

## FEASIBILITY STUDY FACTSHEET

<b>Title of feasibility study</b>	<b>SCBF FSW-03: Transferring Microleasing from East Africa to Latin America</b>
<b>Country / region</b>	<b>Latin America:</b> Honduras, Nicaragua, El Salvador, Colombia, Ecuador, Peru, Bolivia
<b>Financial Intermediary(ies)</b>	none
<b>Competence Centre mandated for execution</b>	<b>Swisscontact</b> , Döltschweg 39, 8055 Zurich, Switzerland
<b>Overall project budget</b>	CHF 232'370 (41% self-contribution by partner)
<b>SCBF contribution</b>	<b>CHF 138'050</b> (59 % SCBF funding share)
<b>Date of project approval</b>	18.10.2013
<b>Project period</b>	10.2013 until 07.2014
<b>Context</b>	<p>The microfinance sector's growth has generated various lending methodologies (individual, solidary, community) to reach the different economic strata of microenterprises. However, there are still areas to improve and enhance, especially in the area of agricultural finance:</p> <ol style="list-style-type: none"> <li>1. In Latin America, there are only few appropriate credit products for rural smallholder farmers and microenterprises. There is a huge need to adapt or develop financial products for the agro business segment. Microfinance institutions (MFIs) tend to serve agro businesses with the same financial services designed for the trade and services sector, ignoring the particular needs in the agro business segment. They also do not offer services to manage risks, such as agriculture insurance.</li> <li>2. Financial services to acquire machinery and equipment for farming and agro processing are of vital importance to contribute to the development of small scale agriculture in Latin America. Investments in machinery and equipment fundamentally leverage microenterprises' technological progress, facilitate the expansion of their business, improve production and productivity and ultimately contribute to income generation.</li> </ol>
<b>Current status of the MFI</b>	<p>Swisscontact has developed an asset leasing product in Kenya that has since been successfully implemented with a local financial entity and is currently being roll out to Uganda and Tanzania.</p> <p>Today the asset leasing in Kenya covers not only the leasing of agricultural assets (livestock) but all sorts of assets which are relevant for microenterprises. After about five years at the end of 2012 a total of 14'600 contracts were running. With an average value of USD 577 per asset this sums up to a total volume of USD 8'424'200. the demand is still increasing: Between January and June 2013 4'120 new contracts for more than USD 3'000'000 were signed.</p>
<b>Objective and main activities</b>	<p>The goal is to capacitate a team of Value Chain and Financial Project Experts from Latin America to be able to evaluate in their corresponding countries if and how existing constraints in developing and accessing financial products for farmers and SME's could be overcome and with which partners microleasing products could be installed.</p> <p>To successfully implement microleasing partners on three sides have to be identified and be willing to closely work together.</p> <ol style="list-style-type: none"> <li>a) Financial entity (commercial bank, cooperative bank, SACCO, MFI, NGO – depending on regulatory system, can vary per country)</li> <li>b) Supply provider (one strong partner per asset). As an example, in Kenya a strong cattle-breeder/dealer was needed to supply the cows to be leased. He had to identify the best breed for the region and negotiate conditions with smallholder farmers in order to ensure that he could supply. As of September 2013, there have been more than 7'000 cows on lease. Additionally the supplier is required to deliver capacity building and services to the leasee to ensure the best possible handling of the asset.</li> <li>c) An insurance company that will insure the asset as to mitigate risk for the financial institute as well as for the leasee.</li> </ol> <p>As a result, it will be defined where it is possible and most promising to implement microleasing.</p>
<b>Next steps</b>	Pilot microleasing in 2-3 Latin American countries as to the priorities of the outcome of the feasibility study.



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Association for Income and Employment Generation

Factsheet shall not be longer than 1 page!