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FINCA
Small Loans-Big Changes

Foundation for International Community Assistance
1101 14th Street, NW
Washington, DC 20005
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May 19, 2000

The Honorable Sandra Thurman
Director
The White House
Office of National AIDS Policy
736 Jackson Place
Washington, DC 20503

Dear Sandy:

We were so glad you could attend FINCA's Village Banking Capital Adventure in New York on April 6. For us at FINCA, the event was a great way to recognize First Lady Hillary Rodham Clinton's contribution to microfinance, and the progress of FINCA client Lukia Ssemanobe. It also provided an opportunity to get together with some old friends of FINCA and to make some new ones. We were honored that Her Majesty Queen Rania Al-Abdullah of Jordan could chair the event for us, and that so many took time from their busy schedules to attend. We thank you so much for coming, because your participation helped to make it a success. We hope you enjoyed the evening.

I'm enclosing a copy of our annual report for 1999. As I look over the report, I'm amazed at how much we've grown in the past decade. In 1989 we operated seven Latin American programs serving fewer than 10,000 clients. In 1999 we operated 17 active programs on five continents serving over 121,000 clients—more than *twelve* times our outreach of a decade ago.

Each year in the annual report we attempt to describe our work, not only in numbers, but also in human terms, so that you feel the human connection—and the human impact—of your support. In this year's report you will read about how Maria Abel Pavón of Mexico was able to rebuild her small store after a devastating fire; how Christina Ketemi of Tanzania created a thriving brickmaking business, which not only brings extra income to her family, but employs several neighbors; and how Natruli Nachekebia of Georgia became, first, a FINCA client, and ultimately, a FINCA employee. These are the stories behind the numbers that we so frequently cite. And each of these stories was made possible by a FINCA supporter—like you—who was willing to provide the capital to finance these small solutions. As FINCA, its supporters, and its clients continue to multiply these small solutions, we feel more and more certain that the battle against poverty is one we can win. Just look how far we have come in ten years!

That is why we've set some important goals for the remainder of 2000, and for the next five years. We intend to reach 150,000 families with small loans by year's end, and our promoters and credit officers on five continents are working hard to reach new communities. In Kosovo, where we disbursed our first 11 loans in March, we hope to reach 1,500 clients by January, to give those who have lost homes, family members, and livelihoods the tools to rebuild. FINCA South Africa has already begun gearing up to start lending in some of Durban's poorest neighborhoods. With the momentum we've created over the past decade, we will surely reach our long-term goal: providing a half million families with microcredit by 2005. I hope you'll be with us along the way. I look forward to sending you updates on our progress.

Thanks again for attending, and helping to support, the Village Banking Capital Adventure. As mementos, I'm also enclosing a copy of Rupert Scofield's speech, as well as a photo of you taken at the event, which I hope you enjoy.

Sincerely yours,

Lawrence Yanovitch
Director of Policy & Research

P.S.: The streaming video of our event is now available on our website: www.villagebanking.org.

Remarks by Rupert Scofield

FINCA's Village Banking Capital Adventure

April 6, 2000

I hope you are all enjoying your evening so far. In a moment, we'll be getting to the main event, and presenting our awards to our honorees. Before we do that, I would like to take a little time to distill for you the essence of what FINCA has learned during the past 15 years, and its implications for the future – both for FINCA, and the economic and social development of our small planet. It comes down to three simple ideas.

First, poverty is a personal problem, ultimately, and no one has a stronger motivation to escape from it than the person afflicted by it. Governments have a role to play, but a far more effective and swift solution is achieved by putting the resources directly into the hands of the people. In FINCA's case, 90% of the time, this means making a $100 loan to a woman.

Second, the problem of world poverty seems daunting, and cost of combating it prohibitive, until you actually begin to tackle it, one family at a time. Then you discover that, if you give the people the means to earn a livelihood, they will take care of most of their other needs. And you also learn that the cost may be nowhere nearly as high as you imagined, especially considering that most of the funds required will be borrowed, not donated.

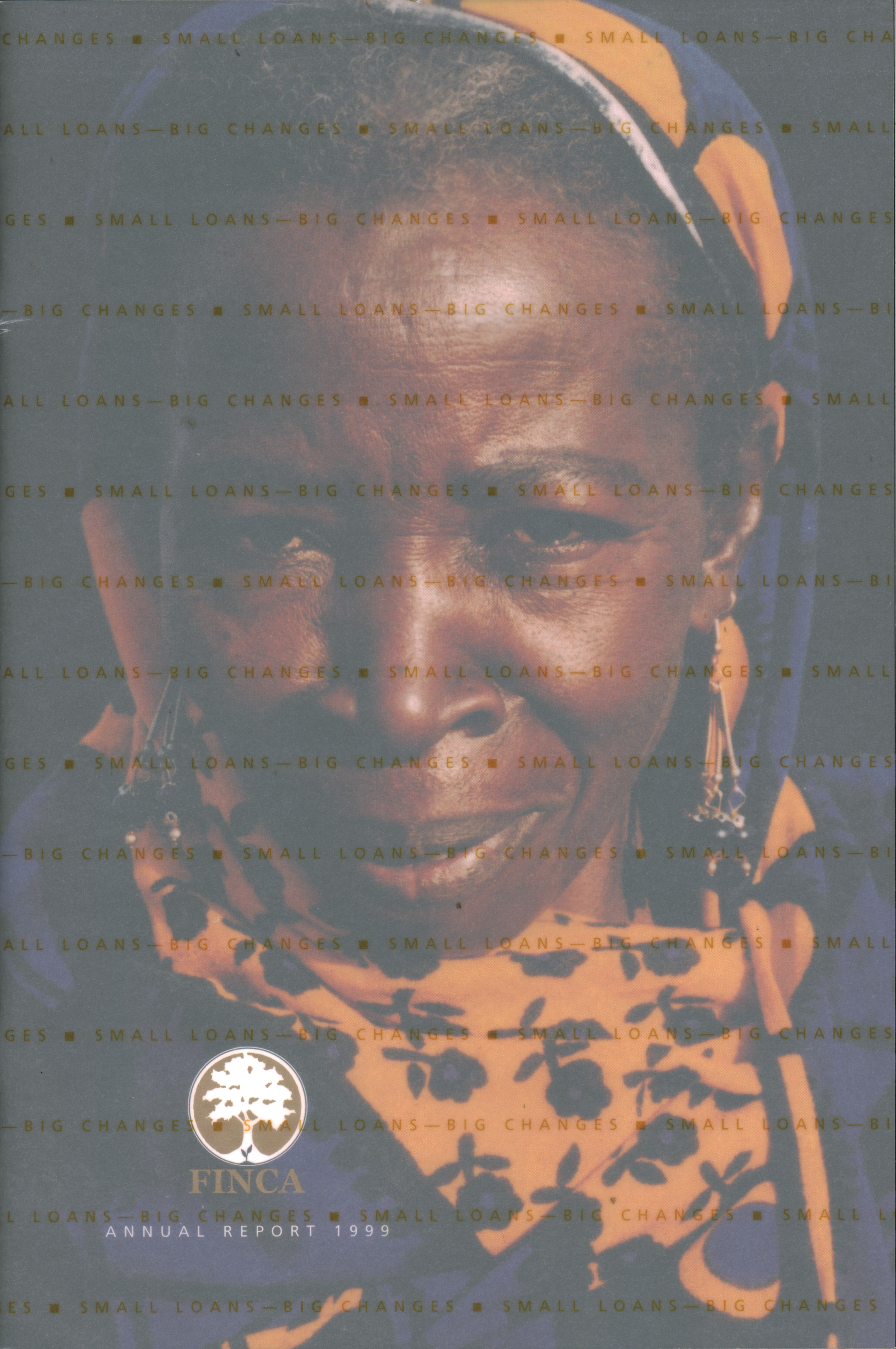
The third thing we have learned is that what makes our programs sustainable is as much the result of the investments people and communities make in themselves, as what we invest in them. The experience of managing credit, running a business and providing for their families sets in motion a process of inexorable, irreversible change. In El Salvador, we call it a change in attitude from "No puedo" to "Si, puedo." In Uganda, we say "Ye nsobola." In Russian we say "Ya ploka gavaroo pa ruski." Actually, that means I don't speak Russian—well, but you get the idea.

And what is the effect of this change in attitude on the children? Before FINCA arrives on the scene, their thinking goes something like this: My father is poor. My grandfather is poor. My mother is poor. I am poor. My children will be poor. This changes, once the first loans are made. Now, this child sees its mother working, earning money, providing food, clothing, and school fees, and actively participating in a new institution in the community: the Village Banking group. The child becomes educated, and with this education, comes a future replete with new possibilities, limited only by the creativity and initiative of that child. The cycle of inevitable poverty, that terrible, unwanted legacy one generation bequeaths to another, is broken.

You may have attended events like this one where, as part of the entertainment, a conjurer takes the stage and begins telling people their birthdays, social security numbers and how much money they have in their wallet. Well, perhaps I have this ability, because as you were relating to each other the experiences of our clients in Latin America, Africa and Central Asia, I could hear the thoughts running through your heads: "This makes so much sense," or, "How can we do more of this?"

That latter question is the one FINCA will be grappling with over the next five years, as we attempt to expand our outreach three-fold, to a half a million clients. We cannot do this alone, of course, and the support of everyone in this room tonight will be crucial. Your role may be to help us mobilize the capital we need to finance the loan portfolio, which we project will reach $70 million by the year 2005. Or perhaps you can help us spread the good news about Village Banking programs and FINCA: that we have a solution that is working, and deserves more support. However you can help, we and our clients will be grateful.

I think we like to help people. Whether its part of our job, or helping someone find the nearest pay phone, we get a good feeling when we do it. It feels right. It makes us feel connected. When things get difficult at FINCA, when the work seems overwhelming or when things don't go exactly as planned, I remember what my daughter told me after I had taken her with me on a trip to see our program in Mexico. "I'm proud of what you do, Dad," she told me. Tonight, I remember the pride in the faces of the German, Italian, and French peacekeepers in Kosovo. They were proud of their role in protecting the peace, and giving a chance to people who, just one year earlier, had lost all hope of ever rebuilding their lives. We may describe FINCA's vision and goals in many ways, in numbers or words, but perhaps the simplest way would be, if after we are gone, our children will say: "We're proud of what they did."



FINCA

ANNUAL REPORT 1999

FINCA® INTERNATIONAL, INC.
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February 14, 2000

The Honorable Sandra Thurman
Office of National AIDS Policy
The White House
Washington, DC 20503

Dear Sandy,

Thank you for this wonderful opportunity to share FINCA's great work with the corporate community. We are deeply grateful to you for offering to introduce FINCA to your contacts at Coca-Cola to explore ways we can work together in Africa to help those suffering from HIV and AIDS. FINCA and Coca-Cola share a commitment to building communities around the world, and the enclosed proposal presents a general plan for creating a partnership that can have a real impact on the lives of families struggling with the burden of AIDS.

Coca-Cola has brought enjoyment, American culture, and livelihoods to millions of people around the world. In Africa, FINCA clients in Uganda depend on Coca-Cola for business. More than half of FINCA Uganda's clients, after obtaining Village Banking loans, sell Coca-Cola in their stores, restaurants, or cafes. For most of these clients, profits from these businesses support family members suffering from AIDS or orphans of relatives who have died from AIDS. The enclosed proposal tells the story of six hard-working women who hope for a brighter future for themselves and their families, thanks to FINCA, its partners and supporters.

Together, Coca-Cola and FINCA have an opportunity to work together in Uganda to help alleviate the suffering of families living with HIV and AID. With the support and partnership of Coca-Cola, FINCA can expand Village Banking services in Uganda to reach more families struggling against poverty and AIDS.

We appreciate your commitment to FINCA and look forward to the possibility of working with Coca-Cola. Please feel free to contact me if you require further information.

Warm regards,

Lawrence Yanovitch

FINCA Uganda and Coca Cola:
Partners in the Fight Against AIDS

Summary

For the more than one billion people living on less than one dollar a day, FINCA International offers an opportunity to break free of the cycle of poverty. With "microcredit" – small loans of $50 - $1,000 – FINCA helps low-income individuals start or expand self-employment activities that often represent their best chance at financial independence. Tiny businesses, such as selling fruit from a cart or cloth from a window in a house, allow poor entrepreneurs to invest in brighter futures for their families. FINCA Village Banking programs spark a new cycle of survival, enriching the lives of poor families with greater access to food, education, and health care.

In Africa, FINCA provides Village Banking services to nearly 40,000 clients, all of whom are women, in Tanzania, Uganda, Malawi, and, most recently South Africa. In each of these countries, FINCA clients face the challenges presented by AIDS. Uganda, in particular, is home to more than 1.3 million people with HIV; that is five percent of the population. In a country in which more than half the population lives in poverty, AIDS threatens to spread at an alarming rate without proper education and treatment, as many people infected with HIV fall outside the reach of the formal health care system. Moreover, a growing number of young women are contracting the disease, increasing the risk of transmission to unborn children.

FINCA's clients in Uganda have taken a proactive approach to addressing AIDS. AIDS has taken the lives of family members of many Village Banking clients, who have assumed the responsibility for caring for the surviving children, many of whom are infected with HIV themselves. FINCA Uganda's clients have invested in building small businesses—reliable sources of income—that enable them to care for their families and their special needs. Choosing popular goods and services to sell helps to make these businesses strong. For this reason, more than half of FINCA Uganda's clients sell Coca-Cola in their restaurants, at their grocery stores and from their carts in the marketplace. By selling Coca-Cola, the most popular soft drink in Uganda, FINCA clients increase sales and have the opportunity to invest their earnings in their most important resource – their families.

FINCA clients in Uganda depend on Coca-Cola for the viability of their businesses. Together, Coca-Cola and FINCA have an opportunity to work together in Uganda to help alleviate the suffering of families living with HIV and AID. With the support and partnership of Coca-Cola, FINCA can expand Village Banking services in Uganda to reach more families struggling against poverty and AIDS.

CASE STUDIES

JOYCE MAYANJA - KAWAYDA WOMEN'S GROUP

Mrs. Mayanja is 60 years old. She is a widow and looks after 8 children, some of whom are still in school. She has lost three nephews to AIDS, all of whom left behind orphans. In addition to her own children, she must help support these AIDS orphans.

Mrs. Mayanja runs a small grocery in Wandegeya where she sells soft drinks, including Coke products. This business is the only source of income for her and her family. She says that Coke products sell more than any other soft drinks, and selling them has helped to increase the volume of her business. Her business has grown since joining FINCA, too, because she has been able to invest more capital into the business. She says that the one fridge she has at the moment is proving to not be sufficient. She intends to buy a new fridge using her next loan from FINCA Uganda .

ROSE TUMUSIIME - UPPER NSOOBA WOMEN'S GROUP
Mrs. Rose Tumusiime is 30 years old and married with three children. She is an officer of her Village Banking group. She has so far received seven loans from FINCA. Her first loan was in the amount of Ush.100,000 (about $66); now she has a loan of Ush.800,000 (about $530). She has a small grocery and sells Coke products retail. She uses part of her FINCA credit to buy Coke products. "I usually buy 15 crates of Coke in a week, since the majority of my customers prefer it. Because I was doing well in my Coke business, I applied for a fridge from the Coca-Cola Company and I got it," she says proudly. When she had just joined FINCA she had only 15 crates of her own, but now she owns 37, and at times, she stocks all these crates. She says that Coke is one of her most profitable items.

Mrs. Tumusiime lost her sister and her sister's husband to AIDS. She used profits from her business to help secure medical attention for her sister when she was ill with AIDS. Mrs. Tumusiime's sister left behind orphans, and so she and other family members share the responsibility of caring for them. Mrs. Tumusiime buys their clothes their school books. "Without this business, maybe I would not have been in a position to look after them," she concludes.

JOVIA MWESIGWA - UPPER NSOOBA WOMEN'S GROUP
Mrs Jovia Mwesigwa is 42 years old and married with four children of her own and four AIDS orphans whom she cares for. Six of these children live with her and her husband. She runs a small grocery with her husband called the Mwesigwa Family Shop. As part of her business, she sells Coke products. She has so far received five loans from FINCA, and she is the treasurer of her Village Banking group. She began with a loan of Ush.100,000 (about $66) and now she has a loan of Ush.500,000 (approximately $330). Before joining FINCA, she used to buy one soft drink crate every three days, but since she began receiving credit from FINCA, she now buys about four crates. She would even buy more, if she had the chance, because she believes there is great demand for Coca-Cola products.

Her aunt and two of her cousins died of AIDS. She nursed and cared for her aunt during her sickness. Currently, she helps to support four orphans: two of her aunt's children and two of her cousins' children. Two of them live with her. The profits from her business have helped a lot.

CHRISTINE LUWEDDE - KAWOGO WOMEN'S GROUP
Mrs. Christine Luwedde is 40 years old and married with two children of her own. She also supports two AIDS orphans. She runs a well-stocked grocery and sells Coke products retail. She has so far received seven loans from FINCA. She currently has a loan of Ush.400,000 (about

$430), and savings of over Ush.200,000 (about $215). Her business grew after joining FINCA because she was able to obtain capital to add to her stock. Before joining FINCA, she was only able to carry a small inventory, but now she can stock four to five crates of Coca-Cola every two days. "After joining FINCA, I was selling Coke very fast, but the fridge I had was very small. The company then gave me a Coke fridge," she says. When Christine's sister died of AIDS, she left behind four children. Christine cares for two of them. She uses part of her profits to pay their school fees and to keep them fed and clothed.

MRS WINNIE MWARE - UPPER NSOOBA WOMEN'S GROUP

Mrs. Winnie Mware is 39 years of age and married with four children. She is the chairperson of her Village Banking group. She runs a retail shop and a small pub. She sells Coke products, both wholesale and retail. She says that Coke products sell better than other soft drink products. Before joining FINCA, she had very little capital. Upon joining the program, she received a loan of Ush.100,000 ($66); now on her seventh loan, she has increased that amount to Ush.1,000,000 (approximately $660).

Mrs. Mware says she has lost two brothers to AIDS. They left behind five orphans—two of whom have since died of AIDS themselves—and she and the rest of her family share the responsibility of caring for the remaining three. Her shop and pub are the only sources of income for these children.

MRS. MARY KISEMBO - ASSOW 1 WOMEN'S GROUP

Mrs. Kisembo is 48 years of age, a widow, and she has five children. She runs a pub, and is the chairperson of her Village Banking group. Her pub is used as the venue for the group meetings. Mrs. Kisembo has so far received 11 loans from FINCA. She used to sell other soft drinks products, but she decided to sell only Coke products, because people preferred them, and they were more profitable. With FINCA loans she has been able to expand her business and increase the only source of family income.

Two of her brothers died of AIDS, leaving behind seven orphans. Mary is taking care of two of these orphans who live with her. She uses profits from her business to pay their school fees and those of her own children.

Building a Partnership to Fight AIDS

FINCA hopes to build a partnership with Coca-Cola to expand Village Banking groups in Uganda – providing poor families with access to critical financial services and the tools to work toward a better standard of living. By providing a grant to support FINCA Uganda, Coke will help lead the fight against AIDS by working to alleviate poverty, a major factor in the spread of the disease. Coke's support can help FINCA Uganda grow to reach additional poor families who may be struggling with HIV and AIDS. Ultimately, increasing program outreach will raise the public's awareness about the work that FINCA and Coke are doing in Uganda. Getting the word out about FINCA and its Village Banking services will help us reach new clients, expand throughout the country, and establish a link with the poorest communities. Coke will benefit from greater public awareness about its proactive role in alleviating AIDS and poverty in Africa.

FINCA Uganda serves more than 20,000 clients – when family members are taken into consideration, the program affects the lives of as many as 100,000 individuals. A partnership between Coke will allow FINCA to reach at new families with Village Banking services in Uganda and enable poor entrepreneurs to develop the means to care for their families.

The key component of Village Banking programs involves moving families toward self-sufficiency. FINCA and Coke will be working together to do more than provide a one-time loan and hoping for the best. As a FINCA client develops her savings and spends more on her family's needs – health care, food, and education – and brings her family to a higher economic level and out of poverty.

As FINCA and Coke work together to expand Village Banking services in Uganda, reaching thousands of families and businesses, our partnership will receive attention in the press, from local and national governments, and among the corporate community. In 1998, President and First Lady Hillary Rodham Clinton and President and Mrs. Museveni of Uganda visited a number of businesses of FINCA borrowers, including a tailor and sewing teacher, a baker, a store operator and a woman who raises rabbits. Mrs. Clinton, who had visited FINCA Uganda in 1997, said, "I wanted very much for my husband and President Museveni to come and see the women of FINCA." Clearly impressed by the determination of FINCA entrepreneurs, President Clinton said, "The United States is proud to support FINCA in these efforts." The visit, which was covered by media from all over the U.S., helped to bring heightened visibility to FINCA, to solidify support from the Ugandan government for the program, and to advance the cause of microcredit worldwide.

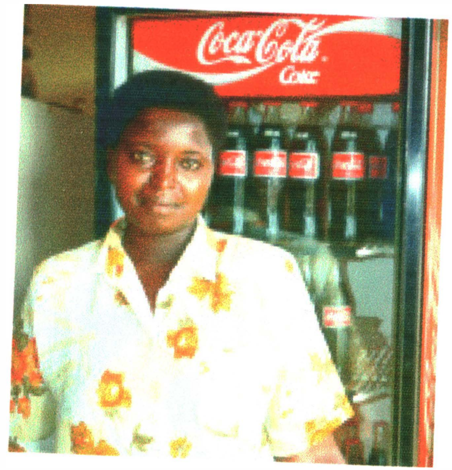
Coca-Cola has provided a livelihood for thousands of FINCA's clients in Uganda, who then turned their profits into a lifeline for family members suffering with AIDS and HIV. FINCA and Coke now have the opportunity to create a stronger link to poor communities in Africa that must bear the burden of such a devastating disease. By supporting FINCA in Uganda, Coke will make its presence known in a new way in Africa – as a champion of the cause of poor families struggling in the fight against poverty and AIDS. Coca-Cola can invest in Village Banking groups in Uganda, encourage continued efforts to care for individuals living with AIDS, and create awareness about the disease to stop its rampant growth in Africa. Together, FINCA and Coca-Cola can fight AIDS in Africa by alleviating poverty – one of the root causes of the spread of the disease.


Why Pay
More?


SPECIAL
People


Coca-Cola


Coca-Cola


Coca-Cola
Coke

In time this little boy will grow to be a healthy adult. Many are not so lucky. Through a FINCA village bank, the boy's mother receives loans of $50 to $300 to invest in her small business, increasing her family's income, nutrition, and well-being. Today, FINCA Village Banking programs ensure the survival of thousands of children by making it possible for their parents to work.

FINCA Village Banking™

FINCA INTERNATIONAL

FOUNDATION FOR INTERNATIONAL COMMUNITY ASSISTANCE

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By putting
small loans
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THE CASE FOR VILLAGE BANKING

FINCA INTERNATIONAL

FOUNDATION FOR INTERNATIONAL COMMUNITY ASSISTANCE

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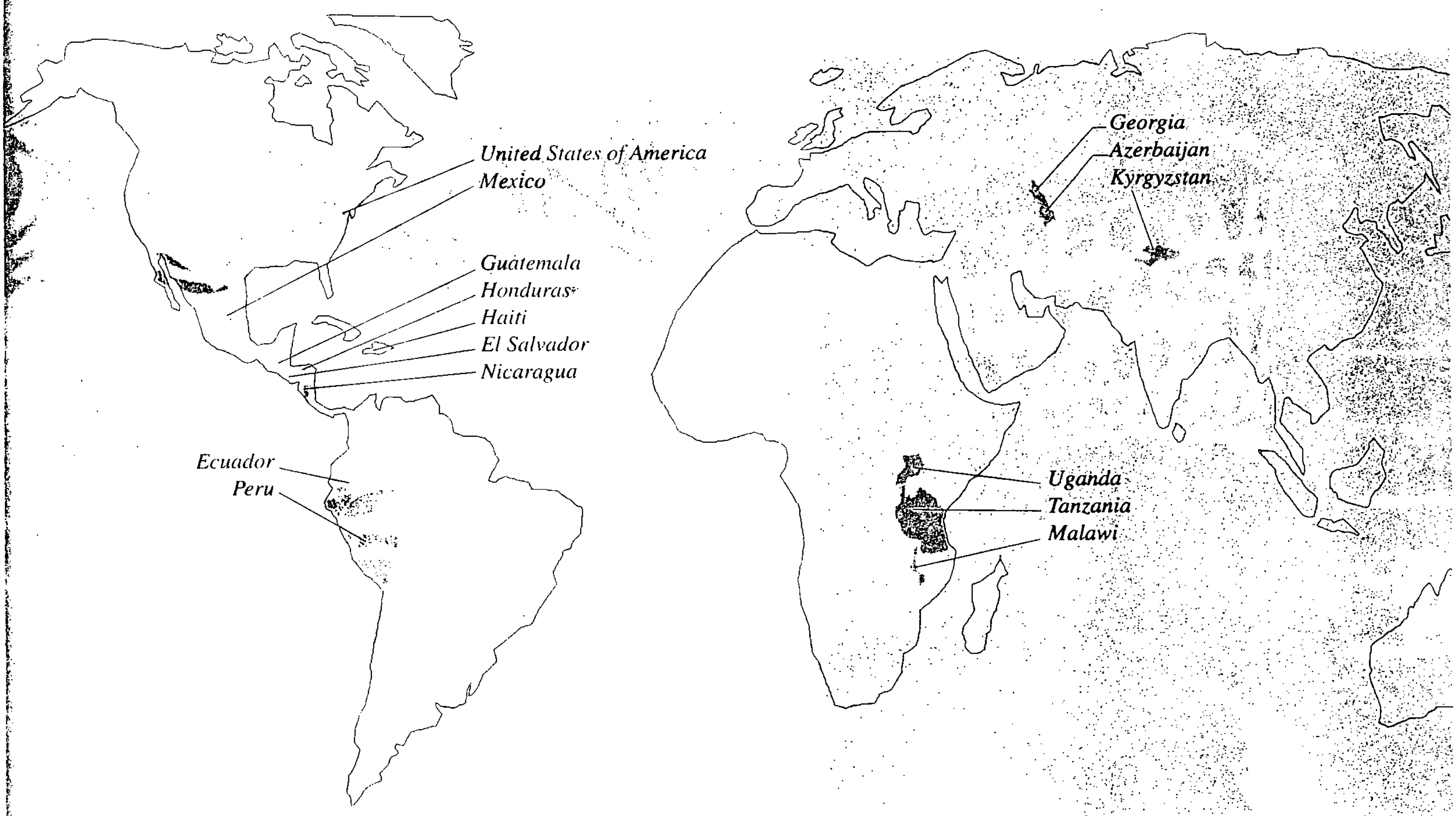

FINCA International's mission

is to support the economic and human development of families trapped in severe poverty. We are accomplishing this by creating village banks, peer groups of 20 to 50 members—predominantly women—who receive three critical services: (1) working capital loans to finance self-employment activities; (2) an effective mechanism for promoting family savings; and (3) a community-based system which provides mutual support and encourages self-worth.

FINCA

VILLAGE BANKING™ PROGRAMS, 1998

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