

## PERU: SMALL BUSINESS LOAN PROGRAM CREATES JOBS

*Credit and training help alleviate families' poverty in Lima and Huancavelica*



*Dominga, a mother of four who lives in the Huancavelica area, received a \$100 loan that she used to buy supplies for her knitting business. Read her testimony under "In Their Own Words" on page 4 of this report.*

### COMPLETED PROJECT

Peru's rapid economic expansion has helped reduce the national poverty rate by more than 19 percent since 2002. However, unemployment and underemployment rates remain high. The southern regions of Lima and Huancavelica are characterized by extreme poverty. Many residents suffer from chronic malnutrition and lack adequate housing, clean water and sanitation. The population has largely migrated from rural areas and most are not educated. Just 15 percent of people in these regions can read. Limited government and social services assistance help a few people. The Huancavelica region has many single mothers or abandoned women who support the family when their male breadwinners move to cities in search of work. These women are small business entrepreneurs who have skills, but need working capital.

From 2011 to 2013, Five Talents International (FTI), a Christian microfinance charity, the Ecumenical Church Loan Fund (ECLOF) and the Anglican Diocese of Peru provided

loan capital to ECLOF members in Lima and Huancavelica. During the project term, 406 people became members of ECLOF by forming savings and credit groups. During the same time, 810 members benefited from attending training sessions on business planning, personal development, product development, sales and marketing. As a result of access to loans, business training and assistance with start-up businesses, participants' household income rose, which, in turn, improved each household's access to food, education, sanitation and medical assistance. Furthermore, spiritual training and outreach activities conducted in collaboration with the Anglican Diocese have positively impacted participants' interactions with family and communities, as well as contributed to their overall improved home life.

The project achieved four of its goals, exceeded one and fell below expectations in one, earning an overall rating of "Achieved."

### PROJECT PROFILE

FIVE TALENTS  
INTERNATIONAL (FTI)



Implementer	Five Talents International (FTI)
Investment	\$39,200
Expected cost	\$11.20 per beneficiary
Actual cost	\$12.07 per beneficiary
Location	Peru
Portfolio	Microenterprise
ID	ARDF-0911
Evaluation date	December 2013
Researcher	Siyumi Yanthrawaduge

### PROJECT PERFORMANCE

BELOW      ACHIEVED      EXCEEDED



### DEFINITION OF RESULTS

Exceeded	Implementer exceeded goal by more than 20%
Achieved	Implementer solidly achieved the goal +/- 20%
Below	Implementer partially achieved the goal
Not achieved	Goal was 100% not achieved

## ASSESSMENT & RECOMMENDATION

Through this project FTI, ECLOF and the Anglican Diocese of Peru positively impacted more than 3,000 people in Lima and the rural mountain regions of Huancavelica. During the project term, the Lima branch operated without the support of external funding. For the Lima branch this was a time of restructuring as opposed to expanding. The program outreach numbers are slightly less than anticipated, as the program shifted its focus from adding new members to graduating people to larger loans. However, FTI and ECLOF are working together to reach a balance between spreading the project's reach to unreached areas (new membership and supporting new clients at the entry level) and supporting the growth of microenterprises of existing clients.

Through this project, clients who received initial loans of \$112 in the first cycle were able to graduate to loans of up to \$2,240 in the last cycle. During the project term, the average amount loaned to clients across all cycles was \$785. A 93 percent repayment rate was recorded for all loans from both branches, which falls within an acceptable range. The balance (25 loans) was in arrears at the end of the funding period.

During the project term, 406 new members joined credit and savings groups in the region. They benefited from the Chalmers biblically based curriculum, which taught them a sound approach to their household economics and improved familial relationships. A total of 810 people, including the new members of the group, participated in business skills training to grow their enterprises and remain competitive. As a result of participating in this project, a total of 2,030 people (savings group members and their families) experienced improved household income, which resulted in better access to proper nutrition, education, sanitation and medical assistance.

This project surveyed a sample of clients in 2012 from both project areas. Based on the results, 79 percent of clients in the Lima branch office and 87 percent in the Huancavelica

office used their loans to purchase merchandise or materials for their businesses. When clients were asked about the benefits of the program, respondents in Lima cited improved diet, education and income. Those in Huancavelica said they were able to improve their households, increase their income and grow their businesses. The data gathered and the testimonials reflect positive changes due to the higher income. Based on the surveys, ECLOF leaders said they need to continue to provide training on capital management and monitor the loans more closely for optimal investment. Also, a small business insurance policy was offered to clients to help protect them and their families in the case of a death or critical illness before the loan is repaid.

In order to spread its reach, ECLOF's loan officers met with government entities, churches and town councils to promote the work of FTI. In the Huancavelica project area, staff collaborated with local artisan associations to visit surrounding communities like Ayacoccha, Chuncumarca and Milpo – areas that had not yet been reached. ECLOF also reached new audiences through pastoral training offered through the Anglican Church.

Areas of risks identified during this assessment include:

**Program design.** Although the risks associated with microfinance are low, there is the risk that a client will be unable to repay a loan due to an accident or death. It is significant that ECLOF and FTI have minimized this risk by offering clients an insurance policy.

**Sustainability.** Currently, the Huancavelica branch depends largely on external funding. It is five years younger than its counterpart in Lima. As with the Lima branch, the Huancavelica branch is expected, over time, to become more self-sustaining and can expand to serve more people.

This project achieved its expectations and can be replicated in similar contexts in Peru. It was expected to reach 3,500 people and reached 3,246, which falls within the 20 percent range of expectations. As a result, Global Scripture Impact recommends this project for future funding.

## IN THEIR OWN WORDS



*Isabel is a single mother of two sons, ages 6 and 9, in Lima, Peru. To support her family, Isabel makes jewelry that is exported to the United States. She received a loan through this project. Read her testimony below.*

“Being a member of ECLOF, the loans she has received have served to help her buy materials and supplies for her work. With the success of her business and increased income, her children are now studying in private school. She wants to give her children a better life than she had herself. Her hopes and dreams for the future are to have a better quality of life and her greatest achievement would be that her children finish school victoriously. Isabel and her children currently live with a friend, but one day she hopes to be a homeowner.”

*- as reported by ECLOF staff*

Anticipated	Actual	Expectations/Comments
<p><b>1,000 COMMUNITY MEMBERS</b> will be empowered with basic business skills training</p>	<p>810</p>	<p><b>[+] ACHIEVED</b> A total of 810 people undertook basic business skills training that allowed them to make more informed decisions and remain competitive in their markets. It helped their businesses grow and provided teaching on family life, business management and customer service. The numbers are fewer than expected because the project was more focused on graduating people to larger loans rather than attracting new people to attend basic business training.</p>
<p><b>500 PEOPLE</b> will join savings and credit groups</p>	<p>406</p>	<p><b>[+] ACHIEVED</b> A total of 406 people joined savings and credit groups. This number is fewer than expected because the program was more focus on getting current members to take out larger loans. FTI is collaborating with ECLOF to achieve a balance between supporting new clients at the entry level and supporting the growth of the businesses for existing clients.</p>
<p><b>50 PEOPLE</b> start a small business</p>	<p>0</p>	<p><b>[-] BELOW</b> No people started a new business as ECLOF focused mainly on working with current clients to diversify and expand their existing businesses. These efforts cannot be classified as start up or new businesses. Again, this is the result of the focus on existing clients, rather than new clients.</p>
<p><b>2,500 FAMILY MEMBERS</b> – an average of five family members per 500 beneficiaries – will benefit from increased household income</p>	<p>2,030</p>	<p><b>[+] ACHIEVED</b> A total of 2,030 people benefitted from increased household income. When clients were asked about positive changes, they cited improved family relationships, diet and education, higher income and growth in their businesses.</p>
<p><b>500 MEMBERS</b> of the savings groups are exposed to a curriculum based on Christian values and a biblical worldview</p>	<p>406</p>	<p><b>[+] ACHIEVED</b> A total of 406 people were exposed to the biblically based business skills training. This training is what differentiates ECLOF and FTI from other organizations that only provide loans. The biblical concepts impacted the clients' businesses, as well as their home lives and family relationships. For example, the materials encouraged staff to invite clients and their family members to celebrate the importance of both Mother's Day and Christmas in the ECLOF offices.</p>
<p><b>700 MEMBERS</b> participate in the pastoral care programs conducted by the ECLOF and the Anglican Church</p>	<p>2,020</p>	<p><b>[++] EXCEEDED</b> A total of 2,020 members took part in 25 pastoral trainings held in the Lima and Huancavelica offices through the Anglican Church of Peru. A local priest led these sessions, which were open to both clients and community members. These pastoral trainings are not intended for just community outreach as the ECLOF staff also attended the sessions.</p>

## FINANCE REPORT

ITEM	REQUESTED	LOCAL/OTHER	ACTUAL SPENT
Loan fund	\$20,000	\$60,000	\$48,282 <sup>1</sup>
Training	\$5,000	\$13,500	\$4,044
Research and evaluation	\$4,200		\$4,200
Monitoring and evaluation	\$4,000		\$4,000
Staff salaries	\$3,000	\$22,000	\$3,397
Staff transportation	\$1,500	\$1,500	
Administration	\$1,500	\$6,345	\$4,277 <sup>2</sup>
Communication, evaluation and monitoring		\$1,000	
<b>TOTAL</b>	<b>\$39,200</b>	<b>\$104,345<sup>3</sup></b>	<b>\$68,200<sup>4</sup></b>

### NOTES:

<sup>1</sup> reflects just the Huancavelica branch, as the Lima branch operated without outside funding; FTI sent \$29,000 to the Huancavelica branch in addition to the funding received from ARDF Canada.

<sup>2</sup> also includes staff transportation costs

<sup>3</sup> of the \$104,345 expected to be raised, only \$29,000 was raised and invested in the work of the Huancavelica branch

<sup>4</sup> the \$35,000 from ARDF Canada was solely directed to the work of the Huancavelica branch; other than the \$29,000 included in the loan fund, this column shows the breakdown of how the funds from ARDF Canada were spent

## IN THEIR OWN WORDS

*Dominga lives in the Huancavelica area with her four children, ages 2 to 17 years old. She received a \$100 loan from ECLOF that she used to buy raw materials for her knitting business.*

“All kind of jobs mean sacrifice and this one is what we do as it was passed from our generation, from our parents. There is also the need to survive, as in this place agriculture and livestock are more so profitable and I see in my knitting an opportunity in generating some support for my family. I wake up every day at 5 a.m. to have breakfast and [at] 7 a.m., I start knitting till 4:30 p.m. Then I start cooking and at 10 p.m., I have already done some more knitting so then I can go to sleep. We eat twice a day and the biggest sacrifice is our eyes, as they get tired and my back hurts, as well as my hands at the end of our working day. Working this way, I can make two pairs of gloves per day and 10 per week. Then I can sell them in the Yauli fair so I can get more money to buy more wool to knit more [as well as] vegetables, fruit and grocery. I am very happy with what I do because I help my husband. ... I see life in another way. It makes me have hope and belief again – a better world for my family.” --

### PROJECT RECAP

ID - ARDF-0911  
 Timeline - 12 months  
 Requested - \$39,200  
 Modified - 011514



## HOW TO FUND ARDF PROJECTS

The Anglican Relief  
and Development Fund  
Canada

For information about the fund or projects, write to:  
 Box 1013  
 Burlington, Ontario L7R 4L8  
 or send an email to: [info@ardfc.ca](mailto:info@ardfc.ca)



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