

Captive Donors and Captivating Clients:  
A Nicaraguan Saga

An Evaluation of the  
Fundación Nicaragüense de Desarrollo (FUNDE)  
Prepared for the Inter-American Foundation by

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Summary and Conclusions

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## Preface and acknowledgments

In 1969, both the Inter-American Foundation (IAF) and the Fundación Nicaragüense de Desarrollo (FUNDE) were born. The new FUNDE received one of the first grants of the new IAF, US\$500,000 in 1972. Today, with a total of US\$3.2 million in IAF grants over the last ten years, FUNDE ranks with only a few other grantees in having received more than US\$2 million in IAF funding.

For all these reasons, the IAF felt that it was time to assess the FUNDE experience. It wanted the exercise to go beyond the previous evaluations of FUNDE as an organization and provide a broader view, which would analyze (1) the impact of FUNDE's services on clients and communities, (2) the way FUNDE related to and was affected by its political environment, (3) the way in which various features of FUNDE's world have contributed to success or problems, and (4) the part played by the IAF and other donors in determining the way FUNDE turned out.

The purpose of looking at FUNDE in this way was not to assist the IAF in making future decisions about FUNDE. Rather, the evaluation was meant to yield some general lessons about grantmaking and development projects--lessons that would help the IAF to improve the way it makes decisions. FUNDE was a good candidate for such a "lesson-learning" evaluation not only because of its long and fruitful relationship with the IAF, which provided an unusual opportunity to study organizational evolution, but because the FUNDE experience had many features in common with other IAF projects. To name a few: the formation and assisting of cooperative organizations; provision of credit in small loans; support and funding from the local private sector; operation in an unfriendly political environment; work with small merchants, manufacturers, and farmers; and difficulties in covering costs. Finally, FUNDE was known to be a well-managed organization, and the IAF wanted to understand better the determinants of this kind of success.

Members of the evaluation team were Judith Tendler, economist and team leader; John Hatch, economist; Merilee Grindle, political scientist; and Roberto Jiménez, financial analyst. After two days with the IAF and others familiar with FUNDE in Washington, we spent three weeks in Nicaragua in August and September of 1983. In Managua, the capital city, we interviewed FUNDE staff, management, board members, and ex-FUNDE staffers; government and bank officials; researchers at INCAE, INPHRU, CINASE and CIERA; and U.S. social scientists working on Nicaragua. We also spent a day and a half at a FUNDE-affiliated credit union serving the municipal market of El Periférico.

Outside Managua, we spent two to three days each in seven towns where FUNDE credit unions are located--Diriomo (La Armonfa), La Paz de

Carrazo (El Esfuerzo), Masaya (San Jerónimo), Chichigalpa (La Candelaria), Chinandega (La Confianza), Matigúas (La Moderna), and Esquipulas (Esquipulas); we also visited an incipient production cooperative at Pancasán. During these visits, we interviewed credit-union staff, management, and leadership, members and non-members, local officials, and representatives of government agencies and banks.

To give readers an idea of the scope of the full report, we have included its table of contents in this publication along with the tables from the text, a list of references, and a list of acronyms. The full report is divided into three sections. Part I, by Hatch, covers FUNDE as an organization, its relationship with its affiliates, and its clients. Part II, by Grindle, views FUNDE in its wider political setting, and describes how it coped with an environment that was not always benign. Part III, by Tendler, looks at FUNDE and its environment--the nature of its task, the sequences of its growth, the relationship with its donors--in an attempt to explain its successes and its problems, and how they bear on our knowledge about development projects, grantees, and donors.

Because of the difficulty of finding an adequate exchange rate, we have converted Nicaraguan currency into dollars only in the Summary and Conclusions and a few places in the full report and tables. The official exchange rate has been ten córdobas to the dollar since April of 1979, when it was devalued by 43% from seven córdobas. Inflation during the last five years has ranged between 20% and 40% a year. The parallel official exchange rate, introduced in 1982 and allowed to some favored exporters, is 28 córdobas. The black-market rate at the time of our visit in August 1983 was eighty córdobas, a value that reflects more the flight into dollars than the purchasing power of the córdoba, which we imagine to be somewhere between the parallel rate and the black-market rate. The córdoba values we did convert into dollars are from mid-1982 or end-1982, for which we used the official parallel rate of twenty-eight to the dollar; we warn, therefore, that the dollar values may be overestimated. All córdoba values in the tables are presented in 1982 constant values, deflated according to a consumer price index (see first column of Table 16).

We are profoundly grateful to FUNDE's director, William Baez, and his staff. They went out of their way to facilitate our work, and made it possible for us to accomplish an immense amount of data-gathering and visiting of the field in a short period of time. They were remarkably candid about FUNDE and responded with grace and alacrity to our many questions and requests.

At the IAF, we were fortunate to have the guidance of Lucy Conger, who was field representative for Nicaragua. We are thankful to her for being so interested, so demanding and challenging, so helpful in providing us with everything possible from IAF files, and for

sharing with us her excellent relationships in Nicaragua. For detailed comments on a draft version of the report, we are particularly grateful to Sally Yudelman, David Valenzuela, Lee Richardson, Peter Hakim, and Lucy Conger. Finally, we had the good fortune of being able to discuss our findings at length at an extended and stimulating seminar with the IAF staff on June 7, 1984. The comments and the discussions were very helpful to us in revising the draft report.

## Introduction

FUNDE is one of those organizations that gives off a glow of success. The glow has earned it continued donor funding for the 15 years since it was created. Because this kind of achievement is unusual and interesting, we devote considerable attention to finding an explanation for it. FUNDE's glow has also obscured what the success was actually about: while FUNDE indeed possesses many of the sterling qualities it is said to have, we found it curiously wanting with respect to other qualities. As a mature and well-run organization, moreover, FUNDE is surprisingly dependent on foreign donors for its financial sustenance.

FUNDE, a private national development foundation located in Nicaragua's capital city, provides credit and management assistance to a countrywide system of 74 affiliated credit unions, most of which it created. The system has 21,000 active members, representing 0.7% of Nicaragua's population of 2.9 million, or 3.8% of the country's estimated 560,000 households. Small retail merchants account for about 50% of FUNDE's clients, artisan manufacturers and small service firms another 25%, small farmers 20%, and urban professionals 5%. In 1982, FUNDE lent US\$1.6 million to its affiliated credit unions, which in turn lent US\$3.1 million to their members. (The difference consisted of member savings of US\$1.9 million.) The system's lending to members has averaged 0.6% of total credit to the private sector in Nicaragua,

and member savings have averaged 1.9% of total savings and time deposits in the Nicaraguan banking system. FUNDE's annual operating budget was US\$500,000 in 1982, and operating costs of the affiliated credit unions were an estimated US\$440,000. FUNDE's major donors throughout its 15-year history have been the U.S. Agency for International Development (totaling US\$7 million), which financed FUNDE's creation in 1969 with a tiny grant, and the Inter-American Foundation (totaling US\$3.2 million), which provided FUNDE with its first large grant for US\$500,000 in 1972. The Pan American Development Foundation played an important role in FUNDE's beginnings, and throughout its history, with smaller grants.

FUNDE is every donor's dream, from the point of view of management and administration. The secret of its success is, in part, a relentless system of auditing of its affiliated credit unions, regular and immediate feedback on their financial state (within five days of the end of each month), and constant use of that information in decisionmaking by management. FUNDE's record of savings generation is also impressive. In 1982, 45% of credit-union assets were member deposits, and half of credit-union lending came from member deposits. (The other half came from FUNDE.) Few credit-union systems in Latin America show member ownership at over 30%. FUNDE's credit unions inspired unusual confidence in their depositors during the insurrection against Somoza (1977-1979); though Nicaraguans were withdrawing their savings from the banking system at that time, they were placing their

savings in the FUNDE system at the highest rate ever.

FUNDE's credit unions are quite solvent and could meet nearly all their debts (90% in 1982) with member-owned assets. The system could probably double its liabilities through borrowing, without seriously endangering its financial health. FUNDE itself is also highly solvent, with liabilities at only 22% of assets in 1982; it could probably quadruple its liabilities and still maintain a prudent ratio of liabilities to assets. As a result of this financial strength, the FUNDE system survived a severe reduction in outside donations in 1982 (72% in real terms), though operations had to be cut back significantly. This was a notable feat, given that FUNDE is 95% dependent on donations for its operating budget and new loan capital.

FUNDE has achieved all these things while growing at high rates over the last ten years--in annual compound terms, 31% for membership, 27% (real) for savings, and 33% (real) for lending. Most organizations cannot withstand such constant high growth: loan delinquency usually rises as the organization tries to rapidly lend out its large increases in donor capital, member capitalization goes down as people start to expect that free donor capital will always be available, and management controls are breached in the process of trying to accommodate the rapid growth. Almost none of this happened to FUNDE. Membership capitalization increased steadily and is now 45% of credit-union assets. Loan repayment, at 85% of payments due, is reasonable; though repayment has suffered from the rapid expansion into agricultural



credit, it has not decreased significantly and the delinquency problem is limited to a few affiliated credit unions. Auditing and financial reporting show no sign of relenting. (Starting in July of 1983, a FUNDE auditor will now visit all credit unions briefly each month to follow up on recommendations made in past FUNDE audits.) Just as FUNDE has been able to "withstand" high growth, it also survived a loss of half of its staff and almost all of its department chiefs in 1979, as the result of an exodus to the government following the Sandinista overthrow of Somoza.

FUNDE has been described, on various occasions, as innovative and experimental, multipurpose and diversified, a strong women's project, and a low-cost model of delivering credit to small businesses. We found, however, that FUNDE has behaved more like an average organization in these areas than the outstanding one described above: (1) FUNDE has not been particularly innovative or experimental for some time, (2) FUNDE is not good at doing several things well--that is, at being a multi-purpose or diversified organization, (3) FUNDE is not like what one would expect a strong women's project to be, though half of the system's clients are women, and (4) the FUNDE system is not a particularly low-cost way of delivering credit to small businesses. (FUNDE's operating costs were 44% of the value of its loans to credit unions; system costs, including those of the credit unions, were 33% of the value of loans to credit-union members.)

We will explore these four areas of average performance partly

out of curiosity as to why organizations attribute certain qualities to themselves that they really do not have--and why, at the same time, they neglect certain attributes they do have. We also find that some of the disappointments in the way FUNDE turned out are inextricably linked to its achievements--a not uncommon finding in evaluations of organizations. We look into these less impressive sides of FUNDE's performance not to detract from its accomplishments, which are reported as glowingly by us as they have been by others, but because they provide us with insights into how organizations grow, how some tasks differ from others in their degree of difficulty, and how organizational growth is influenced by relations with donors.

That FUNDE was unable to generate its own capital and operating income did not surprise us. The problem is a common one among grantee organizations, though usually not to this extreme, and has been recognized for some time by even the most ardent of FUNDE admirers. Much of the problem, it turns out, can be traced to the very donors who complain about it, a not unusual paradox in the histories of donor-recipient relations. Another part of the problem can be traced to FUNDE's relationship with its political environment.

We will explore the above issues with the following sequence of questions. First, what explains FUNDE's impressive achievements? Second, why was its performance lackluster in the four areas in which it was said to perform well? And third, how did it get so financially dependent and how could it have become less so?

### What made FUNDE succeed?

Of the various elements of FUNDE's success, three are particularly interesting because they are often cited as explanations for poor organizational performance.

#### Stumbling

In view of FUNDE's current competence and clearheadedness, it was surprising to learn that FUNDE knew strikingly little about what it was doing for the first three or four years of its life. FUNDE stumbled around trying various things, most of which failed: community works, housing, rural education, agricultural production schemes, individual lending to artisan manufacturers, the organizing of artisan manufacturers into input-buying and marketing groups, and individual lending to market women. Most of these activities were tried and abandoned before FUNDE hit upon the credit union as its favored instrument, and the petty merchants as its clients. (FUNDE did not abandon housing, rural education, and agricultural cooperatives, though they were never as central to the program as credit unions and merchants were.) FUNDE came to its winning combination of market women and credit unions, then, only after three years of trying out various approaches and rejecting most of them.

Before it had settled upon market women and the credit union, FUNDE received a large US\$500,000 grant from the Inter-American Foundation (IAF). This meant that FUNDE had sizable donor support

during a time when it was getting its bearings and did not know exactly what it was doing. Also important to remember, FUNDE failed at the very activities for which it received the IAF grant, but ended up being good at something else. That FUNDE had substantial IAF support during both periods--when it was stumbling, and when it finally hit upon something--was certainly crucial to its eventual success. Just as crucial was the IAF's tolerance for experimentation, mistakes, and changes of course--and the willingness to stay at arm's length from FUNDE while it was struggling to find itself.

#### Cut off from outside

Contributing to FUNDE's ability to stumble creatively was the absence of the proverbial expatriate "coop adviser." Long-term resident advisers from U.S. cooperative organizations are standard features of the histories of third-world credit-union and cooperative associations, at least for those with funding from the U.S. government. Though the advisers transmit invaluable management skills, they and their imported organizational models can also inhibit the growth of a sense of self in the new organization. Squabbling between the organization and the adviser are common, with the donor usually backing the adviser and increasing the strife--as happened with Nicaragua's credit-union federation, FECACNIC, which never developed the strength and competence that FUNDE did.

FUNDE owed its freedom from the resident expatriate, in part, to the fact that it was created as a "national development foundation."

These organizations, promoted in various Latin American countries by the Pan American Development Foundation and USAID in the late 1960s and early 1970s, were built on a model of "local private-sector support." They were not so closely linked to a U.S. organizational model and U.S. technical-assistance organizations as most other U.S.-funded cooperative and credit-union programs were. Also, FUNDE's largest donor in its formative years, the IAF, believed strongly in not providing outside advisers and technical assistance. And FUNDE was spared the outside adviser that usually comes along with USAID support, almost by accident, because of antipathy between FUNDE's leadership and CUNA and COLAC--the U.S. and Latin American confederations of credit unions, which have monopolized USAID-funded technical assistance to credit unions in Latin America.

Without the adviser, the outside model, and the three-way strife, FUNDE was freer to develop its own ideas than many other organizations born out of U.S. government funding. In fact, FUNDE's most formative experience with advisers was a very unusual and innovative one: it hired two Nicaraguan loan sharks as consultants to tell it what it was doing wrong in its credit program for market women.

#### Not being participatory

FUNDE's top-down way of organizing and servicing credit unions--a trait for which it has received criticism from donors, credit-union confederations, and Sandinistas alike--has also contributed to its

success. FUNDE is in no way a creation of its affiliated credit unions; they do not pay dues, participate on the board of directors, or have any control in FUNDE decisionmaking. Also, FUNDE has had no compunctions about forcing its affiliates to behave the way it thought best: it has insisted on their having salaried managers, it has required the affiliates to borrow from it to pay the first few years of the managers' salary costs (albeit at highly subsidized rates and casual repayment terms), it has named the first managers and often the subsequent ones, and it has swooped down on affiliates from time to time and replaced their managers summarily when funds started to disappear. In addition, FUNDE masterminds the writing of the annual reports and financial reports of its affiliates in consultation with them. The credit unions look to FUNDE as their benefactor and are totally dependent on it for outside loan capital, though many are creditworthy enough to borrow at banks.

Though FUNDE may not score high on participation, it certainly performs well as an effective system of decentralized credit disbursement, and serves many more clients than do most credit programs for micro-businesses. The top-down style and the heavy auditing presence were probably crucial to its building of a rapidly growing network of organizations that did not abscond with money, usually, and that got borrowers to pay back. As local institutions, moreover, FUNDE's credit unions seem no less internally participatory or active in their communities than credit unions brought up under the more

"democratic" federation system. This suggests that the relationship between the credit union and its umbrella organization may not be that significant in determining the kind of organization a credit union is in its community; or, alternatively, the relationship of the "democratic" federation to its affiliates may not be that different, in reality, from that of FUNDE to its affiliates. Top-down management and accounting procedures, in other words, do not necessarily preclude the emergence of participatory decisionmaking within the credit union, or involvement in the community around it.

#### Spending for performance

The costs of delivering credit through the FUNDE system are not particularly low--at 44% of FUNDE's loans to credit unions and 33% of total loans by credit unions to members.<sup>1</sup> Put together with FUNDE's interest earnings of 8% and Nicaragua's over-10% inflation rates for the last several years, these costs do not make for an organization capable of sustaining itself financially. In part, FUNDE's costs reflect its high auditing and advisory presence in the operations of its affiliates, which in turn contribute to the system's good performance. Though the FUNDE model may not be a low-cost one, then, it does show that spending money "extravagantly" in certain management areas pays off. Once the proper management procedures are in place, of course, the costs of the model should come down, particularly because of the

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<sup>1</sup>Of total loans to members, about half are made out of FUNDE loans, and the other half out of member savings.

economies of scale inherent in the credit business. FUNDE's costs, however, have shown no sign of decreasing. We explore the reasons for this anomaly later.

#### The virtues of petty commerce

FUNDE, as noted above, tried out various organizing models and target groups before it settled on credit unions and petty merchants. These choices turned out to be particularly felicitous ones, probably unbeknownst to FUNDE, because the task and the task environment were easier than for other choices FUNDE might have made.

Merchants make for an "easier" clientele for credit unions than artisan manufacturers. Merchants usually want short-term credit for inventory, rather than the riskier long-term credit often needed by manufacturers. Merchants' needs for capital are more regular and predictable, being less subject to extreme seasonal fluctuations: the inputs required by small manufacturers often disappear from the market completely, forcing them to acquire inputs in large quantities when they are available and to hold excessively large supplies; client orders are erratic and often large, also requiring large purchases of inputs at unpredictable and unevenly spaced moments; and changing market conditions cause the small manufacturer's sales to oscillate wildly, resulting in long periods of little or no income. For all these reasons, petty merchants constitute a more reliable and predictable borrowing clientele than small manufacturers. It is easier



to plan ahead for lending to them, and to collect savings and repayments from them.

The burdens of business extension. Merchant credit also has the advantage of being unencumbered by "business extension." In programs of credit for small manufacturers, technical and managerial assistance to borrowers is usually considered indispensable because it is hoped that credit will raise the production and productivity of the borrowing firms. (Project designers hold the same view of agricultural credit programs for small farmers, a point we return to later.) In practice, business extension usually turns out to be costly and ineffective, even though some project designers still consider it to be an indispensable component of the "respectable" small-business program.

In contrast to manufacturers, merchants are often viewed by governments and planners as "unproductive." Nobody worries about increasing their production or productivity, and hence nobody insists that merchant borrowers be carefully selected for their potential to grow, or that they be provided with technical assistance. As a result, merchant-credit programs do not get burdened with extension components, and their complex way of choosing and monitoring borrowers. (Since these burdens also get placed on agricultural-credit programs, we discuss them later.) Because governments look at merchants as "unproductive," moreover, the state is usually less active in the petty-commerce sector than in manufacturing or agriculture. This means

that an independent organization like FUNDE will have less encounters with the state if it works with petty merchants. Thus FUNDE's initial choice of merchants over manufacturers and peasant farmers provided it with a relatively open space to work in, saved it from having to be a more complex organization, and allowed it to develop a credit system which was not burdened by the cost of technical assistance.

It is ironic that merchant credit turns out to be easier than manufacturer credit, and is therefore a more desirable activity for a credit organization just starting out. People and governments often view petty commerce as "unproductive" and "parasitic" in comparison to manufacturing. In a similar vein, the recent literature on small-enterprise programs suggests that credit to small manufacturers yields higher economic and social benefits, in the form of increased employment and backward-linkage effects, than merchant credit. Manufacturers employ more people than merchants, and spend a greater proportion of their credit on purchases from other sectors of the economy, thereby increasing income in these sectors too. In this light, merchant-credit programs are less desirable than credit for manufacturers. But in terms of the relative ease of the task, merchant credit may be a better way for an organization like FUNDE to get started and succeed.<sup>2</sup>

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<sup>2</sup>That greater economic and social benefits are to be had with manufacturer credit is not the last word from the literature. Some argue that credit to small retail firms is passed on to poor consumers buying on credit, and is thus an excellent way to disburse formal credit to people who normally have no access to it.

The trouble with farmers. Town dwellers in general, including merchants and manufacturers, are an easier borrower clientele for credit organizations than farmers. This is illustrated by the troubled history of FUNDE's efforts to expand its membership from merchants to farmers.

The incomes and expenditures of farmers oscillate even more widely than those of artisan manufacturers. This makes it difficult for credit unions to require frequent small payments for loan amortization and saving, an important part of their discipline. Farmers live dispersed in the countryside, which also makes it difficult to integrate them into the credit-union model of frequent and regular deposits of savings and repayments. Credit unions collect from their delinquent merchant borrowers by regularly visiting their homes or businesses on foot. With limited funds and no vehicles, they cannot seek out the farmer borrowers at their houses or plots; this, along with the fact that farmers are usually not around town, spares farmer borrowers the constant pressure that contributes to good repayment behavior among the town borrowers of credit unions. Thus a dispersed farming clientele either increases the costs of loan collection, if collectors visit delinquent borrowers or, if they do not, experiences less pressure to repay.

A farming clientele requires greater planning and operational skills from a credit organization. The credit union must be able to obtain and disburse loan capital when the crop cycle and the weather

dictate. The demand for credit peaks a few times a year, which means that organizations lending to farmers face high peak-period demands in comparison to those lending to merchants. And the failure to meet the peak demands of farmers promptly--a problem that even commercial banks have--causes farmers to plant or harvest late, or borrow from moneylenders at much higher interest rates, all of which jeopardize the ability of borrowers to repay.

The loan delinquency of FUNDE's farmer clients, compared to its merchants, is only one piece of the evidence on the greater difficulty of managing credit for a farmer clientele. In addition, FUNDE credit unions serving farmer members had lower profits and lower financial autonomy than those serving merchants. For various reasons discussed in the text, moreover, FUNDE and the credit unions allowed their farmer members to escape the rigorous discipline required for savings and repayment, as well as the strict savings-to-loan ratios--a discipline that FUNDE had worked for many years to build up among its merchant borrowers. The result of this relaxation of discipline was poor repayment by the farmers, and consternation among the original merchant membership, who felt discriminated against and taken advantage of by the newer farmer clientele.

A farming clientele creates a more difficult organizational task because of the aspirations that development planners have for agriculture. They do not see credit as an end in itself, but as the means by which increases in agricultural production and productivity

will be achieved. Agricultural extension, in this view, becomes the indispensable ally of credit. Because one must be sure that those who receive the credit are those most likely to spend it on the farm and not elsewhere, substantial expenditures by the project organization are required for borrower selection, farm planning, and monitoring. The per-member technical-assistance costs of FUNDE's agricultural department, for example, were six times higher than for its non-agricultural services to credit unions. Similarly, the costs of the affiliated credit unions for servicing farmers were twice as high as those for servicing merchants.

Because merchants are never the subject of development aspirations, nobody worries about how to choose the merchant borrower and what he spends his credit on--as long as he repays. Merchant-credit organizations like FUNDE, therefore, can be relatively simple undertakings. FUNDE's difficulties with its later foray into farmer credit show us how important it was to the organization's survival that it did not have to cut its teeth on farmer credit. When it ultimately did go into that activity, it "survived" the venture because it already had years of experience with the easier task of merchant credit.

#### Credit-union innocence

That FUNDE chose the credit union rather than other forms of "helping the poor" contributed to its ability to survive and expand in the difficult political environment of Nicaragua under Somoza.

Observers of FUNDE, including ourselves, always come away impressed with how it escaped the wrath of the Somoza state, which was bent on keeping the population unorganized. Captivated by the David-and-Goliath-like stories told by FUNDE about its past, one tends not to notice certain aspects of what FUNDE was doing that made it more tolerable to a government like Somoza's. The credit union is a much less politically threatening form of social organizing than a production cooperative, a labor union, or the organizing of communities to press their demands upon government. Credit unions do not strive to alter the distribution of power between capital and labor, the way some other organizational forms do; many large employers, in fact, have welcomed credit-union organizing in their firms, believing that credit for their employees would relieve some of their own obligations to workers and make for a more stable and contented work force. Though FUNDE did not organize credit unions among the work forces of firms, it was no doubt helpful to FUNDE that the credit-union movement was not associated with threats to the power structure, the way labor unions and some cooperatives had been. For FUNDE, the credit union was a felicitous choice because it was the least likely to elicit repressive behavior from the state or other powerful groups.

#### Inside the establishment

FUNDE's private-sector board, the hallmark of national development foundations in several Latin American countries, also contributed to a safer political environment for FUNDE. Board members

were prominent persons from well-known local and multinational firms, and were quite active in determining the directions FUNDE took. A capitalist state like Somoza's would not have felt particularly uncomfortable with this kind of board; or, at the least, it would have been less concerned about the social organizing being done by a FUNDE, as distinct from groups with no such strong links to the establishment--namely, labor unions and other groups against which the state's repressive apparatus was directed during FUNDE's Somoza years. Indeed, when the Somoza state started to make things hard for FUNDE in the mid-1970s, it was not because of FUNDE's programs but because of its alignment with the business sector in opposition to the regime. Similarly, the cool relations between FUNDE and the Sandinista state today are less a result of FUNDE's credit-union activities than of its alliance with the business sector in opposition to the regime.

FUNDE's board and its connections also helped the organization to raise local funding for operating expenses and to obtain loan financing from private local banks, some of which were represented on the board. The involvement of the board also gave FUNDE a source of local sympathy and support in its formative years--something that new organizations funded by outside donors, and at odds with the government, are often lacking. Though the financial contributions and the bank financing resulting from FUNDE's board connections waned to almost nothing after the early years, they were crucial in getting the organization off to a successful start. Since most organizations as successful as FUNDE are

eventually "adopted" by the domestic or international public sector (i.e., foreign donors), the significance of this private-sector funding is not necessarily its longevity but, rather, its being there at the beginning.

Having such powerful local connections, of course, was not without its problems. The private-sector connection made it natural for FUNDE to identify with the political opposition to the government, because the local organizations with which FUNDE was affiliated were vocally anti-government under both Somoza and the Sandinistas. FUNDE's association with this opposition contributed, in turn, to setbacks in its program activities--the failure to obtain government certification for its rural schools, the inability to obtain access to government-monopolized food supplies for its market centers, the exclusion from large development projects funded by international donors who wanted FUNDE included. While private-sector boards do not necessarily bring such problems--the case of UNO in Brazil is a contrary example--the political role of FUNDE's leadership brought out this potential, a point we return to later.

### Conclusion

We have attributed FUNDE's success to various features of its history. The first four are somewhat of a surprise, since they are usually cause for criticism: (1) FUNDE had the luxury of not knowing exactly what it was doing for the first three or four years of its



life, and tried several things without success before it hit upon the credit union, market women, and petty commerce in general; (2) FUNDE did not have the benefit of a strong expatriate presence to transfer management skills, which allowed it to experiment and develop a strong character of its own; (3) FUNDE's style of relating to its credit-union affiliates was somewhat top-down and non-participatory, allowing it to keep a vigilant eye on its borrower affiliates and thereby assuring good performance of the credit system; and (4) FUNDE's model was costly, with large expenditures for management assistance to and auditing of affiliates.

Three additional features of FUNDE's history also contributed to the success: (1) FUNDE became strong by providing credit to merchants, rather than small manufacturers and farmers, and merchant credit was an easier task than the others; (2) the credit union was one of the politically safest forms of organizing, and therefore allowed FUNDE to work fairly peacefully in the difficult political environment of both the Somoza and Sandinista regimes; and (3) the support of FUNDE's prominent board gave it a degree of political protection that social-action organizations often do not have, provided FUNDE with a significant source of local direction in its early years, and helped the organization to get adopted by the international public sector.

### Wanting to be innovative

FUNDE describes itself as an innovative and experimental organization, which has successfully taken on many activities at once. In reality, it has done best at a single task--creating and assisting credit unions, channeling credit through them, and getting repaid. It has succeeded in expanding this specialized service over ten years at impressive rates of growth. Only one of FUNDE's activities can be characterized as the successful result of an innovative process--creation of the market women's credit unions--and that achievement took place many years ago. (We return to this case in a moment.) Outside the credit union and its merchant clientele, FUNDE has not been particularly successful, experimental, or innovative--whether in agricultural credit, market centers, housing, or rural education. Though an organization with this range of activities certainly merits being called "multipurpose," FUNDE's success does not lie in being a multipurpose organization.

Whether or not FUNDE is all the things it says it is does not in itself interest us. What is interesting, rather, is that nongovernmental service organizations like FUNDE frequently describe themselves as innovative across a wide range of activities, when indeed their real achievement lies in providing a specialized service and extending it to a hitherto unattended population. Organizations prefer to see themselves as "innovative and experimental" because that is more

appealing than saying they are good at doing the same old thing, or getting better and better at it. Being "multipurpose," similarly, sounds appealing because it seems dynamic and experimental. It conjures up the image of several experiments going on at once, even though what might actually be happening is that the organization is flailing around hopelessly, spreading itself thin over several tasks and not doing well at any of them. FUNDE, of course, fits neither description: it is good at one task, and is average at the rest. Organizations and their donors assume that the ability to perform well at one task transfers automatically to others--almost making it incumbent on the successful organization to extend itself constantly into new activities. But the assumption is wrong, partly because some tasks and task environments, like farmer credit, are more difficult than others, like merchant credit.

It is more than a semantic curiosity that organizations and their donors describe what is going on as innovative when it is routine, or as multipurpose when it really involves getting better at a single task while not doing particularly well at the others. The lure of these descriptions encourages organizations to stray widely from their comparative advantage, and to neglect marginal improvements that could be made. FUNDE went into agricultural and market-center programs with donor support, for example, when instead it might have better dedicated its energies to improving its system of merchant credit. FUNDE has done almost nothing, for example, to (1) attract member

savings beyond what people save in order to borrow; (2) "graduate" creditworthy affiliates of FUNDE to bank credit; and (3) extend the credit system to a lower-income clientele. Advances in these areas could have produced significant benefits in relation to costs--by providing a place where the rural poor could deposit their savings and earn an income, by endowing the system with long-term domestic sources of loan capital, and by extending credit facilities to people who previously had no access to them.

When FUNDE took on market centers and agricultural programs, it had no prior experience with these activities.<sup>3</sup> It used the same approaches and made the same mistakes that other organizations had made in other countries. The problems arising out of these new programs, moreover, partly undermined FUNDE's previous accomplishments. The high repayment rate, FUNDE's pride and joy, fell as a result of farmer delinquency; and dissatisfaction grew among the merchant leadership, who had not wanted farmer members in the first place. By moving from its specialized competence in merchant credit to agriculture and market centers, finally, FUNDE took on areas of greater interest to the Nicaraguan state than was petty commerce. With its new activities, FUNDE faced a powerful competitor, which would not have happened if it had limited itself to merchant credit.

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<sup>3</sup>It actually had had an early spotty experience with agricultural cooperatives, from which it retreated for awhile.

### FUNDE and women

FUNDE's finest moment of innovation occurred in the 1972-1973 period, when it decided to go into the municipal markets of Managua and set up credit unions for market women. The attempt seemed destined to fail until FUNDE sought the advice of some local loan sharks, who suggested that FUNDE bring its offices to the marketplace, dispense with air-conditioning, and collect from its market-women clientele on a daily basis. After heeding the advice, FUNDE soon became known as a successful "women's project," with a 90% female membership; and its logo of a market woman balancing a basket on her head is still used today, even though the market women now represent only a minority of the membership.

To today's observer, strangely enough, FUNDE does not seem like a women's project at all--even though 50% of its membership is female. This is because (1) women are far less predominant in the membership than they were when FUNDE made its mark as a women's project (90% vs. 50%); (2) the proportion of women leaders and managers in the credit unions is less than the 50% female share of membership; (3) women members of credit-union boards deferred to men at the meetings we observed, while some women told us of having voluntarily given up positions of power; (4) FUNDE's staff of 55 professionals has only two women, whereas the professional staff was at least half female when the market-women's project was established; and (5) there are no women on FUNDE's board of directors.

FUNDE's drift away from being a women's project has various explanations, some of them obvious from the above. We look into these reasons not to criticize FUNDE, but in order to learn some useful lessons about women's projects and how to sustain them. Women almost always shun power in communities where, as in Latin America, men traditionally dominate. Most women's projects cope with this problem by (1) creating organizations to which only women can belong; (2) limiting the project to certain occupations or activities dominated by women (just as FUNDE chose the municipal markets, where almost all vendors are women); (3) employing women professionals in the facilitator organization, so that women beneficiaries will feel less inhibited about relating to the urban professionals with whom they must conduct business; (4) socializing women participants to feel more comfortable in roles of power, just as FUNDE socialized members into the virtues of constant saving.

Of these women-oriented traits, FUNDE had two at the beginning--a large number of women professionals on its staff, and the choice of the municipal markets as its first place to organize credit unions. But FUNDE was bound to become less of a women's project, unless it took necessary measures to the contrary, as its female staff dwindled and its membership expanded outside the markets and the retail sector to farming and other occupational categories.

### Women and other purposes

It was not that FUNDE was averse to having a strong women's project but, rather, that it had other goals that took priority over and sometimes conflicted with that purpose. As with most other credit-union associations, FUNDE and its donors saw growth in membership, loans, and savings as the most important sign of performance. In order for FUNDE to grow rapidly without the encumbering task of creating many new credit unions, it had either to take more men into existing credit unions or to change its character somewhat in order to bring in more women--by appealing to lower-income self-employed women like tortilla-makers, or lower-income female employees like domestics. Though changing this way might have allowed FUNDE to sustain its strong women's project, it also might have required that FUNDE grow more slowly.

After its success with the market-women's project, FUNDE's interest turned toward small-farmer credit and agriculture. This also conflicted with the goal of keeping the women's project strong. Though women participate significantly in agricultural work in Nicaragua, they do not control expenditure decisions in that field, in marked contrast to their control of decisions in retail activities. FUNDE's decision to move from market vendors to small farmers, then, also represented a move from a female-dominated sector to a male-dominated one: almost all of FUNDE's farmer members are men, and the credit unions with agricultural programs are led and managed by men. To have a good

women's project, of course, one does not have to stay away from agriculture. One can focus on agricultural activities traditionally controlled by women--the raising of small livestock, the growing of vegetables, the household manufacture of cheese and butter, the processing of crop residues and fibers into non-food products. But programs like FUNDE's, which emphasize field crops and the purchase of "modern" inputs like fertilizers, pesticides, and improved seeds, traditionally fall within the purview of men in Latin American countries.

FUNDE did what it took to get a good women's project going, but let the success slip through its fingers. It did not zealously protect its achievement in this area, since it was interested in other things, partly because of the need to continually raise new donor funding.

#### Being dependent

Though FUNDE has consistently exceeded project targets for the growth of membership, loans, and savings, it has never come anywhere near its goals for earning its own income. At the time of the first IAF grant in 1972, FUNDE and the IAF agreed that the organization would become financially self sufficient "within three years." Today, ten years later, FUNDE is still 95% dependent on donor grants for operating expenditures and for new lending capital that is not provided by



members.<sup>4</sup> Such extreme financial dependency in a well-run organization of this age leads one to ask whether FUNDE really represents a successful model of local institution-building.

The structure of FUNDE's financial dependence takes four forms: (1) the charging of an interest rate to affiliates (8%) that is lower than inflation (30%) and lower than operating costs, which amount to 44% of FUNDE lending, (2) the failure to charge for services, (3) the lack of interest in attracting member savings as a source of additional loan capital, beyond what people must save as a requirement for borrowing, (4) and the failure to connect up to local banks.

#### Interest rates

The 8% interest that FUNDE charges on loans to its affiliates covers only about 18% of its operating costs. If operating costs were to be covered by interest earnings, costs would have to come down markedly or earnings would have to be increased through substantially higher interest rates. FUNDE is not contemplating either. Compounding the cost problem is the inflation problem. Nicaragua's inflation rate has been higher than the 8% interest charged by FUNDE for almost every year since FUNDE started its credit unions. Since

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<sup>4</sup>The 95% share dropped to 78% in 1982 as the result of an unexpected cutoff of donor inflows, and a corresponding restriction of expenditures and lending.

1978, inflation has been higher than 25%--meaning that FUNDE has been charging its affiliates a real interest rate of at least negative 17%. At these rates, any injection of capital into FUNDE's loan fund loses its value in three to five years. Given these circumstances, it should have been clear to donors that the fund they were capitalizing with their grants had no chance to maintain its value, no matter how high the rates of repayment were.

#### Charging for services

Like many other cooperative organizations, FUNDE has difficulty charging for the services it provides its affiliated credit unions in auditing, management assistance, and cooperative education. We found, however, that a mere 3% surcharge on the interest rate paid by credit-union members (which now ranges between 14% and 24%) could cover almost all the costs of these services. Instead of initiating such charges, FUNDE has engaged for years in a familiar ritual between donor and grantee: the donor repeatedly asks FUNDE to charge for services, and FUNDE dutifully promises to do so but never does. There are at least two reasons why the promises have not been kept, and they are as common as the ritual.

The donors have made it easy for FUNDE not to charge for services by covering almost all of its operating costs for 15 years. In this situation, FUNDE had nothing to lose by not charging for services, since it was receiving more than adequate funds from the donors. And the donors did not translate their concern about charges into

conditions for approving further grant monies. FUNDE did have something to lose, in contrast, if it were to charge for its services. If FUNDE started to charge, the strong affiliates were in the best position to dispense with the services, go to another supplier, or be more demanding about service quality. Thus the stronger that certain affiliates became, the harder it was to charge them; and because they were the best clients, they borrowed the most from FUNDE, repaid the best, and gave the least work per dollar lent.

Charging for services would have forced FUNDE into a more competitive environment, where it would have had to woo its clients and prove that its services were worth their expenditures. Worse still, charging could lead to loss of some of the system's best clients--causing increased costs, a reduction of performance indicators, and a forcing of FUNDE to grow faster in order to maintain a given net rate of growth. It is no wonder that FUNDE preferred to woo its donors instead of its clients--that is, to exist in the safer, less bothersome world of condition-free donor funding, in contrast to the competitive world it would create if it started charging for services. It cost FUNDE nothing to promise that it would charge. For failure to keep the promise, FUNDE suffered nothing but an occasional scolding from its donors.

Once it became clear to the donors that FUNDE was not enthusiastic about charging, they could have easily reduced the disincentive to charge by imposing some costs on the alternatives. By

offering loans rather than grants for operating costs, for example, the donors would have placed some costs (the interest and amortization payments) on the practice of obtaining revenues through outside funding rather than charges. Or, the donors could have made disbursements and further funding contingent on charges already being in place, and a certain percentage of costs (rising with each disbursement) already being recovered. The percentage criterion would have given FUNDE the flexibility of meeting the income-earning target by a combination of charges, increased interest rates, and reduced costs--thus removing in one blow the donor disincentives to performance in all three areas.

### Savings

The third element in FUNDE's inability to become less dependent is its lack of interest in raising loan capital through increased member savings. At present, FUNDE's credit unions treat savings as share capital, which members are not allowed to withdraw and on which no interest is paid. The majority of credit-union members see their savings as a compulsory deposit, and save only what they need in order to borrow (one third of loan value). A few affiliates have started withdrawable savings accounts, on which they pay 8% interest (the same rate paid by banks), but FUNDE discourages the practice. Withdrawable savings programs are too complicated to administer, it says, and can run afoul of the law.

If FUNDE were to pay interest on savings, it would not only reduce its dependency on donors for loan capital. It could also offer a new service to rural communities: the provision of a safe place to keep savings and the opportunity to earn income on them. Though adding withdrawable savings to a credit program makes it more difficult, it is probably no more difficult than the market-center and agricultural-credit activities FUNDE undertook in the last four years. Unlike these latter activities, moreover, a savings program would have represented an expansion in an area where FUNDE has experience and a distinct comparative advantage.

#### Banking at home

A fourth and final explanation for FUNDE's dependency is that it and its affiliates do not have financing from Nicaraguan banks. This absence of local financing is surprising for a credit organization as old and successful as FUNDE, which has many creditworthy affiliates; it is even more perplexing in light of the fact that as many as 12 FUNDE affiliates did borrow from the local banks in the past, but do not do so any longer. FUNDE says it and its affiliates do not borrow from local banks because (1) the affiliates prefer to borrow from FUNDE rather than the banks, and (2) the banks, as part of the system nationalized by the Sandinista government, are politically unsympathetic to FUNDE and its credit unions. Though it is true that relations between FUNDE and the Sandinista regime are cool, there are

more important reasons for FUNDE's isolation from the local banking system. (FUNDE's relations with the Somoza regime were also "strained," but it nevertheless succeeded in obtaining the backing of a public-sector guarantee fund for bank loans to some of its affiliates.)

If grantee organizations think they have a chance to get free donor capital, then it is in their interest to not try for credit at local banks and to convince donors that it is "impossible" to obtain such credit. Since banks usually do make things difficult for new clients, the argument is easy to believe; it will always be true, unless one makes a big effort to change it, and is therefore a kind of self-fulfilling prophecy. Under the Sandinista regime, moreover, FUNDE set out to prove that it had "alternative models" that were better than the government's programs in agriculture and food distribution, and these models were funded with USAID and IAF monies. We save comment on this subject until below, and want only to mention here that FUNDE's expressed intention to prove its model better than the government's would have made it embarrassing for FUNDE to go hat in hand to a banking system under the control of the government.

If FUNDE affiliates did obtain credit at local banks, this could mean that FUNDE would lose some of its best clients. The stronger credit unions, as noted above, borrow the most from FUNDE and cost it the least. Their switch to bank credit would leave to FUNDE the higher-cost credit unions with their lower repayment rates, representing a significant loss, particularly for an organization that

defines its goals in terms of high growth rates. Were affiliates to have the option of borrowing from banks, moreover, FUNDE would be placed in a more competitive environment, just as with charges for services. Most organizations, including private firms, will avoid more competitive environments if they can. The donors, by providing free loan capital, made it possible for FUNDE to do so.

#### Missing the local connection

In the democracies of North America and Europe, most successful private nonprofit organizations receive subsidies from their public sectors. Even in the United States, where government funding of nonprofit organizations is relatively low, such funding still accounts for 30% of the income of nonprofit organizations.

We are not making a case against subsidizing the kinds of services that FUNDE provides. In fact, a good argument can be made for subsidizing them: small-firm credit needs subsidies in order to cover the high initial costs of learning to know and service a new clientele. Implicit in this rationale is the assumption that the subsidy can decrease as the organization becomes more experienced, reduces its costs, and shows others that things can really be done this way. There was something about the form in which the donors subsidized FUNDE, however, that aborted the kind of organizational growth that justifies the subsidy in the first place.

If it is normal for nonprofit organizations in the first world to live off public-sector subsidies, then aren't we being too harsh on FUNDE for not moving toward financial independence? In terms of first-world experience, after all, FUNDE's adoption and continued subsidization by the donors could be re-interpreted as a sign of success rather than failure. But also in terms of this experience, we should be worried about the fact that FUNDE is not getting funds from the public sector or from other institutions of its own country. After 15 years of existence, in other words, FUNDE is unusual not just because it is so dependent on outside funding, but because it has not transferred any of this "dependence" to local institutions. Even when donor funding dropped abruptly in 1982, FUNDE directed all its attention to replacing that loss from outside the country.

#### Programs and politics

Up until now, our story of FUNDE has been similar to that of many nonprofit organizations funded by foreign donors in third-world countries. They think they can do better than the public sector, they are overly dependent on funding from their donors, they will not charge for services, and they do not try hard to obtain local financing. FUNDE differs from many other organizations, however, as a result of a political factor: its leader plays an important role in the private-sector opposition to the Sandinista government--just as he did in the last years of the Somoza government. Thus no matter how politically



innocent FUNDE's program is--and credit unions are about the most innocent you can get--FUNDE is perceived as a political challenge. In most situations, a government would laugh off a challenge from a small organization, or would not even be aware of it. But given the political dimension of FUNDE's leadership, the challenge becomes an irritant. This reduces public-sector receptivity to working with the organization, learning from it, or supporting it.

That FUNDE is almost totally financed by U.S. government donors adds to the irritation. It allows FUNDE to be cocky about getting along without local support and frees it of the need to initiate friendly or accommodating moves with respect to public-sector institutions. It gives FUNDE the confidence to say, "The Sandinistas wouldn't dare touch us because they know the U.S. would never stand for it!" (FUNDE said the same thing about Somoza.) It encourages FUNDE to cast its lot against the public sector instead of with it, and to see Nicaragua's dire economic situation as its salvation because "this will force the Sandinistas to back down."

In most Latin American countries, governments usually do not feel comfortable about local service organizations that have been totally funded from U.S. sources for a long time. In the mid-1970s in Brazil, for example, where the political climate was much calmer than in today's Nicaragua and where anti-U.S. sentiment was not as strong, the nonprofit UNO organization feared that "too much" U.S. funding would jeopardize its chances to obtain funding from the Brazilian public

sector. UNO therefore severed its ties to U.S. funders early in its history, and went on to become as healthy an organization as FUNDE, but with Brazilian public-sector funding. If organizations like UNO in places like Brazil want so much to avoid the opprobrium of exclusive U.S. donor links, then one can imagine the problem created by such funding in the more politicized and polarized climate of Nicaragua today. Public-sector distrust of FUNDE's foreign funding, of course, could only be exacerbated by the fact that FUNDE allied itself with Nicaragua's private-sector opposition to the government; the U.S. backing of FUNDE made its political opposition look more insidious and powerful to the Sandinista government than an independent local opposition would normally seem.

Any grantee of a foreign donor has good reason to tell its donors that working with the government or getting support from it is "impossible." If the donors believe the plea, which may or may not be true, they will rescue their grantee with further funding--just as FUNDE's donors did, long after the organization should have been making local connections and finding local funds on its own. By rescuing their grantees in this way, the donors contribute to the "impossibility" of a more collaborative local life between the grantee and local institutions. The "impossibility," like that of obtaining bank financing, becomes a self-fulfilling prophecy.

FUNDE's political persona, in sum, caused it to shun a better relationship with the public sector and caused the government, in turn,

to keep FUNDE at arm's length. This made partial "adoption" by the public sector, which is what usually happens to successful nonprofits of FUNDE's age, unlikely. The sadness of this turn of events is twofold. First, a good organization has trouble growing and spreading the benefits of its experience. Second, the political impasse between a government and its opposition is increased, because of the way donors provide support to an "apolitical" program. This latter outcome is particularly disturbing because the FUNDE program also represented an opportunity, not taken, to reduce the impasse--a point we turn to now.

#### Forced marriages

Since we have placed responsibility on the donors for contributing to the situation described above, we want to suggest how they might have done things differently. We do so, obviously, with the unfair benefit of hindsight. Our purpose is not to show how FUNDE's story could have turned out better, but to use FUNDE as a case study of a situation that donors often face when they fund private nonprofit organizations. We want to show how donors might fashion their support so as to ease their grantee organizations into the local environment, rather than alienate them from it.

Given the strain between FUNDE and the Sandinista state, our story contains a surprising number of incidents of good informal relations between the two. Some of FUNDE's activities showed more potential for harmony than others, and some caused more tension. Some FUNDE departments or department heads, in turn, had better

relationships with their counterparts in government than others-- sometimes because of personal relationships, including with ex-FUNDE staff now working in government, and sometimes because of the nature of the activity. After the Sandinista triumph, for example, relations between FUNDE and the public sector were better in housing and rural education than in agriculture and merchant credit. FUNDE and government officials had even been discussing joint programs in these two areas, and FUNDE was thinking of naming a few representatives from these government ministries to its board of directors.

Donors could have stated their willingness to fund some of the activities in these "harmonious" areas. They could have made their support to FUNDE contingent on government support, or their support to government contingent on funding being made available to FUNDE--just as USAID insisted that the Somoza government allow FUNDE's credit unions access to the USAID-funded program of credit guarantees. The IAF, of course, would have had less leverage than USAID with the Nicaraguan public sector in trying to bring the two sides together, since IAF does not fund government programs; it could nevertheless have canvassed the relevant public-sector institutions as to what kinds of FUNDE activities, or joint FUNDE-government collaborations, would have been appealing. Instead, IAF supported a project in the "conflictual" area--the market-center project, which public-sector officials had actually told the IAF was not to their liking. And USAID supported FUNDE's "conflictual" expansion into agriculture, carried out with the

intention of showing that FUNDE's "individualist" model of agricultural assistance would prove superior to the government's allegedly "collectivist" model.

FUNDE's training program for cooperative managers also represents a possibly harmonious ground for FUNDE and the public sector, appropriate for tension-reducing donor support. The training program is one among a few of its kind in the country, and the Sandinista government now sends some of its middle-level personnel there; this recognition is not official, since government participants pay for their course in cash or with personal checks. Donors might have funded the public-sector attendance at these courses, as well as increased support for the training program itself--just as they did in the case of another embattled nonprofit institution in Nicaragua, INCAE. (INCAE is the Central American Institute of Business Administration.)

Our suggestions do not require comprehensive, new, or expensive programs. They involve a further development of FUNDE's comparative advantage in areas of interest to the public sector. Their value would not be confined to the activity funded, but would also reside in the contribution they would make toward linking FUNDE to the institutions of its own country, and toward extending the benefits of FUNDE's learning and service capabilities to a wider population. By "forcing" the opposing sides together in this way, the donors would allow both parties to save face: each side could publicly blame the donor for requiring that it work with the other side--a not insignificant

advantage, given the political polarization in Nicaragua today at the rhetorical level, in comparison to the more relaxed quality of everyday working relations.

When the Sandinistas took over in 1979, the donors held the power to bring out some harmony between FUNDE and the public sector--and, perhaps, between the private-sector opposition and the Sandinistas. By offering support to FUNDE in areas of mutual interest, the donors could have given FUNDE and the Sandinista state a vested interest in being more accommodating to each other. This is exactly the opposite of what happened. The unconditional funding of the donors for "conflictual" activities gave FUNDE an excuse not to have anything to do with the other side--and provided the government with good reason to maintain suspicion.

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Table 1

Table 1: Growth of FUNDE credit unions and membership,  
1973-1982

Year	No. of credit unions	No. of members	Type of credit union in 1982 <sup>c</sup>	
1973	11	773	Com. & mfg.	29
			Mul. services	19
1974	18	3,490	Agriculture	7
			Transport	2
1975	29	3,820	Housing	2
			Other	15
1976	33	7,962	Total	<u>74</u>
1977	38	8,172		
1978	44	9,270		
1979	58	15,095 <sup>b</sup>		
1980	71 <sup>a</sup>	23,580		
1981	74 <sup>a</sup>	28,716		
1982	74 <sup>a</sup>	29,950		

<sup>a</sup>About five or ten of these credit unions are served, but were not created by, FUNDE.

<sup>b</sup>This is an average of 17,700 and 12,490, both of which figures were supplied by FUNDE.

<sup>c</sup>Data previous to 1982 are inconsistent and incomplete.

Source: "FUNDE: Desarrollo Institucional--Crecimiento Cooperativo Promovido 1973-1979" (1980); "Cuadro 7, Balances Consolidados" (1980); "Estadísticas de Préstamos y Ingresos," "Preguntas Para La Evaluación de FUNDE" (1983); 1981 figures from "Cooperativas Promovidas por FUNDE al 31 de diciembre de 1981."

Table 2

Table 2: Growth of member share capital and  
total lending by FUNDE credit unions  
(Constant 1982 ¢ millions)<sup>a</sup>

Description	1979	1980	1981	1982
Member share capital	36.3	44.2	55.1	54.3
Loans to members (year-end balances)	69.6	77.6	98.2	87.9
FUNDE loans to coops (year-end balances)	30.4	36.6	52.9	44.9
% growth of share capital	-	22%	25%	-1%
% growth of total loans	-	11%	21%	-10%
FUNDE-financed share of total loans	44%	48%	54%	51%
Estimated active members (70%)	12,390	16,506	20,101	20,965
Average savings per active member (constant 1982 ¢)	2,930	2,678	2,741	2,590
% change in average savings	-	-8%	-2%	-6%

<sup>a</sup>All córdoba values in the tables and text are deflated to constant córdoba values of 1982, except in a few cases where current values are used (and indicated as such). The deflator used for the corrections can be found in Table 20.

Source: Based on FUNDE consolidated balance sheets.

Table 3

Table 3: Growth of FUNDE system's financial solvency  
 (Constant 1982 £ millions)

Description	1979	1980	1981	1982
Total assets	100.8	107.0	132.6	121.0
% annual change	-	6%	24%	-12%
Total liabilities	55.4	56.9	70.6	60.1
% annual change		3%	24%	-15%
Member share capital	36.3	44.2	55.1	54.3
% annual increase		22%	25%	-1%
Member capital as % of total assets	36%	41%	42%	45%
Member capital as % of total liabilities	66%	78%	78%	90%

Source: FUNDE consolidated financial statements.

Table 4: Growth of FUNDE assets, donations,  
and loans to affiliates  
 (Constant 1982 \$ thousands)

Description	1979	1980	1981	1982
Total assets	37,158	43,310	63,151	50,837
% annual change	-	17%	46%	-19%
Total donations to FUNDE	23,127	24,960	42,449	12,004
% annual change	-	8%	70%	-72%
FUNDE loans to members	27,857	34,155	45,161	42,206
% annual change	-	23%	32%	-7%
Donations as % of assets	62%	60%	67%	24%
Loans as % of assets	75%	78%	72%	83%

Source: FUNDE balance sheets.

Table 5

Table 5: FUNDE liabilities in relation to  
external loans and total income  
(Constant 1982 ¢ thousands)

Description	1979		1980	1981	1982	
	¢1,000s	% of total			¢1,000s	% of total
<b>Liabilities:</b>						
Loans outstanding	16,537	88%	14,680	12,004	9,444	84%
Accounts payable	392	2%	569	915	768	7%
Interest payable	598	3%	798	528	529	5%
Unpaid oprtng. exp.	788	4%	952	701	498	4%
Funds in custody	583	3%	433	106	55	0%
Total	18,898	100%	17,432	14,254	11,294	100%
External loans to FUNDE	8,000		4,798	1,276	561	
As % of loans outstanding	48%		33%	11%	5%	
Total income	24,360		27,737	46,252	15,360	
Liabilities as % of total assets	51%		40%	23%	22%	
Loans as % of total income	33%		17%	3%	4%	

Source: FUNDE balance sheets.



Table 6

Table 6: Growth of FUNDE capital (net worth)  
in relation to donations and total assets  
 (Constant 1982 ¢ thousands)

Description	1979	1980	1981	1982
FUNDE capital	18,256	25,884	48,892	39,590
% annual change	-	42%	77%	-19%
Total assets	37,158	43,310	63,151	50,837
% annual change	-	17%	46%	-19%
Foreign donations	23,127	24,960	42,449	12,004
% annual change	-	8%	70%	-72%

Source: FUNDE balance sheets.

Table 7

Table 7: Growth in FUNDE income, by source  
(Constant 1982 \$ thousands)

Description	1979	1980	1981	1982
Domestic donations	48	68	50	200
Foreign donations	23,700	25,682	42,449	11,608
Subtotal income	23,748	25,750	42,499	11,608
% of total income	72%	80%	89%	75%
Domestic borrowing	-	726	232	561
Foreign borrowing	8,000	3,987	1,046	-
Subtotal borrowing	8,000	4,713	1,278	561
% of total income	24%	15%	3%	4%
Interest on loans to coops	894	1,592	2,726	3,078
% of total income	3%	5%	6%	20%
Other income	338	184	1,075	277
Total income	<u>32,980</u>	<u>32,249</u>	<u>47,578</u>	<u>15,524</u>
Income according to FUNDE's audited financial statements <sup>a</sup>	24,360	27,737	46,252	15,360
Foreign donations & borrowing as % of total income:	96%	95%	92%	79%

<sup>a</sup>The discrepancy between consultant's income estimate and FUNDE's audited statements is caused by the fact that external loans are not reported as income by FUNDE.

Source: Based on FUNDE audited financial statements and loan/donation records compiled by FUNDE Accounting Office, August 1983.

Table 8

Table 8: FUNDE donations by source and program  
for the period 1979-1982  
 (Constant 1982 \$)

Source	Total	1979	1980
1. Agency for Int. Dev.			
Loan fund	2,083,393	2,083,333	-
CFER program	6,058,713	3,440,491	1,585,474
AID/development	52,809,944	-	15,455,950
AID/emergency	10,416,666	10,416,666	-
AID/diversification	2,083,333	2,083,333	-
AID/rural coops	218,750	218,750	-
Subtotal (71%)	73,670,739	18,242,573	17,041,424
2. Inter-American Foundation			
CFER program (NC-038)	2,175,895	783,333	680,062
Diversification (NC-045)	13,992,206	3,410,750	4,508,856
Marketing (NC-055)	1,761,476	-	1,070,788
Subtotal (17%)	17,929,577	4,194,083	6,194,083
3. Pan American Dev. Found.			
Rolling Stones Concert	4,342,830	-	892,581
Grant 11-C	1,484,835	-	-
Subtotal (6%)	5,827,665	-	892,581
4. PACT housing program	2,644,018	409,021	910,309
5. DESWOS (Germany)	1,752,686	-	-
6. ATI (to establish DID)	1,137,617	442,708	251,159
7. FKA (Germany)	614,361	-	-
8. Ag Action (cooperatives)	393,750	393,750	-
9. FIR (CFER construction)	327,666	-	327,666
10. CARE (CFER program)	31,519	31,519	-
Total foreign	103,329,598	23,713,845	25,682,845
Total domestic	365,922	47,916	68,006
Total donations	103,695,520	23,761,570	25,750,851

(continues on next page)

Table 8 continued:

Source	1981	1982
1. Agency for Int. Dev.		
Loan fund	-	-
CFER program	1,032,748	-
AID/development	30,466,553	6,887,441
AID/emergency	-	-
AID/diversification	-	-
AID/rural coops	-	-
Subtotal	31,499,301	6,887,441
2. Inter-American Foundation		
CFER program (NC-038)	712,500	-
Diversification (NC-045)	4,019,950	2,052,650
Marketing (NC-055)	690,688	-
Subtotal	5,423,138	2,052,650
3. Pan American Dev. Found.		
Rolling Stones Concert	3,450,249	-
Grant 11-C	934,050	550,785
Subtotal	4,384,299	550,785
4. PACT housing program	735,938	588,750
5. DESWOS (Germany)	938,556	814,130
6. ATI (to establish DID)	343,750	100,000
7. FKA (Germany)	-	614,341
8. Ag Action (cooperatives)	-	-
9. FIR (CFER construction)	-	-
10. CARE (CFER program)	-	-
Total foreign	43,324,982	11,608,117
Total domestic	50,000	200,000
Total donations	43,374,982	11,808,117

Source: Based on records compiled by FUNDE's Accounting Office, August 1983.

Table 9

Table 9: Loans to FUNDE  
(Constant 1982 ¢ thousands)

Description	1979	1980	1981	1982	Total
<b>Domestic:</b>					
Bank of America	-	-	232	561	793
Banco Nicaraguense	-	726	-	-	726
Subtotal		726	232	561	1,519 (10%)
<b>Foreign:</b>					
Solidarios/AID	7,500	-	-	-	7,500
Solidarios/AID	-	2,095	1,046	-	3,141
Solidarios/CEC	500	-	-	-	500
Subtotal	8,000	3,987	1,046	-	13,033 (90%)
<b>Total</b>	<b>8,000</b>	<b>4,713</b>	<b>1,278</b>	<b>561</b>	<b>14,552</b>
<b>% of total borrowing</b>	<b>55%</b>	<b>32%</b>	<b>9%</b>	<b>4%</b>	<b>100%</b>

Source: Based on records compiled by FUNDE Accounting Office, August 1983.

Table 10

Table 10: Growth of FUNDE income and expenses, 1979-1981  
(Constant 1982 ¢ thousands)

Description	1979	1980	1981	1982
<b>Income:</b>				
Donations	23,127	25,961	42,449	12,004
% share of total	95%	94%	92%	78%
Interest	894	1,592	2,726	3,078
% share of total	4%	6%	6%	20%
Other	338	184	1,075	277
% share of total	1%	0%	2%	2%
Total income	24,359	27,737	46,250	15,359
<b>Expenses:</b>				
Admin./Gen. expenses	10,919	14,156	17,344	14,271
% share of total	87%	92%	95%	97%
Interest payments	1,567	1,240	949	464
% share of total	13%	8%	5%	3%
Total expenses	12,486	15,396	18,293	14,735
Net income	11,873	12,341	27,957	624
Active members <sup>a</sup>	12,400	16,500	20,100	21,000
Expenses per member	¢1,006	¢933	¢910	¢711
FUNDE expenses as % of F. loans to credit unions (Table 4)	45%	45%	41%	35%
FUNDE expenses as % of credit-union lending (Table 2)	17%	20%	19%	17%
Credit-union expenses as % of credit-union lending <sup>b</sup>	15%	15%	15%	15%
FUNDE & credit-union expenses as % of credit- union lending	32%	35%	34%	32%

<sup>a</sup>Active members calculated as 70% of total membership listed in Table 1.

<sup>b</sup>Estimate is based on an average of the data for eight credit unions visited.

Source: FUNDE income statements. Loan data from Tables 2 and 4.

Table 11

Table 11: Distribution of hours and operating costs  
of FUNDE service centers in 1982

Dept. <sup>a</sup>	Distribution of staff hours					Cost (¢)		% of total
	Field	Office	Transit	Other	Total	Total	Per hr.	
CFER	19,539	9,778	7,286	10,282	46,885	1,602,529	34.18	24%
CECOOP	7,811	2,495	2,317	4,656	17,279	1,143,351	66.17	16%
ATAF	7,218	2,389	1,663	4,223	15,493	972,805	62.79	15%
Audit	8,396	1,535	1,469	3,167	14,567	939,280	64.48	14%
ATA	6,583	1,882	1,426	3,500	13,391	896,795	66.97	13%
Housing	2,360	4,455	1,037	1,208	9,060	698,073	77.05	10%
Legal	2,146	377	698	3,290	6,511	426,145	65.45	6%
<b>Total</b>	<b>54,053</b>	<b>22,911</b>	<b>15,896</b>	<b>30,326</b>	<b>123,186</b>	<b>6,678,978</b>	<b>54.15</b> (avg.)	<b>100%</b>
% of total	44%	18%	13%	25%	100%			

<sup>a</sup>Acronyms explained in text.

Source: FUNDE Annual Report, 1982; "Presupuesto de Gastos 1983-- Costo Hora/Hombre de Los Centros Operativos."

Table 12

**Table 12: Performance characteristics of five "urban"  
FUNDE credit unions visited by team  
(Constant 1982 ¢ thousands)**

Description	El Peri- férico	San Je- rónimo	La Can- delaria	La Con- fianza	La Mo- derna	Avg.
Total members (1982)	158	650	373	616	475	454
% growth 1981-2	1%	13%	12%	21%	36%	17%
Active members (1982)	108	488	273	544	365	356
% of total	68%	75%	73%	88%	77%	78%
Member savings (1982)	¢795	¢2,115	¢1,206	¢4,416	¢2,332	¢2,173
% growth 1981-2	18%	2%	12%	49%	0%	16%
Svg. as % of assets	55%	68%	67%	65%	65%	67%
Total assets (1982)	¢1,453	¢3,118	¢1,794	¢6,694	¢3,568	¢3,325
% growth 1981-2	4%	-5%	15%	25%	-12%	6%
Loan balances (1982)	¢1,213	¢2,800	¢1,459	¢5,805	¢3,169	¢2,889
% change (1981-2)	7%	-8%	19%	20%	-4%	7%
% delinquency (1982)	11%	24%	13%	1.5%	2.5%	10%
FUNDE loans to coop	¢363	¢1,036	¢311	¢880	¢797	¢677
% growth 1981-2	-6%	-30%	17%	-22%	-19%	-13%
% total loan bals.	30%	46%	21%	39%	25%	32%
Total income (1982)	¢183	¢449	¢245	¢910	¢442	¢446
% growth 1981-2	15%	36%	54%	38%	33%	35%
Total expenses (1982)	¢156	¢450	¢147	¢479	¢393	¢325
% growth 1981-2	14%	20%	-0%	-33%	-37%	8%
Net income (1982)	¢27	-¢1	¢98	¢431	¢49	¢121
% of total income	15%	0	40%	47%	11%	27%
Avg. svg. per active member	¢7,360	¢4,335	¢4,419	¢8,117	¢6,390	¢6,124
Avg. loans per active member	¢11,295	¢5,737	¢5,345	¢10,672	¢8,683	¢8,346

Source: Based on credit-union balance sheets and annual reports for 1981 and 1982.



Table 13

Table 13: Performance characteristics of three "mixed"  
FUNDE credit unions visited by team  
 (Constant 1982 ¢ thousands)

Description	El Esfuerzo	La Armonia	Esquipulas	Average
Total members (1982)	168	480	576	408
% growth 1981-2	8%	14%	3%	8%
Active members	60	360	380	267
% of total members	36%	75%	74%	69%
Member savings (1982)	¢154,128	¢1,000,746	¢1,336,582	¢830,425
% growth 1981-2	1%	35%	10%	15%
Total assets (1982)	¢712,491	¢2,855,029	¢3,182,890	¢2,250,137
% growth 1981-2	-9%	23%	2%	5%
Svg. as % of assets	31%	35%	47%	39%
Loan balances (1982)	¢400,800	¢3,200,000	¢2,118,904	¢1,906,568
% change 1981-2	-22%	56%	20%	18%
% delinquency	31%	3%	10%	15%
FUNDE loans (1982)	¢576,444	¢1,514,169	¢1,507,227	¢1,199,280
% growth 1981-2	14%	8%	-6%	8%
% of total loan bals.	143%	47%	71%	87%
Income (1982)	¢66,551	¢689,892	¢588,495	¢448,313
% growth 1981-2	-61%	0%	-3%	-21%
Expenses (1982)	¢107,095	¢705,371	¢459,504	¢423,990
% growth 1981-2	43%	5%	-3%	-14%
Net income (1982)	-¢40,544	-¢15,479	¢128,990	¢24,322
% of total income	-	-	22%	5%
Average svg. per active member	¢2,569	¢2,780	¢3,517	¢3,097
Average loans per active member	¢6,680	¢8,888	¢5,576	¢7,048
Ratio of loans to svg.	2.5	3.2	1.6	2.3

Source: Based on credit-union financial statements and annual reports for 1981 and 1982.

Table 14

Table 14: Services provided by FUNDE in 1982

Credit union	<u>Hrs. of technical assistance to credit union</u>							Active members	Av. hrs.
	Audit	ATA	ATAF	CECOOP	Legal	Other	Total		
El Periférico	98	4	45	127	64	-	338	108	3.0
San Jerónimo	376	2	211	120	8	-	717	488	1.5
La Confianza	72	50	66	187	70	55	500	544	0.9
La Moderna	217	23	204	95	40	19	598	365	1.6
El Esfuerzo	105	544	138	216	105	4	1,112	60	18.0
La Armonía	76	470	38	115	17	-	716	360	2.0
Esquipulas	71	295	129	108	53	7	663	380	1.7
Total	1,015	1,388	831	968	357	85	4,644	2,305	2.0

Table 15

Table 15: IAF grants to FUNDE and affiliated credit unions, 1972-1983  
(U.S. current \$)

Grant No.	Date <sup>a</sup>	Amt.	Purpose
NC-006	9/12/72 2/20/74	\$502,500 35,000	FUNDE budget support, etc.
NC-009	1/04/73	10,000	FUNDE earthquake rehabilitation committee
NC-016	7/19/74	9,943	FUNDE's Rural Family Education Centers (CFERs)
NC-020	2/27/75 10/13/78	531,028 396,000	FUNDE's market women's coops
NC-026	3/29/77	5,100	CFERs
NC-029	8/30/77	146,000	Jalapa coop marketing
NC-032	2/23/78 8/09/78 9/05/80	23,450 4,100 9,876	La Candelaria coop
NC-036	3/20/79	54,499	Linda Vista coop, potable water & sewage
NC-038	4/19/79	142,000	CFERs
NC-045	7/10/79 1/18/83	992,300 354,750	FUNDE budget support
NC-046	9/25/80	1,300	Travel for La Hermandad coop
NC-055	9/30/80	126,560	FUNDE market centers
NC-091	5/11/81	19,360	Las Américas coop, office and and community center
Total		\$3,363,766	

<sup>a</sup>Dates not preceded by grant numbers are amendments to previous grant.

Source: Based on data from IAF files.

Table 16: Nicaragua consumer price index, 1972-1983  
(1982 = 100)

Year	Indices		Annual % change	
	WB/CEPAL <sup>a</sup>	IMF	WB/CEPAL	IMF
1972	18.0	--	--	--
1973	21.7	--	20.6	--
1974	26.7	--	23.6	--
1975	27.4	17.7	2.6	--
1976	30.3	18.2	10.6	28.2
1977	34.2	20.3	12.9	11.5
1978	35.1	21.2	2.6	4.4
1979	48.0	31.5	36.7	48.6
1980	64.7	43.6	34.8	38.4
1981	80.0	80.1	23.6	83.7
1982	100.0	100.0	25.0	25.0

<sup>a</sup>This index was used to deflate all current córdoba values in the report. Based on data from CEPAL (1983) and the World Bank's Economic Report on Nicaragua of 30 June 1978.

<sup>b</sup>Based on IMF (1983:385).

Table 17

Table 17: Growth of members, loans, and savings  
in the FUNDE system, 1973-1982  
 (1982 constant \$ millions)

Year	Members		Loans (year-end balances)			
	No. <sup>a</sup>	Avg. per coop <sup>d</sup>	FUNDE to credit unions	Credit unions to members <sup>b</sup>	FUNDE loans as % of total loans to members	Member savings <sup>c</sup>
1973	773	70	1.8	2.8	65.8	1.0
1974	3,490	194	7.1	12.7	56.0	5.6
1975	3,820	132	5.8	12.0	48.7	6.2
1976	7,962	241	5.6	23.4	24.0	14.9
1977	8,172	215	8.8	35.1	25.0	21.1
1978	9,270	211	17.9	47.0	38.2	25.4
1979	15,095 <sup>e</sup>	260	30.4	69.6	43.6	36.3
1980	23,850	332	36.6	77.6	47.2	44.2
1981	28,716	388	52.9	98.2	53.9	55.1
1982	30,000	395	44.9	87.9	51.1	54.3

<sup>a</sup>Includes inactive members, which currently average 30% of total membership. Source is Table 1.

<sup>b</sup>The difference between FUNDE loans to credit unions and credit-union loans to members is represented by loans made out of member savings.

<sup>c</sup>Year-end balances. Savings are mainly share capital; most credit unions do not pay interest on savings or allow them to be withdrawn.

<sup>d</sup>Data on number of credit unions taken from Table 1.

<sup>e</sup>Data on members for this year varied widely from one FUNDE source to another. This figure represents an average of the two most frequently cited numbers for this year, 17,700 and 12,490.

Source: Based on data from FUNDE Annual Reports for 1972-1977 and FUNDE balance sheets for 1978-1982.

Table 18

Table 18: Real annual percentage growth rates of members,  
loans, and savings, 1974-1982<sup>a</sup>  
(percentages)

Year	Members	Loans		Savings
		FUNDE to credit unions	credit unions to members	
1974	351.5	286.1	353.6	460.0
1975	9.6	-17.9	-5.5	10.7
1976	108.4	-25.8	95.0	140.3
1977	2.6	56.3	50.0	41.6
1978	13.4	104.6	33.9	20.4
1979	62.8	69.3	48.1	42.9
1980	56.2	20.6	11.5	21.8
1981	21.8	44.5	26.5	24.6
1982	4.5	-18.0	-10.4	-1.2

<sup>a</sup>Based on data from preceding table.

Table 19

Table 19: Average loans and savings balance per member  
in the FUNDE system, 1973-1982<sup>a</sup>  
 (1982 constant ₦)

Year	Average loan per member <sup>b</sup>	Average savings per member <sup>c</sup>	Ratio of loans to savings
1973	3,622	1,294	2.8
1974	3,639	1,605	2.3
1975	3,141	1,623	1.9
1976	2,939	1,871	1.6
1977	4,295	2,582	1.7
1978	5,070	2,740	1.7
1979	4,611	2,405	1.9
1980	3,291	1,874	1.9
1981	3,420	1,919	1.8
1982	2,930	1,810	1.6

<sup>a</sup>Based on data from Table 21.

<sup>b</sup>Year-end balances divided by total number of members. Data are not available on the number of loans or on total amounts lent; number of members have therefore been used as a proxy for number of loans, and year-end balances for loan values. Average loan size would be under-estimated to the extent that not all members borrow in any one year, particularly inactive members, and to the extent that loan commitments are higher than loan balances. If loan funds are turned over more than once a year, this could influence the average in the other direction.

<sup>c</sup>Year-end balances divided by the number of total members, thus underestimating average savings to the extent that membership is inactive.

Table 20

Table 20: Gender of management, leadership, and membership  
in eight FUNDE credit unions

Credit union	Members		total	% women in total	Leadership (male or female)	
	male	female			manager	president
San Jerónimo	310	424	734	57.8	M	M
Esquipulas <sup>a</sup>	61	81	142	57.0	F	M
La Confianza <sup>b</sup>	49	147	196	75.0	M	M
El Periférico <sup>c</sup>	6	29	35	82.9	M	M
La Armonía <sup>c</sup>	97	100	197	50.8	M	M
El Esfuerzo	na	na	na	na	M	M
La Candelaria <sup>c</sup>	25	91	116	78.4	F	M
La Moderna <sup>c</sup>	65	60	125	48.0	F	M
Total	613	932	1,545	60.3		

<sup>a</sup>Membership data are from loan applications for 1982.

<sup>b</sup>Membership data are from membership applications for the first eight months of 1983.

<sup>c</sup>Membership data are from loan applications, August 1982 to August 1983.



**Table 21: Growth of savings and lending in the national banking and FUNDE systems, 1975-1982**  
(constant 1982 ¢ millions)

Year	Savings				
	¢ millions		annual % change		FUNDE as % of total
	banking system <sup>a</sup>	FUNDE <sup>b</sup>	banking system	FUNDE <sup>c</sup>	
1975	2,825	6.2	—	10.7	0.2
1976	3,578	14.9	26.7	140.3	0.4
1977	3,357	21.1	-6.1	41.6	0.6
1978	2,826	25.4	-22.4	20.4	0.9
1979	1,788	36.3	-36.7	42.9	2.0
1980	2,836	44.2	58.6	21.8	1.6
1981	3,000	55.1	5.8	24.6	1.8
1982	2,601	54.3	-13.3	-1.2	2.1

  

Year	Loans				
	¢ millions		annual % change		FUNDE as % of total
	banking system <sup>d</sup>	FUNDE <sup>b</sup>	banking system	FUNDE <sup>c</sup>	
1975	9,711	12.0	—	-5.5	0.1
1976	9,805	23.4	1.0	95.0	0.2
1977	10,348	35.1	5.5	50.0	0.3
1978	11,046	47.0	6.7	33.9	0.4
1979	10,275	69.6	-6.9	48.1	0.7
1980	14,376	77.6	39.9	11.5	0.5
1981	15,119	98.2	5.2	26.5	0.6
1982	13,448	87.9	-16.2	-10.4	0.7

<sup>a</sup>Savings and time deposits ("quasi money"). Based on data from CEPAL (1979:T. 23, p. 70) for 1975-1976, CEPAL (1982:T. 16, p. 410) for 1977-1979, and CEPAL (1983:T. 18, p. 36) for 1980-1982. Figures for 1982 are preliminary estimates. CEPAL data converted to real values using the deflator of Table 16.

<sup>b</sup>From Table 17.

<sup>c</sup>From Table 18.

<sup>d</sup>Credit to the private sector. (Source is the same as in footnote a.) Figures for 1979-1982 include credit to state enterprises (Área de Propiedad del Pueblo).

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### Acronyms

- AMNLAE - Nicaraguan Women's Association "Luisa Amanda Espinosa"
- ATA - FUNDE's department of agricultural technical assistance
- ATAF - FUNDE's department of administrative and financial technical assistance
- BND - National Development Bank (previously BNN)
- CAS - collective agricultural production cooperatives formed under the Sandinista government
- CSS - agricultural service cooperatives formed under the Sandinista regime through which subsidized inputs and technical assistance would be provided to farmers producing individually
- CDSs - Sandinista defense (or block) committees
- CECOOP - FUNDE's department of cooperative education
- CFER - FUNDE's program of family centers for rural education
- CIERA - Research Center of the Agrarian Reform, an entity of the Ministry of Agrarian Reform
- COLAC - Latin American Confederation of Savings-and-Loan Cooperatives
- COSEP - Higher Council of Private Enterprise, of which FUNDE is a member
- CUNA - Credit Union National Association (now WOCCU, World Council of Credit Unions)
- DID - FUNDE's research and development department
- DIGECOOP - Cooperative Promotion Department of the Ministry of Labor
- ENABAS - Nicaraguan State Basic Foods Enterprise

- FECACNIC - Nicaraguan Federation of Savings-and-Loan Cooperatives
- FED - Special Development Fund of the Nicaraguan government
- FSLN - Sandinista National Liberation Front
- FUNDE - Nicaraguan Development Foundation
- IAF - Inter-American Foundation
- IDB - Inter-American Development Bank
- INCAE - Central American Institute of Business Administration
- INDE - Nicaraguan Development Institute, sister organization of FUNDE
- INPHRU - Institute of Human Promotion (action research institute and IAF grantee)
- INSS - National Social Security Institute
- INVIERNO - Nicaraguan Institute of Peasant Welfare (actually INVIERNO; a Nicaraguan government program, funded by USAID during the Somoza period, to provide credit and technical assistance to peasant farmers)
- NPO - private nonprofit organization
- PACT - Private Agencies Collaborating Together
- PADF - Pan American Development Foundation
- PROCAMPO - bureau of rural technical assistance of the Ministry of Agrarian Reform
- SOLIDARIOS - Council of Latin American National Development Foundations
- SSE - small-scale enterprise
- UDEL - Democratic Liberation Union
- UNAG - National Union of Farmers and Cattlemen

- UNO - Northeast Union of Small Organizations (nonprofit organization in Northeast Brazil providing credit to small enterprises)
- USAID - United States Agency for International Development
- WB - World Bank