providing loan capital while building its effectiveness through training and technical assistance.

Thousands of low-income loan clients and their family members will benefit from increased income; many will learn business and financial skills to help sustain higher standards of living, while gaining awareness of risks such as poor health practices, malnutrition and migration.

## Vision

*Alberto Caisa, director,  
Nueva Huancavilca*

Nueva Huancavilca "seeks to offer quality financial services to microentrepreneurs and merchants, who have no

**"The cooperative seeks through credit and education to elevate the standard of living of its members."**

access to commercial banks, with experienced and trained personnel who can counsel them in the good and proper use of credit. In addition, the cooperative seeks through credit and education to elevate the standard of living of its members, who generally are small merchants of all kinds of products and merchandise and work out of their own homes."

## Snapshot



### What's wrong

Guayas province is part of Ecuador's coastal region, where 43 percent of people live in extreme poverty. Coastal Ecuador has the lowest availability of microfinance services in the country.

### What's right

SwissContact's expertise reduces risk, helping ensure that Nueva Huancavilca grows in effectiveness and that beneficiaries are provided high-quality services.

## Project budget

	Investment (\$)	Other sources	Total
Capacity building and technical assistance (management and staff training)	75,600	2,500	78,100
Line of credit	40,000		40,000
Institutional strengthening (office furnishings, software, data networking, marketing, transportation)	32,650	1,500	34,150
Capacity building for clients (development and production of educational materials)	12,750	5,000	17,750
Baseline study	12,750		12,750
Potential second line of credit	25,000		25,000
<b>Total</b>	<b>198,750</b>	<b>9,000</b>	<b>207,750</b>



In November 2005, Nueva Huancavilca worked with local government to finance carts for entrepreneurs preparing and selling food.

### Project investment vs. annual budget

The \$40,000 portion of this grant that will be directly controlled by Nueva Huancavilca is 99 percent of its 2005 income.

### Other key information

- Nine full-time, paid staff
- 2,450 borrowers and family members benefited in 2005

## Up close

*Cristobal Humberto Pilay Catuto is a fish vendor on the Santa Elena peninsula of Guayas province in Ecuador.*

"I have a little fish business in the market that I started with a credit from [Nueva Huancavilca]. The amount was \$500, and I am almost finished paying the loan. I did not have a job, and my family and I were struggling to sustain ourselves. Through the community programs of the cooperative, I was able to get the credit that allowed me to get my small business. I am really grateful to God and to the institution that helped us to get a better life."

## Track record

Nueva Huancavilca was founded December 6, 2002, and officially registered June 12, 2003, as an initiative of 28 small entrepreneurs in the town of La Libertad. By July 2006, the cooperative had more than 1,740 members and offices in La Libertad and the nearby town of Santa Elena. The majority of funds available for lending are provided through members' savings held and lent by the cooperative.

Individual borrowers are selected on the basis of need, and must provide adequate collateral. Loans are approved by Nueva Huancavilca's credit committee.

The organization grants emergency three-month loans ranging from \$300 to \$1,000. Ordinary loans range from \$50 to \$2,500 over a period of 10 months at 12 percent annual interest, during which bor-

rowers must keep 25 percent of the loan amount in savings as collateral. As a result, when loans are repaid, the borrower has accumulated savings that can be used as collateral for further credit. Another member of the cooperative must guarantee each loan.

Savings accounts yield interest of up to 12 percent, and Nueva Huancavilca has begun to require mandatory savings with loan repayments. When loans are repaid, the borrower has savings that can be used as collateral for further credit. The organization has launched a savings program for youth, and also provides life, health and accident insurance.

Nueva Huancavilca has nine employees including four loan officers. Because of the cooperative's limited resources, salaries are not competitive; three employees have left to take better-paying jobs.

### The organization was started by 28 small entrepreneurs

## Depth analysis

### Urgency



Relates to critical unmet needs and underserved people and the window of opportunity to achieve optimal results.

### Essential need



Based on a hierarchy of needs with life and death issues scoring high, promoting self-improvement scoring low.

### Depth of impact



Identifies how thoroughly projects affect individuals. Complete or thorough transformation scores high. Light impact or difficult-to-measure results score low.

### Endurance of impact



Refers to how long changes last among individuals. Life Change that lasts a lifetime scores high. Life Change that diminishes and needs to be replenished scores low.

## Loan portfolios

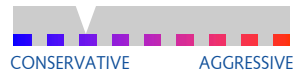
Value and risk	2004	2005	2006 (July)
Loan portfolio (\$)	58,949	109,188	177,802
On-time repayment (%)	100	91	82
Portfolio at-risk over 30 days* (%)	0	9	18
Loan losses/write-off ratio** (%)	0	0	0
Number of borrowers	300	490	333
Average loan amount (\$)	539	516	646

\*Value of loans outstanding with payments overdue beyond 30 days as a percent of outstanding loan portfolio.

\*\*Value of loans written off at the end of the period as a percent of outstanding loan portfolio.

## Risk analysis

Aggregated project risk. This score is a compilation of six categories of internal and external risk for this project.



### Context



Reflects regional risks outside the organization's control that could prevent project goals from being achieved.

### Clarity



Refers to clear links among project design and scope and estimated Life Change impact, and reflects design risks.

### Coherence



Refers to clear links among the project, the organization's experience and the Strategic Initiative goals, and reflects related risks.

### Credibility



Refers to the organization's reputation, and reflects risks related to the organization's governance and integrity of its leaders.

### Capability and capacity



Refers to the organization's ability to achieve project goals, and reflects risks related to leadership, staff and finances.

### Continuous improvement



Refers to the organization's record of monitoring, evaluating and improving projects, and reflects related risks.

## Key risks

Changes in governmental regulations may affect the context of this project. While the current government administration has been promoting microfinance in Ecuador, new rules from its Superintendence of Banks and Insurance, as well as economic or political turmoil, could bring unforeseen challenges that could affect outputs and Life Change among project beneficiaries.

Financial control and external auditing are relatively high risks for this project. Cooperative staff will be trained to improve their financial management to mitigate this risk.

Significant training will be conducted to reinforce capability and capacity of staff so they can sustainably implement improvements in products and methodologies.

## Up close

*Carmen Cuña Cujilema Flor María Adriano is a produce vendor in La Libertad district, Santa Elena peninsula, Guayas province.*

"I am not of the peninsula of Santa Elena. ... I came for work-related reasons, and since then I've dedicated myself to the sale of vegetables and fruits. ... Despite much competition in the business, fortunately it is profitable and it allows me to pay my loan from [New Huancavilca] and to maintain my three children. ... I have been a member of [New Huancavilca] for about a year and a half, and during this time I have been benefited with at least two microcredit loans. It is a serious organization that has helped me to grow my business and increase with new products. ... The cooperative with its mission contributes greatly to the development of the peninsula. ... I've seen a great advance in our community due to the institution."

## Geneva Global's Large-Cap Initiative Approach

### 1 Plan

1. Geneva Global's specialists and client investors explore solutions to local problems.

### 2 Identify

Determine Large-Cap Initiative goals and objectives.

- Explore needs and focus of investment
- Engage potential implementer and funding agencies to clarify plans
- Refine granting strategy and conduct a baseline study

### 3 Qualify

Conduct due diligence.

### 4 Fund and monitor

Disburse funds, build capacity and monitor progress.

- Disburse funding after agreement is signed
- Share best practices
- Monitor project against agreed-upon milestones

### 5 Evaluate

Compare performance with goals and objectives to gauge impact.

- Compare with baseline
- Capture lessons learned
- Celebrate achievements with implementer and beneficiaries

A Large-Cap Initiative is one or more projects within related geographic areas, often focused on a single issue or developmental sector of global priority. Typically working with a single implementer, an Large-Cap Initiative spans three to five years. Grant amounts for individual projects within an Large-Cap initiative will vary according to geography, capacity of the implementer and the specific issue addressed.

A Large-Cap Initiative is a solution-oriented approach designed to catalyze Life Change. It requires careful communication and planning among local leaders in a project area, Geneva Global staff and the client investor. The results benefit all involved.

A Large-Cap Initiative is a solution-oriented approach designed to catalyze Life Change. It requires careful communications and planning among local leaders in the project areas, Geneva Global staff and lead donors. But the results are worth the effort for all involved.

#### Key ingredients for each Large-Cap Initiative include:

- Establishing clear and measurable goals through a granting strategy and a baseline study.
- Selecting an effective implementer whose programs and projects align with the established granting strategy and provide the best local approach to address the local need.
- Collaborating and sharing knowledge to encourage effective use of best practices.
- Conducting ongoing monitoring and evaluation of the funded project and communicating this information to all client investors.
- Conducting a final evaluation of the Large-Cap Initiative to determine the measurable and lasting Life Change achieved.
- Exploring how additional funding could continue to address the most critical needs in the region, encouraging the most effective programs through results-based funding. In the end, the best of the best expand their work, improving the marketplace among social entrepreneurs.

*For more information, please contact a Geneva Global advisor.*

## Who is Geneva Global?

Geneva Global Inc. is an advisory services firm providing independent research and guidance for highly effective and rewarding giving within the developing world. Beginning with careful listening and leveraging extensive field expertise, Geneva Global provides a combination of insight, access, and influence so donors can invest in life-changing giving.

## What is a *Delta Score* and how is it calculated?

The Delta Score is a universal measurement that makes it possible to compare projects, regardless of type or location. The Delta Score calculates the depth and breadth of Life Change from a project and compares it to the most common form of international giving, child sponsorship. The scoring system is calibrated so a Delta Score of 1 equals successful sponsorship of one child. This means a project with a Delta Score of 7 is expected to produce seven times more Life Change than if an equivalent amount of money were spent on child sponsorships.

## What do you mean by expected *Life Change*?

One of the most serious flaws in traditional philanthropy is the lack of ways to measure success. How do you know whether your contribution did any good? We define Life Change as a direct, material and measurable difference in the quality of a person's life. A life is changed when an AIDS orphan is integrated into a loving family, when a mother achieves economic security by starting a small business, when an infant's life is saved by a vaccine, when a girl completes her education or when a slave becomes free from bondage.

## What is the *Risk analysis* and how is it determined?

Based on Geneva Global's extensive experience, projects are only recommended that have acceptable levels of risk. However, tolerance for risk varies among donors. Geneva Global finds, researches and recommends projects that range from daring to stalwart. The Risk analysis provides an at-a-glance indicator to help you match your desired amount of risk for a particular project.

## What is the *Depth analysis*?

The Depth analysis provides an at-a-glance indicator to help you gauge the overall priority of the recommended project. Looking at a range of project assets, this measure provides a global perspective of the uniqueness, time-bound urgency, depth of impact and length of expected change. All measures to help you clarify the comparable value of this recommended project.

## Whom do I contact to fund this project or ask questions?

We welcome the opportunity to discuss this project with you and explore opportunities for tax-deductible investment in this specifically targeted Life Change. If you do not have a specific Geneva advisor to assist you, please contact Debbie Attardi in our client services department (in the United States, 610-254-0000; or DAttardi@GenevaGlobal.com).



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