

CASE STUDY

2017



COOPADEPE's inclusive rural financing



Case study of the pilot project "COOPADEPE's inclusive rural financing" carried out by the Cooperative of Services Association for the Development of the Espaillat Province, Inc. COOP-ADEPE (COOPADEPE), an institution affiliated to the Dominican Network of Microfinance Institutions REDOMIF, within the framework of the regional project program of the Central American and Caribbean Network of Microfinance (REDCAMIF) and ADA Luxembourg, aiming at the promotion of financial inclusion by means of innovation in the financial product implementation.



1. INTRODUCTION

ADA Luxembourg (www.ada-microfinance.org) in alliance with the Central American and Caribbean Network of Microfinance (REDCAMIF), developed a five year project to accelerate financial inclusion in the Central American region and the Dominican Republic through three specific work areas: i) Professionalization of the industry, II) Sustainability of the national networks and the development of services, and the; III) Development of inclusive and innovating financial products, incorporating the implementation of innovative financial products in the areas of rural finances and progressive social housing in 33 affiliated Microfinance Institutions, distributed evenly among the 7 countries.

In the case of Rural Finance, the ADA - REDCAMIF alliance allowed for the development of four financial products for the rural sector additionally offering “positive externalities for the environment”. The products that were developed are: i) Line of credit for environmental productivity; II) Financing for renewable energies; III) Rural financial leasing and; IV) Financing for rural enterprising women. In the case of progressive social housing it was sought to expand financial services addressing the improvement in the quality of life of families. This VSB program has identified seven products that have the peculiarity of being progressive in the sense that they offer investment options starting from basic repair activities, improvements and construction, up to more complex schemes of house construction. The identified products are: I) Progressive improvement of houses; II) Whole improvement of houses; III) Purchase of land and legalization; IV) House construction; V) House purchasing; VI) Credit for the introduction of communitarian services in rural areas and; VII) Programed savings for housing.

2. INITIAL CONTEXT

The farming sector of Dominican Republic currently generates 5% of its Gross Domestic Product (GDP), the area dedicated to farming has some 9 million acres of which 56% are dedicated to rice crops. According to estimations, some 243,000 Dominicans directly depend on the farming and forest sector, it employs 500 thousand people, that is to say 25% of the economically active population (EAP). The smallholdings of less than 12 acres represent 64% of the total of farming operations in the country.

Among the current structural difficulties of rural Dominican Republic: the low technological level of the production processes, poor quality of technical support, lack of timely and appropriate financing for investment needs, distribution and marketing channels are marginal when compared to the traditional ones, limited access to, and use of, the financial system; producers and its representative organizations lack business vision, the need of public investment and, vulnerability to the effects and impact of climate.

There are also opportunities for development of the rural sector: the commercial agreements and the Free Trade Agreement have allowed for an expansion in the supply of its products as well as a diversification of markets. Dominican Republic is the main exporter of organic bananas and cocoa to Europe. An interesting phenomenon of the last 10 years has been the intensification of production due to production techniques under controlled environments, allowing groups of producers to diversify their production, to increase their productivity and to become exporters of vegetables and fruits.

It is in this context that the Cooperative of Services Association for the Development of the Espaillat Province, Inc. (COOP-ADEPE COOPADEPE), which is an organization specialized in solidarity based financial intermediation; it stems from an initiative of the Association for the Development of the Espaillat Province, Inc. and started operations in 2000, under the Law 127/64 on Cooperative Associations, finally achieving its incorporation through the decree 336 of July 26, 2000. The seed capital included the contributions of the founding partners and resources transferred from the operation of a loan program managed for 20 years by ADEPE. Its main office is located in the city of Moca and it has branches in the municipalities of Gaspar Hernández and Villa Tapia. Very soon a new office is due to open in the city of Moca.

The market diagnosis, previous to the implementation of a project of rural inclusion being promoted by ADA of Luxembourg and REDCAMIF, identified the financial needs of the economic agents in the municipalities where COOPADEPE operates, relating to the purchase of raw materials for production purposes, the purchase of inventories to sell through their retail businesses, the resources needed for sowing new crops and the purchase of animals to be marketed. Presently the financial need for small amounts is served mainly by informal intermediaries (guagüitas) offering short term and high interest loans.

In addition, the diagnosis identified the best accepted products among the rural population; one of them was the one for enterprising women. It is very common to find in the rural sector a sizable percentage of women not putting in practice their knowledge for lack of economic resources to sustain their venture.

The case study reports on the experience of COOPADEPE in the selection and implementation of the financial product for rural enterprising women, its outcomes and the lessons learned due to the decision of supporting rural women, who are traditionally excluded from financing; and the refocusing of the products for rural low-income sectors.



3. DESCRIPTION OF THE PROJECT IMPLEMENTATION WITHIN THE MFI

The “COPADEPE’s inclusive rural Financing” project has generated the motto “returning to the field” by the participating practitioners, in the sense of re-initiating the financing of the rural sector by the Cooperative. Even if COOPADEPE was born in, and is experienced with the rural sector, the implementation of the project was a catalyst for the reorganization and re-conceptualization of financial products addressed at this sector. The implementation of the “COOPADEPE’s inclusive rural financing” tried to capitalize on past experiences with the analysis and granting of credits directed at the rural sector and the specific documentation of processes and credit policies for the sector. It recruited and trained specialized personnel and adapted the information system, among other actions.

The expected outcome of the implementation of the project was an increase in the access of the rural families to financial services, in the areas of Villa Trina and Gaspar Hernandez; the set goal for the women product was to at least achieve access to financing by 180 of them; it also included goals for financial education and business management training for at least 60% of the clients.

The financial product was called CREDIMUJER (CrediWoman) and had the purpose of improving the quality of life for women in the countryside, to promote entrepreneurship with the implementation of technologies, technical consultancy and training. CREDIMUJER is directed at women having business initiatives in the countryside and wishing to obtain income guaranteeing their empowerment in economic undertakings, and the reduction of the divide in financial inclusion.

CREDIMUJER financed women with a potential to generate income, but not always possessing guarantees in their name, by means of a short-term credit with increasing disbursements in every cycle, with a lower interest rate than the rest so as to allow women to reach economic growth by means of the acquisition of assets for their businesses but without affecting the financial sustainability of the product itself, or COOPADEPE’s.

The product had a final result of 287 new partners in COOPADEPE having received financial education and technical support for the management of their business, 142 of them were financed with a total loan portfolio of about USD 290,430. In addition to obtaining quality results above satisfactory from 75% of the women clients.

A qualitative outcome was supporting women in the strengthening of their businesses at local level, increasing the family income, particularly for those led by women. Additionally, the product offered development opportunities to unwed mothers who have some know-how but lack financing. In terms of the operation of the product itself, in spite of being new, it never had any collec-

tions or arrears problems. An important aspect of the product is that many consider its implementation as a way to return to the Cooperative’s original mission: COOPADEPE was born from an NGO by the name of ADEPE which started back in 1982 with a credit program funded by the Inter-American Development Bank (I.A.D.B.), offering farming loans to women owners of microenterprises without access to formal sources of financing.

4. MAIN CHANGES IN THE MFI SINCE THE PROJECT IMPLEMENTATION

The implementation of the product had a positive impact in the organization along these lines:

- important changes to its internal structure: creation of the piloting committee, creation of the Arrears committee, creation and implementation of a risk policy;
- reinforcing of the credit analysis area, training of personnel of several areas, Use of (loan) “harvest” analysis and transition matrices;
- developments of tools: through of the implementation of new filters for the analysis and streamlining of the credits, the revamping and redistribution of the spaces in the new area of services to the associates, the training of new associates about cooperatives and the introduction of debit cards in the service offerings;
- improvement of competitiveness: With the introduction of new products (CREDMUJER), the use of billboards promoting new products, inroads into new market niches, loans with appropriate terms and conditions;
- important change in the role of higher management and the Board of Directors: active involvement in following up of the execution of the project, extraordinary meetings for the approval of the project’s manuals and products, press conference with the main representatives of the written and television media, and the most important community leaders who propped up and improved the image of COOPADEPE in the region.



5. FACTORS CONTRIBUTING TO THE SUCCESSFUL IMPLEMENTATION OF THE PROJECT

COOPADEPE used the comparative advantages offered by the market to implement CREDIMUJER in areas with scant or no services from any kind of financial institutions operating with the same clients as COOPADEPE, in an environment where financing to rural women ventures is almost nonexistent. Taking advantage of this space allowed COOPADEPE to enrich the learning curve, by knowing how to identify more accurately the kind of woman client to be financed, and to develop the processes of selection, approval and follow up of the loans being granted.

In addition, the limited competition from formal actors positioned COOPADEPE in the areas where it operates as an institution promoting women entrepreneurship; women clients were reinforced through financial education and technical support so that they would better manage their loans, budgets and the development of their businesses; organizations who operate in the areas where the project was implemented were invited to participate in workshops and meetings which facilitated the promotion of the product among the women from those communities.

An important element was taking advantage of the alliances and the closeness with the local media which helped to accelerate and spread CREDIMUJER's processes of sales and promotion; the use of radio ad spots, loud speaker promotions in the influence areas and granting of radio and TV in-depth interviews, facilitated the work of analysts. Strategically located billboards and posters were also included in the promotion of the financial products. This was also useful for the positioning of COOPADEPE in the market.

6. OBSTACLES ENCOUNTERED DURING THE IMPLEMENTATION OF THE PROJECT

The obstacles that COOPADEPE found can be grouped in two: First the ones related to human resources: Initially there was a project coordinator that did not have the required profile, having to be replaced during the product adaptation process; The project official in charge of sales and follow-up of the product had an accident; a new analyst had to be hired implying a new process of selection, induction and training, producing delays in the launching of the product.

A second group of obstacles has to do with internal processes: Delays in the approval of the product manual, the approval of the operation process policy and the approval of the product innovation policy. In addition, the pilot was not limited to the implementation of a financial product, on the contrary, for COOPADEPE it translated into substantial changes in the financing management

process, which in turn changed much of the processes in the financial and administrative areas. These changes showed in the decision to develop these manuals and have them approved at general management level.

In addition, some obstacles came up: the organization that was conceived at the beginning of the project, management's decision-making time and, the learning curve of credit analysts.

A factor that, although exogenous, had an influence on CREDIMUJER's launching was the registration of the brand and name of the product at the National Intellectual Property Office (ONAPI), the one in charge of regulating, verifying and registering all things trademarks and patents. In this case the norm prevents the offering of any product without the prior approval of ONAPI. This generated a two-month delay for the authorization of the use of the trade name.

The solution to the identified obstacles were about accelerating the process of promotion and positioning of the product, through:

- contacts with associative groups, the use of mass promotion, (radio, religious);
- hiring of a farming professional with expertise on rural areas as the project coordinator;
- pressure on the Board of Directors to review and approve the manuals and policies;
- the support of officials from other areas during the recovery period;
- hiring of new personnel with the required profiles;
- request an extension for the fulfillment of goals and;
- calling on ONAPI officials to speed up the registration of the name CREDIMUJER.

7. ROLE OF THE NATIONAL NETWORK AND REDCAMIF

The follow up and the consulting by the SFI National Coordinator in REDOMIF, helped in propping up the project and to accelerate the process of implementation and adaptation of the product within COOPADEPE. This follow up was continuous, starting from the formulation of the project to the process of implementation of the product, including the follow up itself. This applies to the support granted by REDCAMIF for the approval of the project and the creation of spaces for the exchange of ideas and experiences about similar initiatives in the rest of the Central American Isthmus countries.



Additionally, REDCAMIF granted an additional support that was used for the reinforcement of governability and risk management in the MFI. This leveraged the professionalization of management within the organization and allowed it to manage the implementation of the piloting in a more orderly and systematic way. REDCAMIF and REDOMIF supported the implementation of the tools that paved the way for the improvement of governability and the reduction of uncertainties in the process of granting of loans through the appropriate management of risks.

8. RECOMMENDATIONS FOR OTHER ACTORS WISHING TO REPLICATE THIS SUCCESS STORY

Funding is an element to take into consideration, be it by ensuring enough equity that can be supplied to the clients under special conditions that facilitate the process of implementation of the product pilot, particularly for a product having rural women as a target; or, by having access to sources of financing with soft terms and conditions allowing to offer the product with attractive interest rates but without compromising the rest of the financial offering.

An element that has always to be taken into consideration regarding financial products combining an innovation such as financial inclusion, is that of supporting and strengthening of businesses located in remote, or difficult to access zones; this has cost implications.

Because of its being a Cooperative, the structure, size, and diversity of operations that take place in COOPADEPE calls for greater specialization of the financial area. The experience of CREDIMUJER's implementation confirms the need to have a unit specializing in farm financing.

Both the alliances structured at local level and being able to count on the experience of ADEPE for the transfer of knowledge to the clients, were key for the granting and collection of the loan portfolio; projects with features that go beyond the mere provision of credit imply the creation of a support structure for the training of the clients with the help of local organizations.



Thank you to those who participated in this case study:



Since 1994, ADA has been working hard to develop the provision of microfinance to populations excluded from the conventional banking circuits. Its action is designed to reinforce both the autonomy and capacities of microfinance institutions (MFIs), professional associations and networks. ADA also assists governments in their efforts to support and structure the microfinance sector at the regional and national level.

With this aim in mind, ADA can propose and develop specific and innovative microfinance products which have a positive impact on the life of thousands of people, to organise education and training for microfinance professionals working in, and on behalf of, the South, as well as provide advice and support to MFIs in their search for funding. Furthermore, ADA has taken the decision to be involved in research with a view to anticipating the future needs of the world of microfinance and to gauge the social impact of its actions. Its flexible approach enables it to adapt each project according to the needs of our partners and the realities in the field.

ADA enjoys the High Patronage of HRH the Grand Duchess of Luxembourg.



REDCAMIF is a private, non-profit, apolitical, non-religious entity composed of associations and institutions specialized in microfinance in the Central American and Caribbean Isthmus. As a network, REDCAMIF seeks to strengthen the microfinance industry in the region through union representation, institutional strengthening, network sustainability and the generation of strategic alliances, with qualified and ethically committed human resources, in order to contribute, through its programmes, to improving the quality of life of low-income families.

REDCAMIF brings together the national networks of seven countries (Guatemala, Honduras, Dominican Republic, El Salvador, Nicaragua, Costa Rica and Panama) which, at the end of 2017, had 141 MFIs serving more than 1.8 million micro-entrepreneurs, 59% of them women.



With the objective of being the representative voice of the MicroFinance sector in the Dominican Republic, on November 19, 2008, the non-profit association Red Dominicana de MicroFinanzas-REDOMIF was formally constituted, bringing together banks, cooperatives, non-profit institutions and other strategic partners. Its focus has been on establishing the strengthening of its membership as well as the links between it and the other actors in the national and international life of this sector.

It is currently made up of 31 member institutions that serve more than 700,000 low-income people through a joint portfolio equivalent to some 28 billion pesos, making it the representative body of the main microfinance market in Central America and the Caribbean.



COOPADEPE is a socioeconomic company specialized in financial intermediation, made up of partners belonging to the different social and productive sectors of the localities where it provides its services.

The founders set out to create a company that would collectively contribute to solving the individual problems of its members. To achieve this, they set the objective of encouraging savings and promoting economic cooperation, the credit needs of the population, charging reasonable interest rates.
