

Phone conversation between CEPRODEL (Rigoberto Hernandez, Senior Analyst) and GiveWell (Natalie Stone) on July 20, 2010

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

CEPRODEL: To the 31st July 2008, we had 15,433 clients and out of those 55% were women. On the 31st of May 2010, we had 10,396 clients, out of which 56% are women. In two years, we've lost 5,000 clients. 2008 was a perfect storm for microfinance in Nicaragua. We've decided only to provide new loans to type A and B clients who have had more 5 loans with us and don't have debt at other MFI. We continue to finance our 6 sectors: agriculture, commerce, industry, livestock, personal consumption, housing and home improvement. We are offering loans to new clients, but there's a much more rigorous process with them to ensure the full recovery of the loans and be able to payback our funders.

For 2009, our desertion rate using the M-CRIL formula is 27%.

$$\frac{(13,664+1,010-10,988)}{13,664}$$

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

CEPRODEL: The central bank of Nicaragua doesn't allow MFIs to handle savings accounts for clients thus we do not require a savings account.

Our loan terms for the financial products that we offer are the following:

- Agriculture: 6 months to a year term, with 1 payment after reaching maturity with a 30% annual interest rate.
- Livestock: 3 to 6 month terms with quarterly payments with a 25% annual interest rate.
- Commerce: Monthly payment, 1-6 month terms with a 36% annual interest rate.
- Industry. Monthly payment, 1-12 month terms with a 30% annual interest rate.
- Personal consumption: Monthly payment, 1-6 month terms with a 30% annual interest rate.
- Housing: 10 year terms with monthly payments at a 13% annual interest rate.

GiveWell: Does CEPRODEL have data on its clients' standard of living?

CEPRODEL: We collect this data through our socio-economic sheet. We gather information on family size, income, electricity, running water, telephone, education, and employer.

GiveWell: How does CEPRODEL track its repayment rate? Can it share data on loans disbursed, written off, rescheduled, and in arrears?

CEPRODEL: We classify clients by how risky they are. Type A clients have 0 days in arrear. Type B clients have 31-60 days in arrears. Type C clients have 61-90 days in arrears. Type D clients have 90-120 days in arrears. Type E clients have more than 120 days in arrears.

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

CEPRODEL: Harassment is not a major issue here in CEPRODEL. Our policies state that more than half of our portfolio should belong to women. The age of our target market is 30-35 years old with elementary level education. We target families of 3-4 people and incomes of C\$1,000-C\$2,000 Córdobas per month (\$57-\$100). Our entrepreneurs have general knowledge of craftsmanship and high expectations of succeeding.

We currently evaluate performance of the following variables: growth of portfolio, PAR>30, and amount of collections.

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

CEPRODEL: For next year we could use approximately \$300,000 dollars to support technical assistance which will be provided to 12 different social housing projects that we are currently executing (or about to be executed).