

**Phone conversation between Fundación Paraguaya (Luis Fernando Sanabria,  
General Manager) and GiveWell (Natalie Stone) on June 8, 2010**

**Fundación Paraguaya:** We are a 25-year-old social enterprise organization running 3 main programs. Microfinance is the oldest of the three. Our microfinance program offers credit and training. Within our entrepreneurial education program, we offer entrepreneurship training to clients' children. The third program is an education program that uses a new approach: the self-sufficient agricultural school.

We are a Kiva partner, a member of the Accion International network, and are audited by PricewaterhouseCoopers. Planet Rating has performed both social and financial ratings on us.

**GiveWell:** How does Fundación Paraguaya track its repayment rate? Can you share data on loans disbursed, written off, rescheduled, and in arrears?

**Fundación Paraguaya:** We track our repayment rate as the portfolio at risk greater than 30 days. We can send you information on value of loans disbursed, written off, rescheduled, and in arrears. It should also be available in our annual report.

**GiveWell:** What interest rates and fees does Fundación Paraguaya charge its loan clients? What is the repayment schedule? Is there a savings requirement?

**Fundación Paraguaya:** We charge 24-34% annually, depending on the product. We have 4 main products: an agriculture loan (interest rate: 28-32%), an individual loan (interest rate: 28-32%), a group loan (interest rate: 24-28%), and a consumer loan (interest rate: 34%). The Central Bank sets the maximum interest rate allowed for the entire financial industry. Fundación Paraguaya follows the regulations of the Central Bank, which also establishes that no more than \$50 can be charged in terms of loan fees per loan. Repayment may be weekly, biweekly, or monthly, and loan duration is a maximum of 24 months. As an NGO, we are not able to hold savings, though we require clients with group loans to save 10% of the loan. They have access to this savings throughout the loan duration. Other types of loans do not have savings requirements. There is additional information about our interest rates in the Planet Rating financial rating report.

**GiveWell:** Does Fundación Paraguaya have data on its clients' standard of living?

**Fundación Paraguaya:** We are now working on a new poverty elimination program, "Ikatú", whose name translates as "Yes we can." We are conducting a detailed baseline survey as part of this program. The survey includes 50 poverty indicators in 6 topic areas, such as income, employment, motivation, health, and education. Also, it is common practice in our microfinance program to survey new clients and existing clients accessing new loans on their socio-economic situation. I can share reports, though I believe they are in Spanish.

**GiveWell:** What percentage of clients has dropped out of the program each year? How does Fundación Paraguaya calculate this rate? Can Fundación Paraguaya share reports on why clients drop out?

**Fundación Paraguaya:** We track a drop out rate, and have found that 95% of clients renew their loans. We calculate our retention rate as active clients at the end of the period divided by the sum of active clients at the beginning of the period and new clients during the period. If we have 100 clients with active loans at the beginning of the month, then in

the next month we have 5 new clients, and end the month with 102 total clients, then our retention rate for the month is 102 divided by 105 [i.e. 97%]. We calculate this rate monthly. I can send you the reports we prepare for our microfinance network.

We collect reasons why clients drop out every month. Credit officers are required to report why each client drops out. We also have ways to assess client satisfaction—5% of our clients have access to the Internet and can use our web-based submission form; other clients can use the suggestions and claims boxes located in each office. Complaints go through our central office, not our loan officers. In addition, our internal auditors visit 5% of clients each year and ask about the level of service. I can ask about sharing the internal audit reports.

**GiveWell:** Is there a process for monitoring whether procedures for preventing over-indebtedness are effective?

**Fundación Paraguaya:** We do not give additional loans to clients that have more than 3 active operations in the financial system as a whole, and total debt cannot be higher than 30% of assets. We research this information through the credit bureau, which has extensive information on the financial history of each individual including references from former employers, pending judicial cases, and payment record for such services as cable and telephone.

**GiveWell:** Are practices for protecting clients from harassment effective? How is staff performance evaluated and rewarded?

**Fundación Paraguaya:** We have a very strong internal audit department. We also have office and regional managers who fully monitor the activity of each loan officer. Institutional policies and a code of ethics specify acceptable practices and behaviors. In addition, we educate clients and staff to prevent discrimination.

Every 6 months we have formal staff evaluations. This formal evaluation includes a wide variety of aspects of loan officers' work including knowledge of procedures, practices, and the organization's principles. Managers perform these evaluations. Every month employees are evaluated on their progress in relation to established targets—the value of the loan officer's portfolio, value of disbursements, the default rate, and the number of clients.

**GiveWell:** How much in additional donations could Fundación Paraguaya productively use in the next year? What would such donations be used for?

**Fundación Paraguaya:** We are currently working on a micro-franchise project. Just as microfinance has been used to distribute capital to poor people, we believe that a similar model can be used to distribute other poverty-reducing products such as eyeglasses, medicine that don't require prescriptions, school supplies, simple latrines, cataract surgeries, etc. We are working with VisionSpring (eyeglass program) and Aravind Eye Care (cataract surgeries), but we are running the programs. It costs about \$100,000 to develop a new micro-franchise program. We are also looking to expand our self-sufficient school program. Each school costs about \$1 million.

Donations are not used to support regular microfinance operations because this program is profitable. This program is supported by local banks and international investors.