

# Frequently Asked Questions



Since the year 2000, the International Alliance for Women (TIAW) has successfully built and supported a Village Bank Program to assist impoverished women in developing countries start small enterprises. To date we have raised funds for more than 120 Village Banks in 24 countries.

Below is a list of "Frequently Asked Questions" that will assist donors in learning how they can get involved.

## 1. What is Microfinance and how does it support Village Banks?

Microfinance institutions extend very small, uncollateralized loans to impoverished people, generally women, who want to start or expand an income generating business.

TIAW provides grants to the non-profit Microfinance Institutions that serve these women through a network of "Village Banks". Village Banks are not traditional brick and mortar facilities. The loan capital is delivered to groups of women borrowers at community gatherings. A Village Bank serves between 13 and 40 women, each of whom guarantees that she and her co-borrowers will repay their loans.

Thanks to this innovative model of "social collateral", the repayment experience in the microfinance industry has consistently exceeded 95% for over two decades. Moreover, repaid funds recycle over and over in new loans, exponentially increasing the numbers of women who can be served.

## 2. How much does it cost to finance a TIAW Village Bank and where does the money go?

The cost to fund a Village Bank is \$5,500 US.

When TIAW makes its grant to the Microfinance Institution, we typically require that at least 80% of the \$5,000 grant will be used for loan capital and up to 20% can be used for loan management and training purposes.

However, this breakdown can vary. Occasionally, a microfinance lender may request a 75/25 allocation, and TIAW will accommodate that, but we cap the overhead on all our grants to put the maximum amount feasible into loans.

We know that our Microfinance grantees appreciate and make good use of the amount we contribute to their administrative and program costs. In fact, all our partners offer some other service to their borrowers in addition to loans, and the 20 or 25% we allow for administrative costs supports those activities. Depending on the lender, these services may include business development assistance, health training, AIDS prevention, education or insurance for the women.

TIAW also asks donors to contribute a 10% processing fee (or \$500) to cover our basic costs for bookkeeping, funds transfer, annual reporting, printing and other TIAW costs.

## 3. Are donations to TIAW's Micro Credit Program tax deductible?

TIAW and the TIAW Micro Credit Program are recognized in the United States as a charity under section 501(c)(3) of the Internal Revenue Code. For residents of the United States, donations to the TIAW Micro Credit Program are deductible, to the full extent permitted by law. TIAW will provide receipts to all donors.



## 4. What are the criteria for selecting a partner Microfinance Institution for a TIAW grant?

TIAW uses a strong team of volunteer professionals to conduct due diligence on each Microfinance institution that is being considered for a grant. Once a country has been chosen – either by TIAW or by the donors – we rely on this team's extensive experience in international development, a vast research database, and our relationships with world-renowned experts to select the best microfinance partner. The following criteria guide TIAW's grant-making decisions.

### **TIAW Only Partners with Top Performing Microfinance Institutions**

After the country has been selected, TIAW's Due Diligence Team develops a "short list" of the leading microfinance organizations in that country. The team is comprised of accountants, financial service professionals, and evaluation experts who scrutinize performance data, annual reports, financial statements, and audits to be sure the finalists are top performers in the microfinance industry. The TIAW Micro Credit Program only makes grants to established microfinance programs with high repayment rates and excellent performance over time. Several of our grantee institutions are global award winners.

### **The Grant Program is for Developing Countries**

TIAW only funds microfinance institutions in developing countries because the need is so great and the money goes so much farther. A \$5,000 grant can fund as many as 40 women in a developing country, whereas it would only reach a small percentage of that number in North America, Eastern Europe, etc. TIAW's core strength is in its international reach, with members and contacts around the world. This gives us a unique niche, which no other international group has claimed as its focus.

### **Microfinance Must be a Key Focus of the Grantee Organization**

TIAW's objective is to get loan capital out into the microfinance industry where it is desperately needed by millions of impoverished women. TIAW does not make grants for health, education, or community development projects. The objective of the TIAW Micro Credit Program is to empower women to help themselves through microenterprises. This is not a traditional aid program; it is a private sector solution to poverty that relies on the entrepreneurial spirit of hard working people who are motivated to improve their lives and the lives of their families. Data consistently show that micro borrowers use their disposable income to support their own health and education goals.

### **TIAW's Focus is on Female Clients**

TIAW makes grants to microfinance programs that work with women, which is not hard to do since almost all of the microfinance programs in developing countries target women. Women make up a disproportionate (70%) share of the nearly 1.5 billion people who live on less than \$1 a day. Women have been shown to repay their loans at significantly higher rates and reinvest more into the family and business. In many countries women have no access to conventional financial services, because they do not have property rights under their country's legal system. Finally, the targeting of women is a logical focus for an international group of women.

### **Government and/or Political Programs are Prohibited**

TIAW's Village Bank Program never funds government-operated or politically-affiliated programs. Government or political programs may favor or disadvantage one group of borrowers or another to achieve some political purpose. Moreover, government credit programs have largely failed throughout the 3-decade history of the microfinance industry.

### **Religious Programs are Ineligible**

TIAW does not fund religious or church-affiliated microfinance programs, even those that serve clients of all faiths. We have this restriction to respect the fact that TIAW's global networks represent women of all faiths.

### **Limitations on Use of Client Data**

Donors receive a Village Bank Report that contains personal information about the borrowers and their families. We ask all donors to respect this information and not to use it for commercial purposes, such as promoting their businesses in grantee communities.

### **Grantees must meet U.S. Government Requirements**

Part of the TIAW due diligence process is to ensure that none of our Microfinance partner organizations is engaged in any illicit activities including terrorism. All non-US- based Microfinance partner candidates are vetted according to requirements of the US Treasury and Justice Departments.



## 5. How are the countries and communities selected for TIAW grants?

Sometimes TIAW makes the selection and sometimes the donor does.

### **TIAW Selection:**

The most important criterion TIAW uses to select a country is whether the developing country is stable enough to ensure our investment is well managed and that loans will be repaid. Beyond that, TIAW selects the country based on a combination of need, our knowledge of award winning Microfinance Institutions, and the opportunity to visit the bank launching. For example, sometimes a country is selected because one of our project team members is planning to go there. We want to be sure someone will be able to do in-country due diligence visits and/or attend the bank launching ceremony. This saves the program a significant amount of money while ensuring program oversight.

For example, TIAW launched 8 Village Banks in Mexico, Chile and Peru, and Thailand in conjunction with meetings of the Asia Pacific Economic Cooperation (APEC) forum, where TIAW members participate. We also try to launch banks in conjunction with TIAW meetings wherever possible. We launched 3 Village Banks in the Philippines in conjunction with the TIAW Asia Conference. We launched banks in Nicaragua, El Salvador and Guatemala in conjunction with a TIAW meeting in Panama.

### **The Donor Suggests a Country:**

Alternately, the individual donor or network that is raising the funds can recommend a country based on personal interest or connection. For example, one of TIAW's member-networks, the Financial Women's Association of New York, selected South Africa for a grant because they had done a trade mission there and had a personal sense of the great need for working capital. Sometimes, donors recommend a country where they lived or worked, as was the case with a group of former Peace Corps volunteers who selected Liberia, West Africa for a grant. While the donor's wishes will be accommodated when possible, ultimately, TIAW has the final decision on whether the country/lender meets our criteria.

## 6. What information does the donor receive about the women who are involved in the Village Bank?

All of TIAW's requirements are outlined in a Memorandum of Understanding (MOU) between TIAW and the microfinance institution.

The MOU was developed by our TIAW project attorneys and is required for all TIAW/network sponsored village bank grants.

The MOU has standard language stipulating that TIAW will make an initial disbursement of \$4,000 of the \$5,000 grant to the microfinance program prior to the bank launching. Then, before the final \$1,000 is released, TIAW requires a Village Bank Client Report from the microfinance grantee - with information on each of the clients whose businesses were funded.

The Report contains the name of each client, type of business, age, marital status, number of children, and a photo.

This information helps TIAW track what difference we have made through our program and lets the donors feel connected to the women they have helped. We also use the information for promoting the program. All of this is proprietary information for TIAW and its networks/donors.

## 7. What other information will donors receive?

TIAW does not ask for any follow up reporting requirements because we have found it to be too burdensome on an already over taxed microfinance institution to track our TIAW funded borrowers beyond one loan cycle.

Moreover, it is not cost effective for our lending partners to do more reporting than this for a \$5,000 grant. Our primary interest is in knowing who has been helped and whether they paid their loans back. The microfinance industry has consistently experienced a 95% repayment rate over its two decades in existence, so this is not a big concern. For TIAW, loan repayment is a sufficient indicator of business success.



## 8. What happens to the funds after they are repaid

The Memorandum of Understanding between TIAW and the Microfinance Institution requires that when the grantee receives repayment of TIAW-funded loans, it will use those funds to make additional loans - in perpetuity. The repaid loan funds remain with the Microfinance grantee to continue making loans and are not returned to TIAW.

## 9. How do TIAW and the Networks/Donors work together in the Village Bank Sponsorship Program?

TIAW relies extensively on its global network of 40 women's associations and their 35,000 members to raise money for the Village Bank program. If a network or donor decides to go forward with sponsoring a Village Bank in partnership with TIAW, they can be assured that the TIAW team will work closely with them to make it a very easy and enjoyable experience. We require that all of our networks/donor groups sign a Network/Donor Agreement to ensure program quality for both the TIAW Micro Credit Program and for the networks that participate.

## 10. Why should I donate to TIAW instead of giving directly to the Microfinance Institution myself?

**Giving through TIAW offers several distinct advantages.**

1. For a TIAW member association, the project of funding a Village Bank creates a sense of shared purpose and mission for those within your association who become involved as organizers or donors and it also provides a source of pride and accomplishment that is shared by the whole membership.
2. You have the added assurance that the Microfinance Institution chosen by TIAW for your village bank has been thoroughly checked and is both service-oriented and totally responsible.
3. You know that your funds are going either to loan capital or program services for the borrowers, not to the costs of fundraising or to other activities that have no benefit to the women who receive loans.
4. You will get a Village Bank report to connect you in the most personal way we can to the women whose loans you have made possible.
5. You know that TIAW has kept its costs to the absolute bare minimum to make sure that your donations go to the women, not a bureaucracy.