Nicaragua

The Micro-Financing Institutions Are Politically Very Attractive

An insider's look at the micro-finance sector, which has been so important to small producers in the absence of a development bank in Nicaragua. Padilla provides data and appraises the sector's current situation in light of government harassment and a non-payment movement that erupted into violence in the north of the country in late June.

Patricia Padilla

Micro-financing institutions emerged in Nicaragua and the rest of Latin America as one of the responses to the structural adjustment measures of the eighties, whose implementation immediately increased unemployment, among other results. In Nicaragua, the structural adjustment policies introduced in 1990 increasingly pushed workers into the informal sector, which according to the International Foundation for Global Economic Development (FIDEG) represented 75% of the economically active population by 2002. That enormous figure covers a gamut from street venders to micro-business owners in a wide range of economic activities. What all these people have in common is that they work for themselves and generate their own income. Women account for around 60% of this sector, with almost 80% of them running subsistence operations. That eye-opening percentage shows that very poor women are the bulk of those who benefit from micro-credits.

At the base of our economy are people who live at a subsistence level; above them are micro-businesses and then small and medium-sized businesses and at the very top some large corporations and privately owned companies. Until 1990, Nicaragua's small and medium businesses had two formal sources of financing: the National Development Bank and the Popular Credit Bank. The third source was usury credit, which is still very much present and is always more active at the grassroots subsistence level. The Popular Credit Bank didn't reach as far down as subsistence operations, but did attend micro

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and small businesses and on up, especially merchants. The National Development Bank provided the agricultural credit. The disappearance of both of these state banks at the very time unemployment was substantially increasing effectively dried up the supply of financing for the new activities. That's when the micro-financing institutions (MFIs) came in, and they've played an important role ever since.

The history of MFIs

The majority of MFIs have a social focus, seeking development and poverty alleviation. Some of us are also working on women's empowerment. Of course a few others have gotten larger and developed strictly financial paradigms.

The Grameen Bank, a micro-credits social bank founded in Bangladesh in 1976 following the 1974 famine, set the bar. Muhammad Yunus, a PhD in economy, began providing micro-credits and, seeing the successful results, decided to found that bank. Two years ago he received a Nobel Prize for his efforts to create economic and social development from below. Today the Grameen has 5 million clients, the majority of them women, over 2,000 branches and some 20,000 employees. Offering credit to Muslim women so they could work was a major innovation; a real revolution. The Grameen is known for constantly adjusting itself to its clients' economic dynamics. Its experience has also shown something that has proven true in Nicaragua as well: women are better credit risks than men. It further showed that the poorest borrowers are the best payers.

In Latin America MFIs soon began to proliferate in Bolivia, Peru, Ecuador and Colombia, while there are very few in Chile, Argentina and Brazil. In Central America, Nicaragua has the greatest development of MFIs, followed by El Salvador and Honduras, then Guatemala and Costa Rica. Obviously countries with more economic development have a smaller informal economic sector and consequently less need for micro-financing.

The profile of Nicaragua's MFIs

The Nicaraguan Association of Micro-Financing Institutions (ASOMIF) currently has 19 affiliated institutions with different missions, profiles, operational scales and guidelines. Other micro-financing institutions, such as Pro Credit, Findesa and Fama, are corporations and regulated by the General Law of Banks and other Financial Entities. The majority of us in ASOMIF are foundations, NGOs and non-profit associations, except for 20 de Abril, which is a savings and credit cooperative and thus regulated by the Cooperatives Law. The country also has a number of small mercantile operations that aren't regulated because they don't have enough capital wealth. Both they and the NGOs were lumped together a few years ago under the Law of Loans between Individuals, a law traditionally geared to regulating the activity of loan sharks in the markets.

The MFIs in Nicaragua work with around 450,000 clients and manage a portfolio of roughly US$400 million. Those associated with ASOMIF have some 340,000 of those clients, 62% of which are women, and a portfolio of US$215 million, 40% of which goes to women. Such proportions of women's participation are standard for the country's MFIs today: there are always more women participating, but always with smaller loans, indicating their limited repayment capacity given their poverty.

By generating employment and income, the MFIs have had a generally positive economic and financial impact on the family units we finance, although in some cases there have also been negative impacts—mainly when the evaluation done before granting the credit is deficient. We have to evaluate people's capacity to pay very carefully, so as not to create trouble for them by over-indebting them. It's very important for the evaluation to be as objective and consistent as possible, from both the economic and social point of view.

We generally work with freely available credits, in which the people themselves decide what segment of the economy to participate in and what business to invest in with the money we loan them. We respect that personal autonomy: they know better than anyone what they're capable of doing, so we finance what they ask us to. But there are MFIs in ASOMIF with different orientations. In ADIM, for example, we provide small loans to very poor women who don't have guarantees. We use group credit methodologies with them, asking for moral pledges rather than material collateral. Other MFIs provide individual loans and ask for material guarantees and collateral to back the credits.

We've fostered a culture of payment…

Despite all these different modalities, MFIs generally believe that moral commitment is the queen of collateral. It has already been studied and proven that a culture of payment is more important than the material things people put up as collateral. The main thing is their willingness to pay, how they administer their money and how they organize to pay.

Fostering a culture of payment has been one of the MFIs' main goals in Nicaragua, because while we've seen different governments with different ideological discourses, they've all engaged in paternalistic charity practices, and it has created lots of problems. When we began working in the early nineties, we could see how our arrival in a community sparked people's expectations of what new monthly goodies they were going to be offered. It was a struggle to get them to see that loans have to be paid back and that if they don't pay we'll oblige them to, otherwise there will be no money to provide credits to other people, and that would be an injustice.

With that explanation we began forging a culture of payment and have made major strides. But it's a very vulnerable culture, because as soon as somebody comes along and tells them they don't have to pay, they quickly fall into old habits. Today people pay because they know we're useful; they can see that the money we give them lets them work. Among other things, the recent crisis showed us there's a very consistent quality of payment among the people we work with.

Some others have created a culture of indebtedness

The crisis started in Jalapa with a group of people in what they call the Movement of Producers and Merchants of Las Segovias [a region made up of the departments of Madriz, Estelí and Nueva Segovia]. They may be expressing a phenomenon we've been observing for the past three or four years, since huge MFIs came into the market. Because MFIs have been growing in capital and wealth since the early nineties, quite a few foreign investors now offer funds.

In addition, people have many other credit suppliers: credit cards, pawn shops, the commercial shops—for example, one store that sells household appliances, televisions, sewing machines, etc. has a $50 million credit portfolio, which is a considerable sum. All these credit providers have been operating in the urban area in recent years, in the micro, small and medium-sized business sectors. Credit cards have been offered very aggressively. In this situation, it seems that many people started cushioning the economic crisis by taking out loans in various places without sufficiently measuring their capacity to pay, thus over-indebting themselves.

It's now commonplace for people to take out a loan from one MFI, fall into arrears and then go to another one and another, bailing themselves out of debt with one by getting into debt with two more. This phenomenon is generalizing because while a micro-financing operation may evaluate that a person has the capacity to pay, it might not be able to learn whether that client has other creditors, so its evaluation is inadvertently inadequate. For example, we had a woman in ASOMIF who was a kite maker and seemed to be doing very well, but in the end got in debt with all 19 of our affiliates; all of them! And with that she disappeared off the map. We don't know if she left the country or is hiding out somewhere.

The crisis in Jalapa

In late June, Pro Credit arrested six people with overdue debts in Jalapa. Other regulated financing entities did the same and through legal collection rulings started expropriating the debtors' loan collateral, often houses and land. This action is required of financing agencies regulated by the Banking Law: if they have an arrears portfolio, they have to do something about it. The law states that a collector has to visit the person with the overdue debt within seven days and then get a judge to execute a sentence within 72 hours. Failure to do so results in a fine by the Superintendence of Banks.

But what one micro-financing institution does has repercussions on all the rest; we all get judged by the actions of one. In the Jalapa case, the judges ruled that the properties be expropriated, but that's not the way the MFIs in ASOMIF operate. We don't immediately turn to a judicial process to collect the loan payment. Instead we go to the person's house and argue that we have a social responsibility to recover the money so we can lend it to others. We owe the $215 million we work with to private lenders of all sizes in Europe and the United States, ranging from huge investors in the capital market to organizations that work with money from common people, like the WCCN of the Friends of Wisconsin, who lend their small savings to Nicaragua's poor.

If the person isn't at home during the day we come back at night or on Sunday, until we can work out when the debtor can pay and renegotiate the arrears. If we end up taking some collateral, we do it persuasively, negotiating with the person, looking to see if he or she really wants to pay. If, for example, we take one of those lion's paw gilt mirrors typically object put up as collateral, we hang onto it until the person pays up. We only sell it and use the proceeds to reduce the arrears if the debtor authorizes it.

The crisis escalates

The judicial actions against the debtors in Jalapa naturally created a tense environment among those affected. At that point, three debtors under serious pressure from the IMFs—one of whom owed $600,000—organized the other debtors and their families and blocked the highways for 11 days.

The first negotiations were with Institute of Municipal Development representative Edward Centeno, who promised that the government would call on the MFIs to negotiate with the debtors, but it never did. Those with overdue balances upped the ante rather than backing down: new barricades on the highway, closing of the border… The situation finally got to a point that four Sandinista National Assembly representatives from the area, headed by César Castellanos, joined ASOMIF in mediating the negotiations and we got a debt restructuring agreement signed for all those whose arrears predated April 30. The agreement—deadline extensions, grace periods and a specific case by case negotiation by each MFI—was signed on July 5 by the debtors, ASOMIF and FAMA, the only regulated MFI that participated in the negotiation.

Six days later, in a public act in Jalapa, President Ortega told the debtors: "You have done well in protesting against the usurers, but instead of protesting on the highways, you should protest and camp out in front of the usurers' offices. Be firm; we'll support you!" Castellanos told us that the President was misinformed when he said this, but his words were enough to entice the debtors' movement to increase its harassment in Jalapa and then Ocotal rather than take the lists of clients with problems to get the agreements enforced. Soon acts of violence broke out in the two towns, in which personnel of two MFIs were kidnapped for several hours and someone set fire to one of their offices. These criminal acts led to the intervention of anti-riot police in Ocotal, with people injured on both sides. As a consequence, all micro-financing institutions in the two towns closed their doors.

The consequences for the area's economy were disastrous. We received a communiqué from Jalapa's association of cattle ranchers and coffee growers complaining about the debtor movement's actions and regretting the shutting down of the MFIs. The association members were having problems getting cash to cover their payrolls; they couldn't deposit their earnings because the regulated MFIs, which are allowed to handle savings, were the only banking expression in the area; remittances from Nicaraguan migrants weren't circulating; and supplies were running out in the stores and pharmacies. Given this tense atmosphere, we were surprised by the support many people expressed to us, backing the work of the micro-financing institutions.

Are MFIs really usurers?

Back in May, even before these disturbances, the MFIs in Las Segovias had decided not to provide new financing and work only with people who had already received credits, repaid them and were requesting new ones. Over-indebtedness and political uncertainties have increased the credit risks. The government has told us that the micro-financing bill is on the legislative agenda for debate, but we're concerned that on July 9, two days before the President's speech in Jalapa, the new Penal Code went into effect. Among other things it reformed the crime of usury, which now appears with six or seven definitions. It establishes jail sentences for different posts we use in the MFIs: directors, general managers, notaries, auditors, accountants, promoters… Usury is defined as any interest that exceeds the Central Bank's monthly calculation. But what is that interest rate? Today it says 21.87% annually, but it has previously calculated it at 4%, 7%, 12% and 16%, rates that don't even cover our operating costs.

Are IMFs usurers? Do we lend at usury rates? It needs to be understood that a commercial bank can easily place a $100,000 loan with one client, but in an MFI like ADIM, where we work with credits averaging $140, placing $100,000 means around a thousand clients. That enormously multiplies the operation costs. The smaller the credit, the faster it rotates and the shorter its payment schedule. This means a new loan with a new deadline, and that multiplies the evaluations, cash management, accounting operations, paperwork and other materials. And all that means salaries, travel expenses, electricity, computer systems, sophisticated software…

Any micro-financing institution is socially obliged to have a surplus or earnings. The difference between a non-profit institution and one for profit is that in the former the entirety of the surplus—what we technically call the margin remaining to us in the case of NGOs—is added to the capital wealth to expand the portfolio and continue loaning to more people. That's the democratic, nonprofit sense of micro-financing NGOs. In contrast, the earnings of a profit-making corporation that does the same micro-credit operation is distributed among individuals—the stockholders, the partners—and it's left to the criteria of each one to decide what to do with that money: whether to reinvest it in the micro-financing institution and increase their holdings or dedicate it to something else.

What is usury?

What's the interest rate of a usurer? They usually charge 20% interest daily in the markets, or even more. Considering this, what are the factors that come into play to determine an interest rate? In the first place you have to consider what's called the debit rate, which is the interest rate we pay those who finance us. The average annual debit rate in ASOMIF has been rising, from 8.5% to 11.5% annually, thanks to the country-risk factor, which has been on the increase with the current government, particularly after the conflict with the MFIs. The debit rate can also rise for other reasons, but in any case it's not the weightiest factor in determining the interest rate we have to charge.

What weighs the most is our operating costs: promoters with motorcycles who travel all over the country, fuel, per diems, salaries and social security obligations, cashiers, guards, buildings, equipment, electricity, phones, computers… The Local Development Fund (FDL), which is the biggest MFI in ASOMIF, has 515 employees. ADIM, which is a whole lot smaller, has 50. These operating and administrative costs are already pretty high for us and increasing due to the inflation this past year.

The other major cost that influences interest rates is the risk, which depends on each institution's portfolio management and arrears rate. We can't exceed an arrears of 5%, not only because of the regulations set by the Superintendence of Banks, but also because investors won't continue loaning to us if we do. The first thing an investor looks at is the health of the portfolio, its arrears rate, the size of the affected portfolio, the risk rate involved…

Another factor that comes into play in setting the interest rate is the earnings: how much we're going to earn in each operation. We can't work at cost. We have to have some earnings to strengthen our capital wealth, because only with more capital can we continue lending and getting more money to loan.

Many MFIs assume the risk of loaning small amounts to very poor people, and that increases the operating costs. But their clients pay, they comply with their obligations. For example, Pro Mujer and FINCA, both of which lend small amounts and work in Las Segovias, only have nine rebellious defaulters, and not one of them is a woman. These people live an economic dynamic with extremely high rotation. They have tiny businesses with a daily inventory turnover and are so busy every day that they can't get involved in sit-in non-payment movements because they'd lose a lot of money.

Agricultural credits are particularly costly

When they call us "usurers," what are they using as a benchmark? I can demonstrate in accounting terms why we charge the interest rates we do. The rates in ASOMIF depend on the category, the loan size and the operational level of the product we're providing. For example, an agricultural credit has a high operating cost and a slow repayment rate. How can the rate for agricultural loans be lowered? It can be done by cross-subsidizing, using credits for commerce, which is what FDL does. And it can afford to do that thanks to the volume of its portfolio and the scale of its operations.

About $100 million of the combined portfolio of ASOMIF's affiliates, i.e. just under half, is in credit to the agricultural sector. The formal banks don't ever lend anything like that amount to agriculture. The FDL has a portfolio of approximately $50 million and some 75,000 clients, 62% of whom are women, and 60% of that portfolio is in agricultural loans. The average loan to the farming clients FDL works with—people who can put up land and animals as collateral—is $1,100.

But given FDL's development, it can also loan to clients who have nothing to put up as collateral: they're subsistence peasants, most of whom are women. Of FDL's 75,000 clients, 30,000 are peasants and subsistence peasants. As part of its mission, FDL caters to these people under what it calls its "development portfolio." It provides small loans at 18% annual interest so the woman can buy a pig, a cow, plant crops or set up a little business with an oven to make those little corn munchies called *rosquillas…* FDL has only been able to do that since 2002. While other institutions can't offer such low interest rates to this segment of the population, FDL can due to the scale it has achieved and the experience it has acquired.

The MFIs are actually an alternative to usury

The individuals who lend at 20% interest a day are the ones who deserve to be called usurers. They have hardly any operating costs. The client comes to them on the recommendation of someone else, and that serves as the "evaluation." The pressure put on the client to pay up doesn't cost much either; it's expeditious. A usurer's client knows that failure to pay is very risky. So what the usurer gets in interest is almost pure profit.

Banks also earn a healthy profit: they have higher costs than usurers, but much lower ones than our micro-financing institutions. MFIs are an alternative usury, not to the banking system. The people we serve have generally been in the grip of usurers their whole life. Now they see the difference. There's no head count of how many usurers still function in Nicaragua, although one can see that the MFIs have edged them out somewhat. We've tried to explain this to the government: you fight usurers with a more attractive credit offer, not with laws. It's a law of the market. We can pass a whole sack-full of laws and it won't make the usurers disappear. They'll only disappear when there's a sufficient supply of credit that meets people's needs, that gets people competing for interest rates, as happens with competition over any product in the market.

We're united by a code of ethics and our advocacy work

ASOMIF's members are very heterogeneous, but we have a code of ethics and our relations are guided by certain principles: respect for the autonomy of the institutions, respect for one another's orientation and commitment to alleviate poverty by promoting businesses, agricultural production and the rural zones. Some MFIs have a marked gender focus and exist for and because of this, while others are only beginning to incorporate a gender perspective. And we all share the fact that we work on advocacy regarding laws and public policy.

We see the crisis triggered by the debtors' movement in Jalapa and Ocotal—and other smaller expressions In other places—as a warning signal. That stage is over and now begins the real negotiation over interest rates and how the micro-financing institutions and the government are going to work together.

What relations will we have with the government?

When this government was starting out last year, we offered it a proposal on how we could link up with its institutions to channel funds, but that proposal was set aside. Now the government's back talking about "linkage," but In what conditions? Our original proposal only talked about market conditions, but everything we've heard in the official discourse ever since has filled us with uncertainty, so now we have a lot more questions.

The government has problems: it has no fund distribution network, no branches, no outreach. We have all that. The government doesn't have many funds, either. Its development bank, which still hasn't started operating, only has 35 million córdobas, which is a very small amount. A large MFI places that much in a single month and FDL in a quarter. One government adviser recently said that the Central American Bank for Economic Investment has approved US$60 million for food production, but the government has no way to channel that amount, so it wants to link up with us. Yet on July 25, President Ortega again called our work usury and announced that the Cabinets of Citizen's Power will decide who'll get the funds the government will be channeling through specialized micro-financing institutions.

And there's the core of the issue: in what conditions will these MFIs be able to channel the funds? How could they work with no regulatory framework and a threatening new Penal Code? What worries us at the moment is that we don't have a law, and the existing legality doesn't mesh with the work we nonprofit MFIs do. In Honduras, the Micro-Financing Law is designed to foster MFIs so they'll keep playing their role. Same in El Salvador. But not here; we're in limbo.

How should interest rates be set?

We believe that the preferable solution is to let the free market establish the interest rates, so they fall through free competition. And in fact, that's what's happening: the MFIs' interest rates have been dropping as the supply of capital has grown. But now we have all this rhetorical noise, this speechmaking about usury, and it's not because the rates have been going up.

At the same time, we all have to reach some agreement about the rates. Some MFIs have enough muscle to lower them more, while others are weaker and work in a more costly and risky segment, that of the poorest people. Unfortunately, the poorer the people the more costly it is for the MFIs to work with them. You have to invest a lot of money to get a loan of only $100 into a poor person's hands. It's ironic, but it's a financial reality, a market reality. The smallest MFIs, like ADIM, have less muscle and our portfolios grow less, precisely because we work with small amounts. And not all foreign investors trust small MFIs, so the smaller we are the greater the risk they attribute to us and the higher the interest rate they offer. It's a major challenge for us to grow, and sometimes ends up a vicious circle.

President Ortega has said that the annual interest rate shouldn't go above 8%, but we don't think that's realistic. The government says it's channeling funds at 8% and at 5% through Alba-CARUNA, but we've discovered that this 8% is only on paper, because there's a commission charge that effectively shoots the rate up. Moreover, the granting of those credits is related to political affiliations, and if we MFIs have been characterized by one thing, it has been for not making distinctions based on politics, race or religion. No financing institution can offer 8% in this country, no matter how large it is.

When the problem erupted in Jalapa, the first thing we were told by the women FDL attends in its branch in the Oriental Market here in Managua was: "Watch out; they're going to close you down. Make sure you don't stop loaning to us, because we'll fall into the usurers' hands." The women in that market who sell coffee to free trade zones workers will go bankrupt if we close off their credit for as little as a week.

What is the government's real role in the financial market?

The person who discovers how the Alba-CARUNA funds from Venezuelan cooperation are really being channeled will deserve a prize for investigative journalism. None of us knows and I don't think we ever will. CARUNA used to belong to ASOMIF but it left recently. The general manager of Alba-CARUNA has stated very clearly that they aren't encouraging a culture of non-payment, nor are they writing off debts. After the events of Ocotal, President Ortega also insisted that he's calling for restructuring, not non-payment. But no institution can carry a debt restructured over 20 years—as some leaders of the Las Segovias movement mentioned at one point. In the case of the MFIs, the most our financiers loan us money for is three years. Twenty is simply out of the question.

In this scenario, what's the government's Zero Usury program all about? What impact is it having? We see it as more a discourse than a response in the financial market. Zero Usury has a very small fund, approximately $1 million, and is limited to Masaya, Rivas, Matagalpa and some areas of Managua. It's managed by IMPYME [the state's Institute of Micro, Small and Medium Enterprise] with promoters and credit committees that evaluate the client group's payment capacity as well as the interest rates and repayment deadlines. But these promoters and committees are made up of members of the Councils of Citizens' Power (CPC), which act with political bias. They're functioning, but we've learned from different government sources that they have serious recovery problems. One official mentioned an 80% arrears rate. It's scandalous for a credit portfolio to have arrears of even 5%; with 80% a loan portfolio would be technically dead, unresuscitatable.

What will happen if the MFIs disappear?

The MFIs' contribution is crucial to Nicaragua's economy. As we argued when the situation got tense in Jalapa and Ocotal, if the MFIs didn't give out any credit for the second planting in this agricultural cycle—for which $100 million has been earmarked among all the MFIs—there would be no production. It's that simple.

If a country like Nicaragua, which has so much capacity to produce food, doesn't take advantage of the current good international prices, it will be committing suicide. The MFIs, the formal banking system and the government should be sitting down together right now to discuss how to make it possible for people to produce more, how to get inputs to them more cheaply. The cost of producing a single hectare of maize, just in inputs, without including labor, is just over $76 today. What are subsistence farmers supposed to do with those prices? How much can they produce? Given all this, we should all be discussing these things instead of getting into international squabbles. It's really unfortunate that no such discussion is happening.

If Nicaragua's micro-credit disappeared, the economy's informal sector would be paralyzed and small and medium farmers would stop producing. The large growers would still be happy, because they're creditworthy with the banks. The formal financial system works with the big agricultural sector and we know of 11 government funds channeled through Banpro and Bancentro. But these are the "major leagues." The MFIs are the palliative that allows the bush leaguers to deal with an acute economic crisis that the government itself should be dealing with.

When the MFIs are attacked, the smallest are the first to be hurt. When the Law of Loans between Individuals put a ceiling on interest rates, the first response by FAMA, at that time an NGO, was to cut off agricultural loans. Many other MFIs also reduced their agricultural portfolio, because it's such expensive credit. And the MFIs working with subsistence groups, mainly groups of women, shifted to working with small and medium-sized businesswomen.

The debt defaulters in the Las Segovias movement total under a thousand of the 340,000 clients of ASOMIF's 19 micro-financing institutions, and they owe both the regulated and non-regulated MFIs. Fundenuse, the MFI whose Ocotal office was torched, has 17,000 clients, and only 67 of them are behind in their payments. In other words, only 0.003% of the clientele in Las Segovias has put thousands of people in the area in check.

Why is the government attacking the MFIs?

The debtors' movement expressed a specific dynamic in the market at a certain time, as well as the manipulative power of three large debtors. One of the people heading it was a former FSLN mayor of Jalapa, who was removed from his post due to claims of corruption and now faces a lawsuit. Another—the one who owes over $600,000—is an Ocotal businessman, previously an FSLN member and now a mayoral candidate for the Nicaraguan Liberal Alliance [which allied with the FSLN after the Supreme Electoral Council ruled that the party's founder, Eduardo Montealegre, was not its leader, putting an FSLN ally in his place]. While the government didn't plan the movement, it did see this crisis as an opportunity to grandstand with all its speeches about interest rates and usury. Why is the government attacking the MFIs right now, labeling them as usurers and encouraging the debtors?

One can only assume it's because we have power: the power of our commitment as well as technical, economic and financial power. And we have that power because we know how to work, because investors trust us, because we've learned through doing, together with the people we serve, and because we've reached a specialization level that we learned not in universities but in our daily work. We have new financial products and policies that we continually fine tune, as well as researchers, technicians and accountants who have been adopting new methodologies, financiers who know how to work with flexible criteria… In short, we've developed a technology, a methodology, and we've accumulated a lot of experience on the way. We have more knowledge than money; that's our greatest capital worth.

And all that's very sexy, very attractive to this government. We have a whole grid of branches, and they aren't just empty buildings. They're full of equipment, technology, technical personnel and a good level of social commitment. What we don't have is a regulatory framework and what has served as one so far is now menacing. It's that power and that vacuum that would form the context in which we would negotiate with this government.

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