



ARU

Getting microfinance loans to those who need them

An evaluation by *Fundación ARU* is helping Bolivia's Productive Development Bank reallocate its resources to small rural businesses for a greater impact on poverty.

THE CONTEXT —In Bolivia, four out of five rural people live below the poverty line. Among the country's rural poor, formal employment is scarce – the majority are employed by the mostly small businesses that make up the large informal economy. And although evidence suggests returns to capital are highest for small businesses, informal firms rarely have access to credit. As a result, small rural businesses remain an under-developed resource with significant potential to contribute to development and alleviate poverty in Bolivia.

The country's Productive Development Bank finances efforts that promote development and address historically excluded regions and sectors. It works primarily with rural and agricultural businesses, including small and micro enterprises. One of the bank's initiatives is the Productive Individual Credit (PIC) program, which provides loans to small producers. PIC aims to

have social, economic and financial impact by increasing employment and revenue, as well as access to funding for individual producers. However, five years into the program, the bank wasn't sure if its loans were having their intended impact or whether the program's scarce resources could be better deployed for more impact. In order to learn more, the bank brought in *Fundación ARU*.

WHAT ARU DID —*Fundación ARU* (ARU), a think tank focused on economic policy, is one of only a few Bolivian organizations with any evaluation expertise. Therefore, when the Productive Development Bank decided it wanted to evaluate the impact of PIC – its first evaluation ever – ARU was, according to the bank's leadership, the only qualified candidate.

The evaluation, which began in 2012, investigated how effective and efficient the program was in reaching its social, economic and financial objectives. It also sought ways to improve the way program resources were allocated in order to achieve greater impact.

"I SEE FUNDACIÓN ARU AS A STRATEGIC PARTNER, ESPECIALLY BECAUSE THERE ARE FEW EVALUATION EXPERTS IN BOLIVIA. WE WOULD REALLY LIKE TO SEE A CRITICAL MASS OF ORGANIZATIONS LIKE ARU."

PLANNING DIRECTOR,
PRODUCTIVE DEVELOPMENT BANK



The findings of the evaluation, which concluded in May 2013, suggest that there are certain circumstances – such as the industry and the size of the loan – that make loans more likely to have a positive impact on household incomes. ARU anticipates that by understanding these dynamics at a more granular level the bank can improve the social return on its loans.

THE OUTCOME —As a result of ARU’s findings, the bank is likely to reallocate future PIC loans specifically to the types of people ARU identifies

as those who will benefit most. Estimates have suggested that this could translate into as much as \$65 million in more income for poor households.

In addition, this evaluation is a key step in ARU’s effort to build what it calls a “culture of evaluation” in Bolivia – expanding both the capacity and the demand for rigorous evaluation. As evidence that this new culture is beginning to take hold, other microfinance programs in the country are now considering conducting evaluations and are closely observing Fundación ARU’s methods and findings.

For more information on Fundación ARU visit <http://www.aru.org.bo/>

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