

NOTEWORTHY

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**NEO
FUND**

Sustainable development for the poorest of the poor.

Summer 2019

India Microlending Pilot Underway

After two years of fundraising, training, and preparation, our micro-lending program in India is finally underway. This 18-month pilot program is centered in the Pedapatnam area villages served by our health center there.

Unlike our program in Nicaragua, which is based on individual loans, in India we are working with women's self-help groups (SHGs). Our initial loans are with three self-help groups in Machilipatnam Village, composed of 10 members each. This month we are expanding to two additional SHGs. So far, each of the 30 women have borrowed \$150 for different financial enterprises. Within each SHG, all of the members agree to cover one another's loans in the event of non-payment. Why does our India program look different from our successful Nicaragua program? Because the program needs to match the culture and to suit the way the poor think, live, and work in each new setting.

The Indian women are using their loans for various reasons: inventory for small home-based shops, buffalo or goats used for milk to sell, and essential home improvements to name a few. Our goal is for each loan to make a difference in the life of a poor family. And, of course, we are using this pilot as a way of learning how to operate an efficient, impactful program for the poor in India.

Here's our new India program by the numbers, after 4 months of operation...

- 30 – Loans made to date
- 14% – India portion of our overall portfolio by loan capital
- 23% – India portion of our overall portfolio by borrowers
- 100% – Loans made to women
- 0% – Portfolio at risk

That last number is amazing – after four months, India maintains perfect performance. As Dr. Francisco Barquero, Director of NEO Fund Micro-finance Operations, says, "The NEO Fund is a small miracle!" And that miracle continues every day, thanks to you! ■■■



Your Gift in Action

Meet Veeramma! She belongs to the Mother Teresa group, one of three self-help groups in our India pilot micro-lending program. When she isn't out working in the rice fields, she weaves palm leaf mats for sale in a nearby market. People buy the mats for sleeping, window coverings, and other household uses.

She is using her \$150 loan to purchase additional materials for her weaving. She calculated that if she could make more mats to transport to the market, the transportation cost per piece would be much less, netting her a higher profit.

Veeramma is considered the best weaver in the village. She teaches some of the other women in her village helping them make extra money also. Her long-term goal is to make enough money from weaving that she can do it full time and will no longer have to work as an agricultural laborer. ■■■

Local team rises to the challenge amidst political-economic crisis

Extreme poverty perpetuates a vicious cycle of misery, malnutrition, illness and illiteracy. The NEO Fund exists to combat these horrors, serving with a focus on child welfare and the financing of micro-enterprises for the poorest families. We started in the infamous La Chureca garbage dump in Managua where parents and their children were collecting recycling waste. In environments like this, we've distributed more than 1,000 micro-loans over ten years.

After proving our effectiveness, we registered as an official Nicaraguan nonprofit in 2017 and established a solid, professionally managed program. From December 2017 to April 2018 our gross lending portfolio increased from \$4,479 to \$12,363, a 158% increase in four months while the number of loans grew from 17 to 72, a growth of 323%.

In the first six months of the newly minted program, our borrowers, mostly women, made their payments in full and on time demonstrating great responsibility and repayment capacity. They flourished under the one-on-one guidance of NEO Fund field workers. Our portfolio at risk (borrowers with a payment 30 days late) was only 2% in April 2018, an impeccable repayment record.

Then disaster struck. The political situation in Nicaragua unraveled and thousands of people protested in the streets. Police responded with repression and violence. Hundreds were killed and others have been imprisoned. The economy declined. Many people lost their jobs. Banks and other micro-finance institutions drastically reduced the availability of credit, many ceasing lending altogether.

Despite these terrible conditions, our staff continued working, even putting their own lives at risk. Many borrowers

lost their modest inventories and their sales dramatically decreased. Our portfolio at risk (PAR) increased to 24% in July 2018. Yet through the crisis, loan payments were recovered by devising flexible payment methods and providing new loans to faithful borrowers. When all other doors closed for them, NEO's door was open, following our mission. Our services were vital for the economic recovery of our borrowers, and the work paid off. As business capacity recuperated, our PAR decreased from 22% in September 2018 to 14% in April 2019.

Our Nicaragua staff worked miracles, despite the economic crisis. They disbursed \$74,500 and recovered \$47,000; money in the field is \$27,500 (our gross lending portfolio at the end of May). This means that NEO has not written off any loans during the national crisis, in contrast to conventional microfinance institutions which slashed disbursements, especially to the poor, and reported staggering losses.

NEO Nicaragua is gaining ground toward self-sustainability in operating a successful revolving fund. While NEO USA transferred \$27,900 between November 2017 and May 2019, NEO Nicaragua disbursed \$74,000 in loans, which means that \$46,100 or 62% of the disbursements were made with money received from loan recovery.

The last year has been difficult for NEO Nicaragua, but it has been rewarding as well. The adverse conditions have strengthened our resolve, transparency and confidence. We are more than a conventional microfinance institution; we are advisors and friends to our clients. We charge the lowest interest rate and share the dreams of our borrowers with daily, compassionate contact. Our borrowers believe we exist for their benefit and wellbeing, which – of course – is true. The journey continues. ■ ■ ■



Bringing Child-Feeding Back to Cristo Rey

Cristo Rey, Nicaragua is an impoverished community comprised of displaced and vulnerable people from the greater Managua area. It is the site of a large garbage dump and home to about 25,000 people. Nearly all of them are poor and many suffer from extreme poverty and a desperate lack of health and social services.

The NEO Fund has been working in the village for about ten years, providing services including:

- Empowerment of 6 partner churches
- A child feeding program
- A day care and preschool
- A test farm and vocational training center
- Basic medical care
- A micro-finance program currently serving 50 families (and growing!) with income-generating loans

Several of our friends and partners are interested in developing a beachhead in this village for community outreach. They imagine a children's playground, a sports field, and shared space that could be used for all kinds of outreach to the neighborhood, including a child-feeding program for hundreds of kids, community events, medical, dental and educational clinics. They even imagine a high school, since there isn't one in the area now.

Additionally, NEO imagines a business development and entrepreneurial training center, to serve our growing family of borrowers with coaching and training to make their businesses even more effective. These services are in demand and the center would quickly become a beehive of community health and growth.

Our church partners at the Cristo Rey Ministerial Association love the idea. Furthermore, a handful of US-based friends and nonprofit organizations are keen on a partnership to create a healthy, happy, well-run, shared space that will benefit and improve the community for 100 years or more.

Interested? Stay tuned! Or reach out and we'll keep you in the loop as plans come together! ■ ■ ■



The NEO Fund

"Empowering indigenous people to transform their own communities is the most effective weapon against global poverty." — Jen Hatmaker

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Sustainable Community Development for the Poorest of the Poor



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Bob Truitt has spent his career building successful companies as an innovative leader and entrepreneur. He and his wife Patti discovered the NEO Fund while on a trip to Nicaragua. Once we were acquainted, Bob agreed to bring his Harvard Business School training and lifetime of organizational leadership to NEO as a mentor and strategic advisor. Bob is constantly challenging us to refine our vision and focus our efforts.

Over the years Bob and Patti have invested generously in NEO Fund's community development efforts and vocational training. These days they are helping us raise awareness and \$80,000 to establish a fully self-sustainable micro-finance program and business development center in Nicaragua. It's going to take the whole NEO family pulling together to make this dream a reality and Bob and Patti are helping us focus the vision. Thank you Bob and Patti for your friendship and your investment in our mission to the poorest of the poor!



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