



## Message from the Management Board

Dear associates and friends,

The *International Guarantee Fund* has undergone strong financial and organizational development in 2004.

A primary source of satisfaction is the significant growth in IGF's financial activity. The number of guarantees, the amount of guarantee money committed, and the total loans thus obtained have significantly increased in 2004. The leverage effect between IGF guarantees and the loans obtained is strong. This underlines once again the power of the international bank guarantee mechanism. In 2004, IGF issued guarantees for a total of 3.5 million Swiss francs, mobilizing a total of 19.2 million Swiss francs of loans in ten countries in Africa and Latin America.

An international guarantee, coupled with credit granted by a local bank, allows small and very small businesses and cooperatives to obtain financial aid for their development. This international cooperation stimulates the investment of local savings and business resources leading to jobs and income in less privileged economic sectors.

A second reason for satisfaction is the increase in IGF's decentralization program with the creation in Managua, Nicaragua, of the Latin American International Guarantee Fund (LAIGF). This regional organization started in 2004 thanks to the collaboration agreement drawn up with the *InterAmerican Foundation* (IAF), a private American organization financed with public funds. This coordinates IGF's partners in Latin America.

Decentralization opens new possibilities for IGF's development both in Latin America and Africa. We see the increasing responsibility of Southern partners in promoting and managing IGF guarantees via decentralization as a basic way to strengthen the organization.

However, these positive developments bring their own challenges to IGF. Two thirds of our total working capital of 4.5 million Swiss francs comes from share capital, and one third from counter guarantees. Three limitations exist. First, IGF's capital is insufficient to satisfy the demands we receive. Next, several counter guarantees are due to expire in 2006. Finally, IGF's ability to cover all its operating expenses is currently insufficient.

IGF's goal is to arrive at a working capital of the order of 10 million Swiss francs by 2009. This would generate sufficient income to cover operating costs and achieve financial balance. We need to develop a new fund management strategy, involving both potential investors and higher yield placement of IGF capital. Several approaches are being explored and should be put into practice during 2005.

The members of the Management Board would like to express their heartfelt gratitude to the staff and collaborators of the Geneva Secretariat for their total dedication to IGF, as shown by the good results obtained in 2004. The Board recognizes the excellent work of our field collaborators as well as all those people who have contributed their time as volunteers.

For the IGF Management Board,  
Philippe EGGER

Geneva, March 21st, 2005

## Life story of an IGF end-beneficiary

Andrea ARGUETA owns a «canteen» in San Miguel, Salvador, where she sells the traditional food known as «pupusas».

AMC de R.L., the holder of an IGF guarantee, granted her a first loan of US\$ 1,143 in 2002 and a second loan of US\$ 1,486 in 2004. Both these loans are being regularly reimbursed. Thanks to



**Mrs Argueta Mendez**  
50 years old, married, 4 children  
City / Country : San Miguel / El Salvador  
Loan amount : US\$ 1'486 (2<sup>nd</sup>)  
Activity : Manufacture/sale of « tacos »

this credit, she has been able to buy food supplies, tables and chairs to accommodate her clients better, and an oven to sell roasted meat.

With the increase in sales, two employees have been hired and her profits have allowed her to install a fence around her house to feel more secure with her family.

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## 2004 Activities in Latin America and Africa

### LATIN AMERICA

SYNOPSIS

Consultants and Regional Advisers	: 6 (6)	Total invested as of 31.12.04 in CHF	: 1'846'575 (1'764'600)
Guarantees issued by 31.12.04	: 18 (16)	Loans obtained by 31.12.04 in CHF	: 10'050'479 (9'406'900)
() = as of 31.12.2003			

#### Decentralization of technical work

In January 2004, a **regional training seminar** was organized in Managua (Nicaragua) with the participation of all the Latin American region's local consultants, the regional counsellor and the IGF Secretary General.

The new procedure for the analysis and followup of guarantees was discussed, tested and put into operation for new guarantee requests. Two members of the Regional Guarantee Committee also participated in this seminar.

The IGF Secretary General also travelled to Salvador, Peru and Chile, where he met IGF associates, some end-beneficiaries of guarantees and some local banks where IGF detailed presentations had been made and discussed.

#### LAUNCH OF THE LAIGF

The *Latin American International Guarantee Fund* (LAIGF) began its activities in 2004 in Nicaragua. The creation of this new fund, part of the IGF decentralization process, resulted from a successful partnership with the *InterAmerican Foundation*. Its activities should very soon extend to other Central American countries.

Overall, the quality of analysis of new guarantee requests and their follow-up in the field have improved in Peru, Nicaragua and Chile. Nevertheless it is essential to continue the training of local consultants and regional counsellors so that the analysis quality reaches current international standards.

#### Interest from local banks

Several working meetings with local banks have already resulted in new guarantees, notably in Peru, Chile and Guatemala, and negotiations are in a very advanced stage in Nicaragua and Ecuador. Also, local consultants have actively supported our future associates during negotiations with local banks interested in IGF bank guarantees.

#### Improved follow-up in the field

These activities have led to the renewal and increase of most Latin American guarantee portfolios, which grew by 5% relative to 2003.

#### Contacts with other networks

A partnership between IGF and the Latin American Development Fund – FOLADE – has been signed and collaborations are ongoing with other organizations active in micro-finance in the region.

### AFRICA

SYNOPSIS

Consultants and Regional Advisers	: 5 (5)	Total invested as of 31.12.04 in CHF	: 1'019'162 (347'132)
Guarantees issued by 31.12.04	: 5 (5)	Loans obtained by 31.12.04 in CHF	: 7'409'602 (1'646'198)
() = as of 31.12.2003			

#### Decentralization of technical work

In January 2004, a **regional training seminar** was organized in Cotonou (Benin) with the participation of all the African region's local consultants, the regional counsellor and the President of the IGF Guarantee Committee, M. François MERCIER.

The new procedure for the analysis and followup of guarantees was discussed, tested and put into operation for new guarantee requests.

#### Improved follow-up in the field

Followup in the field continued to improve in 2004. In Benin this has already permitted the issue of a large portfolio guarantee (CHF 615,000 in favour of PADME). Other new guarantees are currently being negotiated in Togo and Senegal.

Overall, the total sum committed in Africa has tripled relative to 2003. At the same time the total credits obtained were 4.5 times larger between these years. These good results are due to a continuous effort in training and field followup accompanying the IGF decentralization process.

#### Interest from local banks

In November 2004, the IGF Secretary General travelled to Africa. He visited Senegal, Togo, Benin, Burkina-Faso and Mali. During this time he met IGF associates, some end-beneficiaries of guarantees and some local banks in these countries.

#### Contacts with other networks

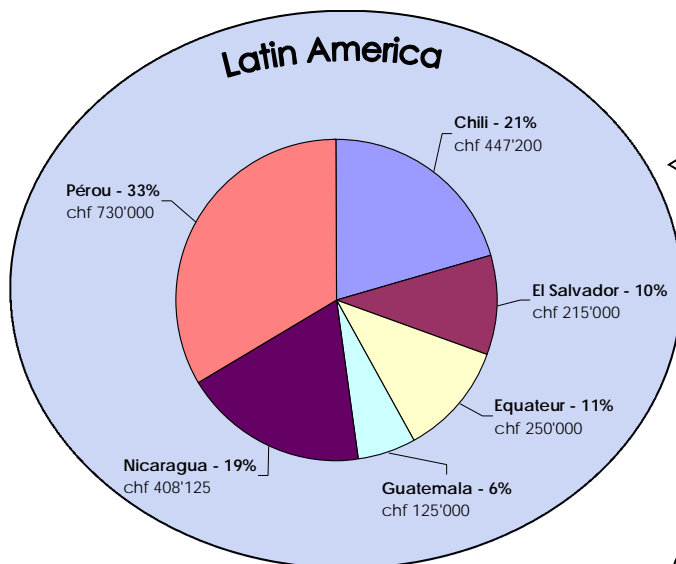
Many institutions are interested in IGF, but few fulfil the conditions to become members. Many requests are received but most of them have to be refused. More information needs to be given to attract those really able to join IGF.

## IGF Guarantees in 2004

### Guarantees still current, expired and called in 2004

	Country	Associate	Bank	Status	Guaranteed by	Amount in CHF	Obtained Loan in CHF	Leverage*
AFRICA	Benin	AssEF	FECECAM	current	CG DDC	76'944	685'976	8.9
		PADME	PADME	current	FIG / SEDF FIG	570'000 45'000	5'700'000 450'000	10.0 10.0
		Vital Finance	FECECAM	expired	CG DDC	85'800	685'976	8.0
	Burkina Faso	CDS	ECOBANK	current	CG Michelham	81'395	116'279	1.4
		CDS	ECOBANK	expired	CG Michelham	80'090	114'417	1.4
	Rwanda	ARAMET	COGEBANQUE	expired	CG Michelham	26'250	43'750	1.7
	Senegal	ADECOL	SGBS	current	CG Michelham	57'168	114'338	2.0
	Togo	TIMPAC	UTB	current	CG Michelham	188'655	343'010	1.8
		TIMPAC	UTB	expired	CG Michelham	76'998	114'330	1.5
LATIN AMERICA	Chile	SOINTRAL	CRESUD	current	FIG	55'950	101'729	1.8
		OCAC	BANDES	current	FIG / SEDF	281'250	562'500	2.0
		SOINTRAL	BANDES	called	CG Michelham	110'000	197'500	1.8
	Ecuador	Banco Solidario	Banco Solidario	current	FIG / SEDF	250'000	5'000'000	20.0
	Guatemala	FEDECOCAGUA	BANRURAL	current	FIG / SEDF	125'000	375'000	3.0
	Nicaragua	PRESTANIC	CREDITOSUD	current	FIG	62'500	187'500	3.0
		CARUNA	ETIMOS	current	FIG	23'125	115'625	5.0
		FINDESA	OIKOCREDIT	current	FIG	75'000	337'500	4.5
		FJN	ALTERFIN	current	FIG	125'000	312'500	2.5
		ASODERI	ETIMOS	current	FIG / SEDF	35'000	175'000	5.0
		El Progreso	ETIMOS	current	CG DDC	87'500	250'000	2.9
	Peru	La Florida	ALTERFIN	current	CG Michelham	93'750	437'500	4.7
		La Florida	BBVA	current	FIG / SEDF	93'750	234'375	2.5
		La Florida	ALTERFIN	expired	CG Michelham	125'000	312'500	2.5
		IDESI Lima	Banco Continental	current	CG DDC	36'250	72'500	2.0
		IDESI Nacional	ETIMOS	current	FIG	125'000	375'000	3.0
		Confianza	ALTERFIN	current	FIG	37'500	93'750	2.5
		Confianza	INTERBANK	current	CG DDC	125'000	775'000	6.2
		San Juan del Oro	ALTERFIN	échue	CG Michelham	93'750	275'000	2.9
	El Salvador	AMC de RL	ETIMOS	current	FIG / SEDF	27'500	82'500	3.0
Genesis		BanCo	current	FIG / SEDF	187'500	562'500	3.0	
* ratio of credit obtained to amount guaranteed						3'463'625	19'203'553	

\* ratio of credit obtained to amount guaranteed

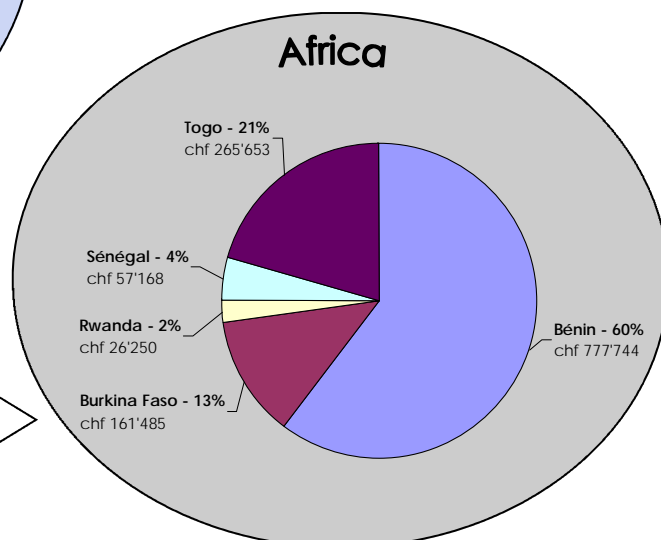


#### LATIN AMERICA

Sum committed : CHF 2'175'325.-  
 % of IGF total : 64%  
 Credit produced : CHF 10'835'479.-  
 Average leverage effect : 5.0

#### AFRICA

Sum committed : CHF 1'288'300.-  
 % of IGF total : 36%  
 Credit produced : CHF 8'368'075.-  
 Average leverage effect : 6.5



## IGF Guarantees in 2004

### Number of guarantees

At the end of 2004, the number of active guarantees was 23, namely 2 more than a year before. The majority were on the Latin American continent (18) while Africa had only 5. This geographical imbalance should diminish due to a publicity campaign in the African countries where we are active.

### Total sum committed

Over the last year, IGF's portfolio has had very positive growth. The total sum committed has effectively grown by 36%. This good result is mainly due to Africa, a continent where our engagements have practically tripled in one year, growing from CHF 347,132 to CHF 1,019,162. This excellent result augurs well for the future and helps the current low level of investment in that region.

### Total credit obtained

Again it was in Africa that the best results for growth were achieved. Between December 2003 and December 2004, the total amount of credit obtained by IGF guarantee beneficiaries in Africa increased by a factor of almost 5 !

### Average leverage effect

*ratio of credit obtained to amount guaranteed*

The average leverage effect of IGF guarantees increased again in 2004. On December 31st it was 6.1 overall (12.8 for portfolio guarantees and 3.1 for loan guarantees), thus confirming the high quality and utility of an investment instrument like IGF's.

### Summary of guarantees as of December 31st

Number of guarantees	2004	2003	Variation 03/04
Africa	5	5	0%
Latin America	18	16	13%
<b>Total</b>	<b>23</b>	<b>21</b>	<b>10%</b>
Total sum committed (CHF)	2004	2003	Variation 03/04
Africa	1'019'162	347'132	194%
Latin America	1'846'575	1'764'600	5%
<b>Total</b>	<b>2'865'737</b>	<b>2'111'732</b>	<b>36%</b>
Total credit obtained (CHF)	2004	2003	Variation 03/04
Africa	7'409'602	1'646'198	350%
Latin America	10'050'479	9'406'900	7%
<b>Total</b>	<b>17'460'080</b>	<b>11'053'098</b>	<b>58%</b>
Average leverage effect	2004	2003	Variation 03/04
Africa	7.3	4.7	53%
Latin America	5.4	5.3	2%
<b>Total</b>	<b>6.1</b>	<b>5.2</b>	<b>16%</b>
Capital utilization as of December 31st	2004	2003	Variation 03/04
<b>Total</b>	<b>64.6%</b>	<b>53.0%</b>	<b>22%</b>
Proportion of committed sum relative to type of bank	2004	2003	Variation 03/04
Local	70%	56%	24%
Alternative	30%	44%	-30%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>0%</b>

### LOSSES ON GUARANTEES IN 2004

**A**s in 2003, IGF had only a single call on a guarantee in 2004. It concerned **SOINTRAL**, a microcredit organization working with underprivileged groups in **Chile** wishing to create sustainable economic activity to escape from poverty.

IGF uses two indicators to evaluate the rate of loss on guarantees :

- 1) Gross loss rate = 
$$\frac{\text{Total sum of calls}}{\text{Total sum committed (without calls)}}$$
- 2) Net loss rate = 
$$\frac{\text{Total sum of calls} - \text{Repayments}}{\text{Total sum committed (without calls)}}$$

In 2004, the gross loss rate amounted to 1.5% (6.5% in 2003). The sole guarantee call was counter-guaranteed by the Michelham Foundation which thus covered the accounted loss of US\$ 42,000.

commercial credits that it had been receiving earlier.

This capital loss produced a cash crisis which left **SOINTRAL** unable to reimburse its loan from the *Banco del Desarrollo*.

After many negotiations between our Chilean consultant, **SOINTRAL** and

Since 2002, **SOINTRAL** experienced rapid capital depreciation due to the interruption of aid from the European Union. Furthermore, **SOINTRAL** steadily lost the donations, subsidies and local and foreign

this local bank, it was decided by all the partners to call in the guarantee for the amount owed by **SOINTRAL** to the *Banco del Desarrollo*, namely US\$ 42,000.

# Accounts and Audit Report for 2004

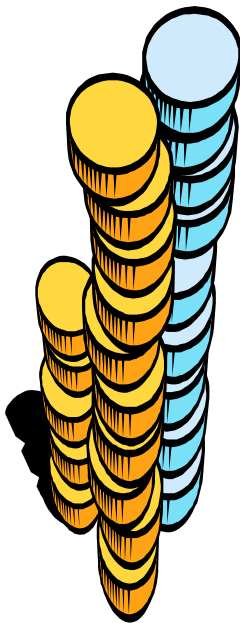
2004 BALANCE SHEET				PROFIT AND LOSSES ACCOUNT FOR 2004			
ASSETS	31.12.2004	31.12.2003	Variation	EXPENDITURES	Year-end 2004	Year-end 2003	Variation
	CHF	CHF			CHF	CHF	
Cash on bank	222'744.15	241'770.27	-7.9%	By type			
Deposit	2'658'033.45	2'075'500.05	28.1%	Personnel	155'782.86	128'824.30	20.9%
Market value CHF	2'637'542.00			Communications expenses	3'866.95	3'028.70	27.7%
Members				Office expenses	20'353.52	24'842.79	-18.1%
Unreleased shares	0.00	1'843.95	-100.0%	Board meeting	3'532.75	7'871.53	-55.1%
Prepaid expenses	97'057.59	78'872.85	23.1%	Fund Raising	1'721.75	3'868.46	-55.5%
RAFAD, Geneva	36'916.32	75'410.84	-51.0%	Support to network	185'357.80	126'292.04	46.8%
	<b>3'014'751.51</b>	<b>2'473'397.96</b>	<b>21.9%</b>	Consultants	9'127.97	13'650.00	-33.1%
LIABILITIES				Financial expenses	29'529.03	37'580.22	-21.4%
Social capital				Currency change loss	101'518.30	0.00	
33 South-members 447 shares	536'400.00	514'800.00	4.2%		<b>510'790.93</b>	<b>345'958.04</b>	<b>47.6%</b>
47 Northern-member 1'659 shares	1'990'800.00	1'392'000.00	43.0%	By region			
Risk Fund	412'962.07	427'917.65	-3.5%	Europe	223'914.73	219'666.00	1.9%
Reserve Fund	27'241.94	26'413.29	3.1%	Latin America	107'445.28	72'138.20	48.9%
	<b>2'967'404.01</b>	<b>2'361'130.94</b>	<b>25.7%</b>	Africa	77'912.62	54'153.84	43.9%
Members	3'926.85	3'926.85	0.0%	Currency change loss	101'518.30	0.00	
Accrued Expenses	43'420.65	108'340.17	-59.9%		<b>510'790.93</b>	<b>345'958.04</b>	<b>47.6%</b>
	<b>3'014'751.51</b>	<b>2'473'397.96</b>	<b>21.9%</b>	INCOME			
GUARANTEES (gross)				DDC guarantees	48'000.00	66'045.00	-27.3%
Received (CHF)				Fees	136'841.85	105'884.27	29.2%
DDC	800'000.00			Financial yielding	74'151.22	47'352.52	56.6%
Michelham	700'000.00			Subsidy	201'611.00	126'292.04	59.6%
RAFAD	201'523.00				<b>460'604.07</b>	<b>345'573.83</b>	<b>33.3%</b>
IGF	2'274'480.00	3'976'003.00	6.9%	SURPLUS OF EXPENDITURES*	<b>50'186.86</b>	<b>384.21</b>	
Issued	2'865'737.00	2'111'732.00	35.7%				
Balance	1'110'266.00	1'607'062.00	-30.9%				

\* Following the Board of Director's decision, the 2004 loss (CHF 50'186.86) was charged to the liabilities account "Reserve Fund"

Activities in 2004 yielded an accounting deficit of CHF 50,186.86. This result was due to an exchange rate loss in US\$. The US currency has effectively lost 30% of its value over the last two years.

This negative result is however solely of an accounting nature. Because IGF's investments are made with funds transferred directly by our partners to our foreign currency accounts, the exchange rate loss in 2004 does not correspond to a real operating deficit.

Without this exchange loss, which has to be explicitly shown in our accounts as they are presented in Swiss francs, IGF would have recorded a positive result in excess of CHF 50,000.



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**JAKAR SA FIDUCIAIRE**

**REPORT**  
of the auditor of the account for the  
attention to the General Meeting of the

**SOCIETE COOPERATIVE FONDS INTERNATIONAL DE GARANTIE "FIG"**  
**GENEVA**

As auditors of your company we have examined the books of account and the financial statements for the year ended December 31, 2004 in accordance with the provisions of the Swiss law. Our audit was conducted in accordance with auditing standards promulgated by profession. We confirm that we meet the legal requirements concerning professional qualification and independence.

We recommend that the financial statements submitted to you be approved.

The auditor:  
JAKAR SA

Geneva, March 2, 2005

ENCLOSURE : Balance sheet and income expenditures account  
and guarantees

Member of the Swiss Institute of Certified Accountants and Tax Consultants





## INTERNATIONAL GUARANTEE FUND

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To improve access to credit  
for small  
businesses in the South

We thank the following for their help :



Fédération  
Genevoise de  
Coopération



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DEVELOPMENT  
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DEZA  
DDC  
DSC  
COSUDE

FONDATION  
**LORD MICHELHAM  
OF HELLINGLY**



### THE IGF MANAGEMENT BOARD

René AZOKLI, Benin - President  
Armando GUTIERRÉZ, Nicaragua - Vice-President  
Daniel FINO, Switzerland  
Fernand VINCENT, Switzerland  
Philippe EGGER, Switzerland

### LIST OF ASSOCIATES AS OF DECEMBER 31st 2004

	Institutions	Individuals	TOTAL
North	9	38	47
South	33	-	33
<b>TOTAL</b>	<b>42</b>	<b>38</b>	<b>80</b>

The complete list of IGF associates is available on request from the Secretariat. It is also available on our Internet site : [www.fig-igf.org](http://www.fig-igf.org).

## New Southern associates in 2004

The « *Federación de Cooperativas Agrícolas de Productores de Café de Guatemala* » **FEDECOCAGUA**, created in 1968 in Guatemala, is composed of 129 cooperatives with more than 20,000 coffee producers as members, including 6,000 women. The federation mainly markets coffee for export (90% to Europe) and produces fruit and vegetables for its own associates.

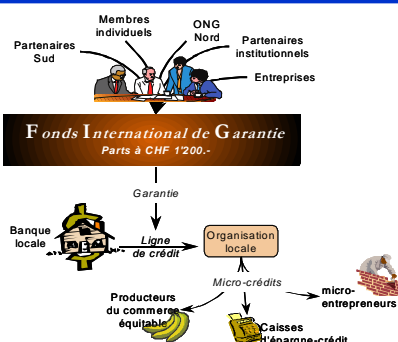
Thanks to its earnings, the cooperative has created health centres and schools for its members as well as delivering electricity and drinking water.

FEDECOCAGUA benefits from an IGF guarantee totalling US\$ 100,000 which covers a loan of US\$ 300,000 from the *Banco de Desarrollo Rural*.

## The life cycle of an IGF Guarantee

1) A Southern association wishes to increase its capital by CHF 100,000 to be able to grant more credit to its members. After negotiations, it finds a bank which grants it a loan of CHF 100,000 on condition that it provides a bank guarantee for CHF 50,000.

2) As it is a member of IGF, the association can request a guarantee on condition that it holds 10% of the amount in shares. The association is supported in its application by the local consultant.



3) If the case is considered financially sound and is approved by the IGF management, the association pays an annual commission and IGF instructs UBS to establish the bank guarantee of CHF 50,000 addressed to the local bank.

4) The duration of the guarantee depends on that of the loan. The local IGF representative keeps in contact with the association and monitors its activities. The guarantee ends when the loan has been completely repaid.