



KATALYSIS

CENTRAL AMERICAN MICRO-FINANCE NETWORK



“Contributing to the eradication of poverty by strengthening Microfinance Institutions”

Central America Profile

(Guatemala, El Salvador, Honduras, Nicaragua y Costa Rica)

→ Population:	39.3 million
→ Surface area:	423,892 km ²
→ GNP:	US\$ 147.3 billion
→ Real GDP per capita:	US\$ 4,175.9
→ % Rural population:	45.0%
→ % Population living below international poverty line:	47.4%

WHO WE ARE?

The **KATALYSIS NETWORK** has a trajectory of over 12 years offering services oriented to the strengthening of microfinance institutions located in Central America, through the development of training activities, technical assistance and research thus seeking to consolidate its member organizations into leaders of microfinance services providers.

The result of the work done by the **KATALYSIS NETWORK** has been a vast compilation of research and systems analysis documents related to the design of new financial products, regulatory framework, rural finance, and youth entrepreneurship of microfinance entities.

OUR PROGRAMS



Management and
Financial Strengthening



Rural Finance



Youth Entrepreneurship

Rural Microfinance

To develop and to implement initiatives addressed to strength the rural sector in the region through the provision of efficient and sustainable financial rural services.

Value Chains

Rural Groups
(Cajas Rurales)

Producer Associations



Lobby and Advocacy Case:

Finance Agreement within a Milk
Cooperative Collectors Centers
COAINCRELO Ltda, and a local
Microfinance Institution - **MFI –
FAMA**



Short description of the case

(¿Where did it take place, what happened, when, who was involved ICCO and/or partner, why is it relevant?)

- ❖ It consisted of a finance agreement with technical assistant support of KATALYSIS Network under the approach of “**Value Chain**”, which main goal was to provide loan support by MFI “FAMA” to the cooperative producers organization “COINCRELO”, in both levels: final producers and the cooperative itself.
- ❖ In the context of the agreement, FAMA provided a loan in an amount of USD 50,000.00 that was disbursed in the second quarter of 2012.
- ❖ This initiative is relevant, due to COAINCRELO is the first experience in Honduras developing a value chain, connecting small producers members of milk collectors centers (known as “CRELES”) with final consumers.

Short description of the case

(¿Where did it take place, what happened, when, who was involved ICCO and/or partner, why is it relevant?)

- ❖ COAINCRELO's value chain process -with certificated norms of quality- an important portion of milk supplies provide by its CRELES in artisanal cheese and butter, sold in local market.
- ❖ An important achievement of this industrial value chain is that COAINCRELO has reduced the dependency of its members who were selling all its milk production as raw material to big intermediaries, obtaining low profits and accepting arbitrary conditions in prices and supplies quotes.
- ❖ COAINCRELO is located en the village of El Bijagual, Olancho Department, west zone of Honduras. Its conformed by 5 milk collectors centers scattered in several Olancho communities near Juticalpa, the capital of the Department; the organization counts with a membership of 104 milk small producers.

What was the main problem encountered?

COAINCRELO required working capital to support the milk purchase to its CRELES providers as a solution to generate a stock of 50,000 pounds of cheese with the target of sale them in better prices season.



What was the solution offered? How did we respond?

Under agreement subscribed between IMF FAMA and COAINCRELO, it was negotiated a loan of USD 50,000.00 initially with monthly payments; however, once the loan was paid in a 50% of its original amount, it was renegotiated to quarterly payments and longer term. Additionally, FAMA provides individual loans to at least 10 individual producer's members of COAINCRELO's CRELES.

What role did ICCO and/or partners play and where other organizations involved?

ICCO maintains a support agreement with KATALYSIS Network, with the main purpose of **providing technical assistance and training** to MFI's in strengthening value chain approach, especially providing finance support to rural producer's organizations, mainly in Honduras and Nicaragua.

To which political or societal debates is this example linked?

It is related with the permanent difficulties experimented by agricultural producers in market access with favorable conditions, and also access to financial services with appropriate terms.



**What has to change (in policy, laws, politics)
to improve the situation?**

An important limitation FAMA has to improve as a financial entity, it's to offer funds appropriate to the requirements of rural producers associations as in the case of COAINCRELO, related with interest rates, terms of the loans, type of collaterals, etc.



What is the main lesson ICCO should learn from this example?

Do you have any concrete alternatives or lessons learned to share with the others?

- ❖ A main lesson is that negotiations with rural associative organizations could be more time-consuming compared with negotiations with individual customers, but once the loan is negotiated, has a wider impact in the number of final individual users and the amount of funds disbursed.
- ❖ It's required to strengthen producers organizations in different areas, but especially in its administrative and financial structure in order to be more attractive customer for a financial institution, like an MFI.
- ❖ MFIs require funds sources that allow them to offer a more competitive and attractive financial resources oriented to productive agriculture activities.
- ❖ The development and strengthening of value chains, in which MFIs must assume a leadership, offer a favorable environment to develop an efficient management and coverage of financial services to rural small producers.



Additional L&A Experience

❖ **Regulatory Framework in Honduras**

KATALYSIS NETWORK in alliance with REDMICROH (National Microfinance Network) and ICCO has made lobby and advocacy actions related to regulatory framework in Honduras such as: meetings, workshop with the regulatory entity CNBS, revision of manuals, articles, etc.



On behalf of KATALYSIS Network
Thank you very much!

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