COLOMBIA – Case 4

Issue: Early red flags; possible conflict of interest

This site has previously opened under the direction of Sister Noemy who had too many other duties and asked for the program to be closed after one year. Four and one half years later, the secretary at Sister Noemy’s school asked if she could reopen the program under the nun’s supervision. We checked with the nuns and the program was opened. The program started off fine, but soon there were red flags. First the secretary wanted to know if she could take out a very large loan with two partners to set up a new business. We suggested this would be more appropriately funded through program earnings, which would be forthcoming once the initial funds were successfully invested twice. She had a personal health crisis, which understandably caused a delay in collecting and reporting, but once that crisis had passed, the program continued to collect each month on less than half of the outstanding loans. The balance of funds not invested grew to over $1,000 by February of 2017 with only $500 invested in loans. The administrator of the highly successful program in La Victoria offered assistance and made at least one visit but nothing changed.

In mid 2017, we received word that the nuns would be closing their program in this site. At that point, the secretary indicated she planned to revive the program and start issuing loans and collecting again. By this time the program no longer qualified for expansion funds because the delinquency rate had risen to 7.41%, significantly above the 5% maximum allowed by TCP Global.

WHAT WOULD YOU DO? WHY?

This is what TCP Global did
TCP advised the secretary that we would close the program and asked that she transfer the $650 in the permanent loan pool to La Victoria. We advised her she could keep earnings (50% of the original $1,300 sent plus interest collected on loans). The earnings would be $1,025 if she collected on the outstanding loans as she said she intended to do, or $560 (the balance on hand after deducting the $650 that was to be transferred) if she did not collect.

If she wanted to continue the program at the level it had functioned over the last year, these funds would allow her to do so or she could use the earnings to start that business with two friends that she had suggested. We did not feel we could take a chance on this program once the nuns were no longer there to provide oversight since it had not functioned well even when they were there. Since we are not on site and are therefore unable to make an informed decision as to the best action to take, we fall back on our guiding principle to ‘first, do no harm.’ The secretary could continue in the same fashion as she had operated over the previous year and our permanent loan pool funds were transferred to another site where we had assurance they would be well used.

Lesson Learned: Don’t ignore red flags. While they can be tolerated if there is oversight, complete confidence is required if an individual or independent group runs a program.