



FEASIBILITY STUDY FOR INTRODUCING MICROLEASING IN LATIN AMERICA

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Financed by	SCBF
Conducted by	Swisscontact
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1. INTRODUCTION

The goal of the study was to identify the opportunity to transfer a successful inclusive financial product from East Africa to Latin America. It is Swisscontact's intention to introduce Microleasing in all Latin American countries where possible and where Swisscontact has a presence. To reach this goal sustained, the feasibility of introducing the solution has to be evaluated carefully and the roll out has to be sequenced. This feasibility study discovers the basis information necessary to decide on the first 3 to 4 countries to introduce Microleasing and conduct pilots.

The study conducted by Swisscontact and funded by the SCBF focused on a financial product that addresses a common problem experienced by micro-enterprises in many countries in Latin America today: the lack of investment in productive assets. Through various analysis, Swisscontact identified that the investment in productive assets such as livestock, machinery and equipment is one of the most important factors in micro-enterprises' growth and development processes. Such investment could help them grow their business, improve productivity and increase levels of specialization, ultimately resulting in an increase in income and margins.

The study's primary focus was on identifying in the six countries - Ecuador, Colombia, Nicaragua, El Salvador, Peru and Bolivia - the legal frame for the introduction of Microleasing and the financial products already offered to access productive assets. Four countries Nicaragua, El Salvador, Peru and Ecuador were then looked in debt into by further identifying the assets for micro-producers with the

highest demand and the respective assets ability to increase incomes sufficiently and on the supply 'side by finding financial institutions willing to support such an innovative investment scheme.

Microleasing and the Financing of Production Assets

According to a survey carried out in different countries in Latin America, almost all the institutions (25 of the 28 surveyed) **will** provide loans for assets, but don't have products designed specifically for such investments. In other words, the same loan products are available for assets and working capital. To address this challenge, the study's objective was to work from the producers' side (demand), analyzing the reasons behind the lack of investment in production assets. Once the reasons have been identified, it is then possible to encourage changes on the supply side. For this reason, the focus of the studies was not only the analysis of a new financial product, but also on how the current financial offering could adapt to the needs of the micro-entrepreneurs.

Chronology of Research

For a Microleasing research 3 assessment steps are to be taken, whereas the study covered the first two.

- a) Research on legal frame and existing products
If the legal frame allows 'lease to buy' products and defines, what entities can offer such a model, in order to decide whether or not Microleasing is an adequate product for financial inclusion, the existing credit solutions have to be analyzed and bottlenecks identified that prevent the producers from accessing the financial services or credits to purchase production assets. If Microleasing can be the solution to increase financial inclusion, then the second step in the assessment must be conducted.
- b) In-depth assessment as the base to decide on the productive sector/assets
To decide which working asset has the best potential for piloting two strategies can be applied. Either a full county assessment can be undertaken that defines the assets with the most potential for income increase. This asset and sector then is the starting point from where Financial Institutions and suppliers of the good as well as organizations that have access to the future clients then have to be identified and engaged. As this is a very time and resource consuming approach, Swisscontact decided for this assessment on the second option, that is, to approach the problem from the sectors where knowledge on the demand for working assets was already known and potential clients were known. So the study focused on confirming the demand, deciding on the pilot assets and identifying partners.

Step three then is taken in the pilot projects following the feasibility study as base for the product development

- c) In-depth assessment for product development
When working assets for pilot, financial institution and suppliers are identified and engaged, further research and studies together with the partners are necessary in order to design the financial scheme of the product.

Result on legal frame and other credit products

Desk research for all 7 countries revealed that Microleasing can be introduced. A decision on 3-4 countries for the sectors in-depth assessment had to be taken and Peru, Nicaragua, El Salvador and Bolivia were preselected, as they offer the most favourable conditions, including the position of the MFI/SACCO sector and appropriate value chains, further development and piloting.

2. DEEPER SECTOR FEASIBILITY STUDIES

The following sectors and value chains were identified in each of the four countries in order to carry out the feasibility studies:

EL SALVADOR: The Beekeeping Chain

Beekeeping has significant potential in the country, largely due to an increasing international demand for honey and an export market that recognizes the products' quality level. Also of importance is the prevalence of small producers and their need to adapt to local regulation. This requires investment in machinery and equipment, which represents the ideal situation for the development of an asset financing process.

There are an estimated 1'400 beekeeping producers across the territory, with 22% of them dedicated full-time to beekeeping. Only 33% of the producers have had access to loans over the last two years. In terms of future loans, 17,9% of them would be willing to pay less than USD 50 as a monthly installment, 37,3% would pay USD 50, 13,4% would pay USD 75 and 22,4% would pay USD 100 as a monthly installment. 96% of the interviewees have shown interest in systems such as microleasing and claimed that they would like to have access to such services.

Need for Assets

Most of the producers do not have equipment or tools that comply with quality standards. In order to continue producing honey for export, they will need to adapt to the new regulations and would need equipment like bee smokers; food grade barrels, filters, spatulas and buckets; protective clothing; extractors; and the actual hives.

Cost of Assets

A radial stainless steel extractor for six frames can cost between USD 1'500 and USD 2'000, while an uncapping table can cost between USD 1'200 and USD 1'800. The rest of the required equipment can cost a total of USD 1'000. The required investment in terms of machinery and equipment therefore ranges from USD 3'000 to USD 5'000.

Providers of Assets

Local providers of machinery and equipment and raw material have been identified. The critical factor is the supply of machinery and equipment in line with established standards. The local manufacturers of machinery and equipment don't generally meet regulatory requirements. However, two companies have imported extractors that comply with established standards, and are willing to support the implementation of the pilot project as indirect providers of the required machinery and equipment.

NICARAGUA: The Agro-industry Sector

The manufacturing industry represents the second most important economic activity in Nicaragua. The Swisscontact study identified micro-entrepreneurs in the agro-industrial sector in rural and urban areas, involved in **baking and dairy** industries to be prioritised, mainly due to their need for equipment for the technological improvement of their processes. 57% of micro-enterprises and 65% of small enterprises commercialize their products locally. There is a limited use of the productive capacity as a result of poor quality. The enterprises also show limited commercial strategy, publicity, exploration of new markets and launch of new products; the market is focused entirely on local sales. Importantly, the sector is characterized by the participation of women (57% participation). There is a medium degree of formalization and limited human resources; in most cases, staff carry out multiple functions, with 67% of the businesses operating from the owner's house; and 79% operating under a family-run business model. Basic aspects in the infrastructure - which would allow them to comply with the sanitary standards - are missing. In general, there is also limited access to credit, although 33% of producers claimed they could pay monthly installments of up to USD 100; 33% up to USD 200; 29% up to USD 300; and 5% up to USD 500 to repay loans.

Need for Assets

All the interviewed micro-entrepreneurs emphasized that one of the greatest challenges is the absence of financing for investment in machinery and equipment. In the milling and bakery sectors (86% of the potential market), investment requirements are between USD 3'000 and USD 17'000.

Equipment and tools needed include industrial ovens, kneaders and fryers, scales, trays, shelves, whisks and more. The design of a basic kit for the industry has been considered, which includes a digital scale, two stainless steel benches, a stainless steel table, a whisk and an industrial oven, for a total of around USD 9'000.

Providers of Assets

Banks and non-banking financial institutions; MFIs affiliated to ASOMIF; credit unions (mainly CARUNA); and other MFIs regulated by the CONAMI have been identified as potential finance providers.

BOLIVIA: The Artisanal Brick Chain

There are 2'717 artisanal brick producers registered at national level, with a combined capacity to produce more than 500 million units per year. Due to an increase in the demand for bricks, this chain has good potential. The producers are mostly informal though, do not comply with labour protection laws and have a very limited level of technology. Investments in assets would therefore have a very direct impact on the levels of production, efficiency and revenues. The production of bricks is most often a family activity, where techniques have been passed down through generations. Each new generation therefore uses the same processes as the previous, and has little to no information or interest relating to new technology. In most cases, non-remunerated family labour is used and no industrial safety policies are in place.

Need for Assets

Labour costs are between 38% and 58% of total costs, followed by fuel, raw materials and other indirect costs. The machinery analyzed during the study is aimed at reducing labour costs or increasing efficiency in the use of fuel, and is therefore decisive in reducing costs. This would include extruders, mixers, ventilators for wood-fired ovens and Chinese ventilators for wood-fired ovens.

Providers of Assets

36 providers of equipment and machinery have been identified. The study pointed to the need for working capital by providers of machinery; in the case of increased demand, they would have to find increased financing in order to produce accordingly and fulfill their orders. There are also companies (mainly concentrated in Santa Cruz) that import machinery.

PERU: Quinoa and the Production of Dairy Products

In Peru's case, the consultants identified two chains (quinoa and dairy products) that have been prioritized with respect to their importance at provincial level; current and potential contribution to the province's domestic product; their rural location and lack of opportunity to access these services; and finally, their complementarity. Despite the provinces of Puno and Ayacucho presenting similar characteristics, it was decided to focus the project in Puno.

QUINOA

Most of the producers are informal micro-enterprises and family businesses, with limited production management ability; losses in production; and real estate without ownership deeds that render it impossible to use them as guarantees to access loans.

DAIRY PRODUCTS

Deficient productive management, together with the traditional processing of dairy products, contributes to the fact that these producers cannot compete with reasonably developed dairy product sectors, thus limiting the commercialization of their products to local and regional markets. The small livestock producer's educational and technological levels restrict opportunities for technological innovation, limiting significantly the incorporation of machinery and equipment that could increase the productivity and quality of their production.

The total number of entrepreneurs, which represents the potential demand for the project, is estimated at around 60'000 in the province of Puno, of which 28'740 are livestock or dairy farmers and 31'586 are quinoa producers. These producers have limited access to credit and financial services, while financial culture is also limited.

Need for Assets

The production of dairy products requires financing for milk pasteurisation systems, solar energy equipment, cold chambers, pneumatic press for cheese, moulds for cheese, pressure cookers and semi-industrial autoclaves and electrical yoghurt makers. In the quinoa chain, the equipment and tools required include tractor and tillage equipment; mobile irrigation systems; mowers; gasoline-motor run threshing machines; selectors and stainless steel quinoa processing lines for peeling. The tractor is the main machine use for sowing and harvesting and 30% of producers have their own (second-hand) tractor. A new tractor costs around USD 70'000.

Providers of Assets

Companies that can provide the necessary assets have been identified and include NOVA, Proveedores locales, Autoclaves industriales. In Puno and Ayacucho, providers of business development and technical assistance services include Sierra Exportadora, DESCO, El Taller, IDESI y CIED.

3. THE FINANCIAL OFFER

Finance and Microfinance

All four countries considered for the study represent contexts where the supply of finance has most adapted, at global level, to the concepts of microfinance and financial inclusion, and thus achieving a good level of depth. See below for the percentage of the loan portfolio for the micro-enterprise¹ in relation to the entire loan portfolio of the country:

Country	Micro Portfolio / Total Portfolio
El Salvador	11,9%
Nicaragua	8,3%
Bolivia	28,2%
Peru	10,7%

According to the *Global Microscope on the Microfinance Business Environment 2013*², **El Salvador** is currently ranked 8th (of 55 countries), **Nicaragua** is in 14th position, **Bolivia** has a 2nd place ranking and **Peru** is ranked in 1st place.

¹ FOMIN-BID; Microfinanzas en America Latina y el Caribe: El sector en Cifras, 2013

² <http://www.fomin.org/Conocimiento/DatadeDesarrollo/Microscopio>

Financing the Assets: Microfinance, Leasing and Microleasing

Microcredit

Microfinance institutions generally lack specific products for the financing of productive assets. However, there is strong interest by microfinance institutions to develop tools and alternative ways to reach this niche market.

Leasing

The other perspective that was examined in the different countries relates to the leasing companies and the possibility of their involvement in the financing of micro-enterprises. According to the studies carried out, this hypothesis could be viable, although the adaptation process would require significant efforts on their part as the product they currently offer would have to be completely transformed for it to serve this new market.

Microleasing

Microleasing experiences in Latin America have generally been related to very specific projects, for which different intervention methodologies have been developed.

Insurance

For **El Salvador**, assets can be insured against fire, theft and the usual transport risks. Insurable assets include machinery, equipment and hives. There is also a production insurance, which can cover risks such as drought, flooding, wind, rain, etc. In **Nicaragua**, there is the possibility of insuring the production assets identified for the agro-industry, especially bakeries, but the benefits of an insurance policy are limited from the producer's perspective, due to the improbability of theft of such assets. In **Bolivia**, insurance for the artisanal brick chain does not seem necessary for the same reasons. In the case of **Peru**, the study remains in a phase where the specific services and the potential benefits of an insurance service for the required productive assets have not yet been analyzed.

4. FEASIBILITY: THE MODEL AND THE PROPOSALS

El Salvador

The following table presents the main characteristics of the proposal for El Salvador:

CHAIN	Beekeeping
Strategic partner (financial entity)	CREDICAMPO, non-regulated cooperative society
Type of financial service	Microleasing
Provider of the service	CREDICAMPO; in case the entity transforms into a regulated institution, forcing it to separate this type of service from its normal portfolio, there is also Fundación Campo, the founder of the entity CREDICAMPO.
Number of potential producers	Prudentially considered potential 70% of the 1'400 producers, which means 980 producers.
Estimated gross portfolio	USD 1.2 million
Type of insurance	The proposed model includes insurance to cover events such as fire, theft, usual risks of transport. Machinery, equipment and hives (not including swarm) are all insurable assets.
Providers of productive assets, potential strategic partners	Mieles Joya de Cerén and Sociedad Cooperativa de Apicultores - SCAES
Provider of technical assistance	Swisscontact will lead this type of activity. Activities will be coordinated with Unidad de la Cadena Apícola del Programa de Agricultura Familiar (public), Dirección General de Sanidad Vegetal y Animal (DGSVA), which includes the División de

	Inocuidad en Productos de origen Animal (DIPOA) and the Unidad de Inocuidad de Productos Apícolas.
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Nicaragua

In Nicaragua's case, the proposed model's main characteristics are presented below:

PRODUCTIVE SECTOR	Agro-industry
Strategic partner (financial entity)	Fondo de Desarrollo Local (FDL) and Bancentro
Type of financial service	Microleasing
Provider of the service	The financial entities would offer leasing directly to the producers.
Number of potential producers	From 16'000 agri-business MSMEs, it is estimated that only 3'660 are real.
Estimated gross portfolio	Compared to 3'660 potential producers, there have been two estimates of gross loans: the first considers that 60% of producers demand the product, which would amount to USD 9.4 million and the second considers that 40% require funding, representing a gross loan portfolio of USD 6 million.
Type of insurance	In the proposed model, the insurance component is mentioned as an integral part of the service. However, this aspect will need to be further analyzed during the pilot project's product development phase.
Providers of productive assets, potential strategic partners	IMI, S.A., Economart / INDECO, Escasán
Provider of technical assistance	Swisscontact will lead this type of activity, with activities coordinated with CETEAL / UNI; Facultad de Ciencia, Tecnología y Ambiente / UCA; UPOLI; APEN.

Bolivia

Due to issues relating to access to financing, the brick producers' culture and limited technological awareness, as well as various restrictions also existed on the supply side, it was decided not to carry out a microleasing pilot project for the artisanal brick chain.

Peru

In Peru, the study required the identification of the value chain where it would be most convenient to carry out a microleasing project. However, the study's vision had to be adjusted due to various factors and it was decided to structure a pilot project with the following characteristics:

VALUE CHAINS	Quinoa and dairy products in PUNO
Strategic partner (financial entity)	- FENACREP - FEPMAC
Type of financial service	Microleasing
Provider of the service	A Credit Union and a <i>Caja Municipal de Ahorro y Crédito</i> will be selected
Number of potential producers	Around 60'000
Estimated gross portfolio	USD 5 million
Type of insurance	The proposed model considers insurance as an integral part of the service. However, this aspect will be analysed further when developing the product during the pilot project.
Providers of productive assets, potential strategic partners	Máquinas Innova SRL, Herrandina SAC, FACOS MAQUINARIAS (PN), Equipos y maquinarias Quilli, INVENCIBLE AYMARA EIRL, TECMA SUR, M&M "Don Bosco" E.I.R.Ltda, Kallpa Puno S.R.Lda, SERDIMAQ E.I.R.Ltda

Provider of technical assistance	Swisscontact will lead the activity, while additional activities will be coordinated with Regional Government programmes and local entities, universities and institutions.
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5. CONCLUSIONS AND RECOMMENDATIONS

The Analyzed Chains - Estimation of the Potential Demand

Country	Chain / Productive sector	Potential demand / # micro-entrepreneurs	Potential demand USD
EL SALVADOR	Beekeeping	1'400	5.6m
NICARAGUA	Agro-industry	3'660	14.6m
BOLIVIA	Artisanal bricks	2'717	8.1m
PERU	Quinoa and dairy products	Dairy: 28'740; Quinoa: 31'586	Dairy: 94m Quinoa: 195 m

Feasibility of Microleasing

The feasibility of microleasing has been analyzed from three different perspectives: Entrepreneurs' perspective: interviews and focus groups; the financial sector's perspective: interviews and analysis; and logical analysis' perspective: conclusions drawn.

Entrepreneurs' perspective: interviews and focus groups

For the feasibility studies, the consultants interviewed and analyzed the microleasing proposal directly with the entrepreneurs. Generally, the response was very positive, and entrepreneurs from different productive sectors have shown interest for a specific product for the financing of assets.

Financial sector's perspective: interviews and analysis

Various financial institutions have expressed interest in developing a pilot project, while different countries have shown interest in incentivizing the financing of productive assets.

Logical analysis' perspective: studies' conclusions

The leasing or microleasing product requires different actors: financial institution, the company providing the assets, the technical assistance provider and the insurance company, to work together: this is the part that really needs to be addressed. **The conclusion drawn is that microleasing is feasible** in its strategic role of coordinating different actors around a sustainable financial product, with the objective of encouraging productive improvements for producers. A fundamental aspect is the development of pilot projects that can analyze, from a practical perspective, the real acceptance of a new product by the producers and the ability of microleasing to respond to specific needs.

Recommendations for a Successful Project

Microleasing can be a feasible product and there is a very interesting space for institutions that want to encourage productive improvement processes for their producer clients. However, the following set of recommendations should be taken into account:

- Recommendations for the product/project in general, which include the consultant's perspective on how the microleasing product should be structured and the care that should be taken to ensure the success of the initiative;
- Recommendations for financial institutions that want to offer the microleasing product, especially the risks that institutions will face;
- A set of "practical" recommendations that should be considered in designing the pilot.

The Product/Project's Perspective

In conclusion, the following is a set of recommendations to consider for the implementation of the project:

TYPES OF FINANCIAL INSTITUTIONS

It is important to take into account that the product will require an additional level of effort by the financial institutions that want to implement it. The financial institution will need to assume a coordination role that goes beyond simply providing financing. It is recommended that identified financial institutions not only declare and demonstrate social commitment, but also present strong financial performance.

CALCULATION OF REPAYMENT CAPACITY AND ADDITIONAL CAPITAL REQUIREMENTS

An important aspect for the correct development of the product is the possibility of including part of the future revenues into the calculation of the micro-entrepreneur's repayment capacity. In the case of microleasing, it is possible to include this aspect, allowing for the financing of an additional amount, without resulting in higher exposure for the financial institution. The new process will require additional resources in terms of higher working capital, for which it is recommended to investigate the micro-entrepreneur's cash flow and future needs.

COST OF THE MICROLEASING PRODUCT

If the sustainability (and profitability) of the product corresponds to an indispensable requirement of the initiative), it is necessary to find a way of reducing all the cost components of the product to an absolute minimum. It is important to take into account that, for the producer, the investment in productive assets represents a superior challenge in comparison to just working capital. This is because it is a medium-long term commitment and, in most cases, the return on the investment takes more time than investments in working capital. For this reason, it is important to ensure that the effective interest rate is as low as possible.

TECHNICAL ASSISTANCE

The technical assistance aspect represents a well-known challenge in the microfinance sector, facilitating the collection of experiences from microfinance institutions (especially NGOs and foundations) that developed "microfinance plus" models, complementing their financial services offer with other technical assistance and training services. **The key issue is to understand who bears the final responsibility for the service.** Many cases have shown that simply hiring a provider for this type of service (outsourcing of the service) is insufficient to ensure the quality of the service. It is important to bear in mind that the coordination of the intervention has to be the responsibility of the financial entity, and that microleasing is not merely a financial matter.

INSURANCE: COST-BENEFIT

An issue that will need to be analyzed on a "case-by-case" basis is the insurance component. Although the leasing industry's experience has shown that insurance is a key aspect to control the rental risks, especially in the event of theft of the rented goods, the case of microleasing may be different. The recommendation is to consider that insurance may not be necessary, as demonstrated in the first microleasing experiences in Bolivia (ANED), which did not have this service and have not been affected in any way by its absence.

ANALYSIS OF OTHER CHAINS

One last recommendation in this group refers to the product's focus. It is important to consider from the beginning that the success of a microleasing product will be proportional to the number of value chains (or productive sectors) that the institution can serve. In this sense, although the feasibility study and the pilot project focus on only one value chain, including new value chains in the analysis should be considered a priority for the future.

Financial Sector's Perspective - Recommendations for the financial entities that wish to offer the microleasing product

GOOD TENANT RISK

The client that could allow this model to work is not only a client that can and will pay on time, but also someone responsible for the responsible use of the goods.

OPERATIONAL RISK

The recommendation is to take great care when undertaking operations that are “new or unusual” for the institution, as it involves risks which the institution is not accustomed to.

REPUTATIONAL RISK – CREDIT RISK

This risk is relevant when an institution encourages the acquisition of an asset, which is common in the strategy defined for the microleasing product. The quality of the suggested asset is essential in reducing the financial institution's exposure to this risk, but will also ensure the residual value of the goods, which in the case of microleasing is property of the financial entity.

CREDIT RISK: COMPLETE STRATEGIC ANALYSIS

In the case of microleasing oriented towards technological change in the production, the risks are proportional to the level of ignorance of the suggested productive process.

Specific Aspects for the Pilot Projects

NEW AND DEDICATED PERSONNEL

It is recommended that the staff members who will be in charge of the microleasing product during the pilot projects will be new staff, dedicated to the product and confronts this issue with a more open mindset. The reason is that a loan officer has a professional mindset that is already developed and therefore will end up selling microloans to his clients which could lead, after some time, to the collection of negative results for the microleasing product, while they would not necessarily represent the product's unsustainability.

ONLY ONE FINANCIAL INSTITUTION

Even though more than one financial institution interested in the pilot project has been identified in some countries, the consultant's recommendation is to work with only one entity. It is important to bear in mind that the **pilot project will need to “construct” an entirely new project and, especially in this phase**, implementing a strategy in line with the needs of the producers will require a great deal of effort. Given the budgetary limitations, it is recommended to concentrate on only one experience with a greater level of direction and strategic control by Swisscontact.

ADJUSTED BACK-LEASING

An aspect that has been analyzed in Nicaragua (although it could apply to different contexts) is the back-leasing strategy. At international level, the practice of back-leasing envisages that the leasing company finances the asset to the producer, not at the moment of its acquisition, but at a later time, when the producer needs liquidity. This is carried out through the “sale” of the goods to the leasing company that will then rent the goods back to its previous owner.

6. SEQUENCING OF MARKET ENTRY: PILOT, KNOWLEDGE TRANSFER AND SCALE

Based on the intricacies of the Microleasing model Swisscontact anticipates a two-year phase, featuring market study, product development, and pilot demonstration, before the local financial

entity is self-sufficient and capable of developing their portfolio and sustainably integrating it into additional working asset chains.

Phase 1 – Readiness for Microleasing

Market assessments have to be conducted in order to decide what value chains with the greatest market potential could benefit most from the financing of productive assets that can not only increase productivity, but support business development and economic growth. Then Financial Institutions and suppliers of the good as well as organizations that have access to the future clients have to be identified and engaged.

In the pilot phase, financial institutions (MFIs, SACCOs, insurance company) and asset suppliers are identified and engaged to address financing needs. These early stage studies include product design and considerations for pay back periods, grace periods etc. training needs for credit officers, and marketing campaigns.

In order to support the strategic roll out and replication by other financial institutions in other sectors, all project countries involved the corresponding sector association in the process. These associations were involved in the selection of the financial entities to work with and they accompany the pilot.

Phase 2 – Roll out and knowledge transfer

After the first working assets are successfully introduced, Swisscontact works with the financial institution to conduct market assessments and product development for other productive assets. These efforts are part of the larger capacity building efforts to for the associations to serve their member institutions.

Phase 3 – Crowding in and upscale

In this phase the sectoral associations implement a crowding-in process among its members and the financial sector in general and also upscale activities to roll-out ML in other value chains with market conditions for it through other financial institutions. The main objective is that the outreach will considerably increase with these activities, reaching new value chains, new financial institutions and more small producers. Using a train-the-trainer model, Swisscontact provides the association's technical staff and credit officers with backstopping, resources and training capacity to have systemic impact in the financial sector.

7. OUTREACH

In working through the associations in the three countries, Swisscontact anticipates reaching 12'000 in the pilot phases, lasting three years, and ultimately 200'000 clients with a microleasing product over a seven-year period.

Peru

The association Fenacrep serves 164 cooperatives whereas 30% are in rural areas; each cooperative has an estimated 2'000 members. It is anticipated that 4'000 clients will be served in the pilot phase.

Nicaragua

Upscaling will take place initially in the agroindustrial sector, reaching some 4'000 SME agroindustrial clients in the pilot phase. The targeted sectors include, but are not limited to, milk processing, coffee and cocoa processing, fruit and vegetable processing.

El Salvador

Two value chains will be identified with a goal of serving 4'500 SMEs in the pilot phase.. ASOMI, the national association, and CAMPO, the pilot finance institution, will jointly select SMEs in the fruit and vegetable, milk processing, and bakery sectors, among others.

8. FINANCING DEMAND

In the development of the offers for Phase 1 and partly into Phase 2, it became clear that, especially in Peru with its huge geographical space, the SCBF seed funds would not be sufficient. Also, given the conditions for broader rollout and financial sustainability, external financing outside of SCBF would be required in Phase 2 and Phase 3

Therefore, Swisscontact, through its Home Office in Zurich and its office in New York, started an initiative to raise funds that would sustain the financing of these projects and, if possible, expand to other countries.

The initial response in the U.S. was very promising and therefore Swisscontact started an initiative to raise awareness and funds. Supported by Credit Suisse, Swisscontact officially launched the initiative in September 2014:

- a) Breakfast presentation at Credit Suisse Madison Square Head Office NY
- b) Personal presentations at IDB and World Bank
- c) Presentation at ANDE annual meeting
- d) Presence at SEEP annual meeting

The success of the US-based outreach could be seen in Peru, where the Peru Opportunity Fund and Cordes Foundation invited and steered proposals from Swisscontact for technical assistance. On the financing side, Deutsche Bank promised debt investment of USD 250'000 and Acumen signed a non-disclosure agreement with Swisscontact. Further fundraising is still ongoing and Credit Suisse plans a trip to Peru with private philanthropists and high net worth individuals

In El Salvador, the Inter-American Development Bank provided positive responses to two related proposals to support value chain technical assistance and micoleasing pilots, including debt financing. Swisscontact is very positive, that if successful, further funds can be raised, but we are also convinced, that the pilots have first to show success.

9. PROJECT MANAGEMENT, QUALITY CONTROL AND REPORTING

In the Latin America Business Development strategic planning meeting in February 2015, Swisscontact reaffirmed its commitment to raise initial financing to implement the three pilot projects. Central to this effort is the ability to align project operations, especially Monitoring and Evaluation, to be able to respond to the various donors requirements and further raise funds. Swisscontact therefore assigned a regional responsible in Latin America to align the initiative.