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Economist Jorge Naya, general manager of Fundasol

Attaining Independence

Fundasol, an Uruguayan micro-finance and business development organization, has made the transition from donor-dependence to self-sufficiency that is the hope of many similar groups. Founded as a subsidized non-governmental organization 21 years ago, today Fundasol pays its own way—through business services and microfinance.

In the years since Fundasol began advising cooperatives and social groups, development thinking has changed and donor resources have shrunk. There is a growing emphasis on development projects that can generate enough resources to be sustainable without outside help. At the same time, donor priorities have shifted toward the very poorest nations.

This means that Uruguay, with a per capita income of more than US\$6,000 annually, was no longer considered a needy country. "We had to learn how to live without donor cooperation," says Jorge Naya, general manager of Fundasol.

Fundasol's approach was to demand self-sufficiency in each of its three program areas: business training, consulting for microenterprise and microfinance. "Equilibrium must exist not only in the organization overall but also in each of the three areas," he says.

Fundasol set off on a course in which it would remain a non-profit but no longer be subsidized, and adopted a new attitude toward the people it advised, viewing them as clients rather than beneficiaries, Naya says.

Several challenges stood in the way of making the business training a self-financing operation. "To maintain this service, you have to be very good," he notes. But in the small market of Uruguay—with only three million inhabitants—offering even a quality service wasn't enough. "Exporting business training services was the only way to keep our staff on board permanently," says Naya.

Fundasol now presents bids to inter-



national agencies that contract training services, and has found a steady market for its courses. The group has trained demobilized soldiers and guerrillas in El Salvador, and given business courses in Argentina, the Dominican Republic, Paraguay and Venezuela.



neurs and cost-effective for Fundasol. As a result of the consulting, two groups of hair-dressers have set up systems to buy their beauty supplies and equipment as one

The organization learned by trial and error how to make consulting services for microenterprises financially feasible. “We began by doing things badly,” Naya admits. Fundasol offered consulting on an individual basis, but it soon found that microentrepreneurs could not afford the services they needed. A solution was found: Fundasol began gathering entrepreneurs from the same sector into a group that could be advised together on common problems.

This model of shared consultancy has proved successful for the entrepre-

group, and the savings pay for the consulting. Fundasol also advises young techies who are creating software programs but lack know-how in business management and marketing. And under government contract, the group has provided consulting on business development to former state employees who lost their jobs in public-spending cutbacks.

Fundasol’s microfinance operations are also self-sustaining. The organization channels microcredits to rural areas via cooperatives and serves urban areas through conventional

microcredit. The loan portfolio totals US\$3.5 million and reaches 2,100 active clients. The overall profitability of Fundasol’s microfinance is 3 percent; one-day defaults on payments are 7 percent and have been rising in the current recession.

In 2000, Fundasol was recognized by the Inter-American Development Bank for its successful transformation into a self-financing business development organization.

The IDB presented Fundasol with its Award for Business Development Services at the III Inter-American Forum on Microenterprise in 2000. Even while struggling to become self-sustaining, the group has been able to expand. From its creation as a one-man organization 20 years ago, Fundasol has a staff of 50.

Naya at the awards ceremony in Barcelona

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DGIC Directorate-General for International Cooperation