

“The services [Our Lady of Las Mercedes] brings to the community are a great support and help for the people. As any institution, the cooperative has its limits – which in this case are primarily due to a lack of resources.”

— *Wilson Valencia, mayor of Colimes, Ecuador*

Colimes Microloan Project

Ecuadorian Farmers and Entrepreneurs Gain Access to Credit



Jane Elisa and Nancy Muñoz look from their home next to their father's shop in Colimes. Entrepreneur Luis Alberto Muñoz Sellán grew his business with multiple loans over 20 years from the Our Lady of Las Mercedes cooperative.

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 Nuestra Señora de las Mercedes (Our Lady of Las Mercedes Credit and Savings Cooperative)

Location: Colimes, Ecuador

Geneva Global ID: 073042

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



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.

Expected Change

This investment of \$198,750 expands and strengthens Our Lady of Las Mercedes Credit and Savings Cooperative's microfinance program by providing loan capital 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

The Ecuadorian communities of Colimes and Em-palme have a growing need for access to credit for farmers and entrepreneurs — particularly poverty-stricken Colimes, where a new bridge will open access to urban markets for crops.

This project will strengthen and expand the work of a local microfinance cooperative 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 also gain awareness of risks such as poor health practices, malnutrition and migration.

Vision

Adolfo Gustavo Burgos Galarza
Manager, Our Lady of Las Mercedes

“Our Lady of Las Mercedes cooperative was founded by a visionary priest who saw the need for reaching our communities’ poor with

“The community needs a new vision for its future.”

small loans so that they could provide for their families and improve their lives. We continue to work in this spirit. I have been a part of this cooperative since its founding, and I am committed to the community and these people. The community needs a new vision for its future.”

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Snapshot



What's wrong

Microfinance services that could help poor farmers and entrepreneurs are in high demand in these communities, but such services are in short supply.

What's right

SwissContact's expertise reduces risk, helping ensure that Our Lady of Las Mercedes 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
Total	198,750	9,000	207,750



Colimes shopkeeper Luis Alberto Muñoz Sellán (right) has used the cooperative's credit and savings services for 20 years — in part, to expand his store's inventory.

Project investment vs. annual budget

The \$30,000 portion of this grant that will be directly controlled by Our Lady of Las Mercedes is 55 percent of its 2006 income.

Up close

Freddy Mendoza is a farmer in Colimes.

"About 15 years ago I started taking out loans from the cooperative to use for my crops. I didn't have land of my own, I rented land. I've been able to do better



for my family and earn enough money that now we own our own land, almost five acres, which produces harvests three times a year. We don't have to pay anyone to rent the land we harvest, and

this means a lot to us. I don't make much extra money, but now my two girls are going to school and we have enough food to feed us all. The largest loan I've taken out so far was \$200, and this helps us get through the hard times. Because it's required for the credit, I am also saving \$2 a month. When it's possible, I do try and save more. My family is better off now than we were 15 years ago."

Track record

Since its founding in December 1984, Our Lady of Las Mercedes has provided credit and savings services to Colimes, a predominantly agricultural community of working poor. The cooperative opened a branch in nearby Empalme, with a local economy of entrepreneurs as well as farm workers. Commercial loans in Empalme diversify the cooperative's portfolio, lowering risks such as climate changes associated with agricultural loans. Both offices have had consistent growth in client demand

Our Lady of Las Mercedes appears to be significantly improving the local economy and lives of its clients.

and provision of financial products.

The cooperative is part of several networks of microfinance institutions, and has previously qualified for lines of credit from external donors ranging between \$15,000 and \$35,000.

"The work of Our Lady of Las Mercedes appears to be significantly improving the local economy and lives of its clients," says Jamie Jenkins, Geneva Global's South America coordinator based in Quito, Ecuador. "Commendably, the cooperative is working in a community where the need is high, and which formal financial institutions have found too challenging.

"In interviews with several clients of the cooperative at the end of February 2007, it was evident the loans they receive have helped improve their lives and stabilize or improve their families' economic resources," Jenkins says. "During my visit I saw youth from the town school come to deposit money into their savings accounts. Entrepreneurs explained how the cooperative's services helped them to expand their businesses. Farmers who had been paying to rent land from someone else now have enough money to buy their own land, purchase the supplies they need for harvesting their crop and can consistently provide food and education for their children."

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 (\$)	184,200	263,519	377,508
On-time repayment (%)	90	90	91
Portfolio at-risk over 30 days* (%)	10	10	9
Loan losses/write-off ratio** (%)	0	0	0
Number of borrowers	3,185	3,339	3,861
Average loan amount (\$)	175.47	275.94	489.61

*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.

Communities surrounding the cooperative are impoverished, and while microfinance services are in demand, local economies may not be able support sufficient growth to sustain the improvements and Life Change initiated through this project.

Financial control and external auditing are relatively high risks. The cooperative has not had audited financials for the past year. Stability of the leadership team also poses a relatively high risk. No staff are trained or experienced to take over the top role. Training will specifically be prioritized, but it will pose a risk for the project.

Up close

Luis Alberto Muñoz Sellán runs a small shop in Colimes.

"I started with the cooperative about 20 years ago, less than a year after it was founded. I've had this little business about that long, and our location across from the town's soccer field means that there are times when we get good business. I have taken loans up to \$3,000 to buy merchandise for my store, and it has helped us grow. My three kids, two girls and the oldest is a boy, are all in school. We are doing well for ourselves. Before the cooperative, I used to go all the way to Balzar, two hours away, to get credit for my business. I never used those loan sharks, in this town they charge up to \$4 a day. Having the cooperative right here in Colimes has helped me with the business. Although I don't always have extra for savings, in the summer when there is more business because of the soccer games, I save something almost daily and take it to the cooperative to deposit. I know that when I save, it helps me build my business and enables me to qualify for bigger loans."

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.

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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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