World Council of Credit Unions

Generating Sustainable Livelihoods: The role of Cooperatives

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What role have financial cooperatives played in generating sustainable livelihoods?

- Education
- Training
- Access to finance

What methodology has been primarily used to successfully improve the lives of their members?

Value Chains

HOW????

A four phase value chain finance methodology developed during a pilot project in Peru financed by USAID

Phase I: Identify and evaluate potential value chains.

- Ensure market demand exists for a particular product and that the producers have the ability to meet the demand
- Credit union analyzes the strengths, weaknesses, opportunities and threats of each value chain.
- Identify at which point of the value chain injecting finance would have the greatest impact
- Complete scorecard tool to evaluate and rank each value chain

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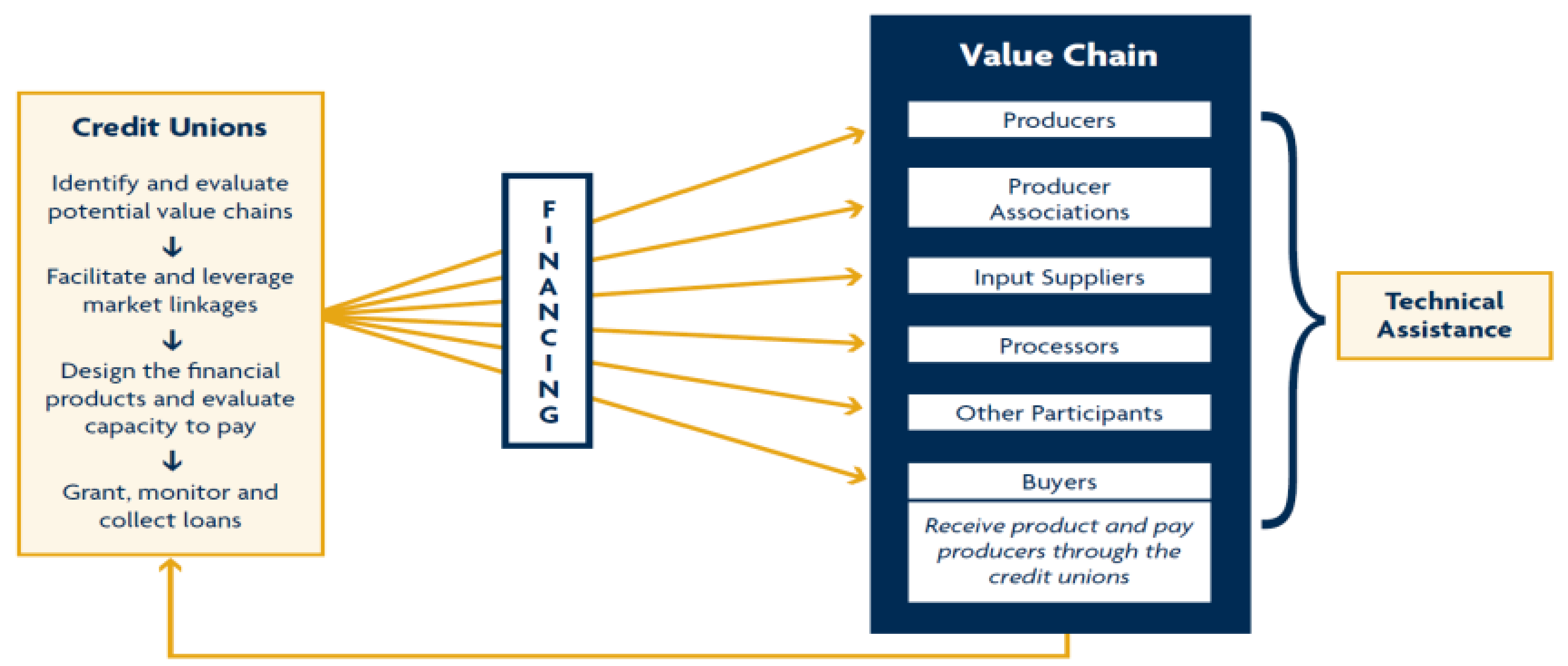
Value Chain Finance Methodology

As developed by WOCCU in Peru



WOCCU's value chain finance methodology provides credit unions with the technical and operational capacity to put resources into agricultural finance while maintaining an adequate margin and mitigating the risk of loan default. The methodology includes tools for evaluating opportunities, designing products and administering loans—all crucial for institutions interested in financing value chains to reduce the risk of doing so when they do not have access to subsidies, grants or guarantees. The model is adaptable to any type of financial institution and may be applied to non-agricultural value chains.

Phase II: Facilitate and leverage market linkages

- Improve efficiency and reduce dependency by identifying problems and finding solutions
- Design appropriate loan products based on financial data gathered
- Agree on quality standards and minimum purchase price for the commodity
- Commitment from participants is integral part of mitigating risk to the credit union

Phase III: Design products and evaluate capacity to pay

- Analyze cash flow based on information gathered during workshops
- Design loan product that directly reflects the financial needs of the borrowers
- Determine disbursement and repayment schedules based on the production cycle
- Establish policies and procedures to address risk associated

Phase IV: Grant, monitor, and collect loans

- Disburse loans in cash or vouchers permitting borrowers to obtain discounted inputs
- Monitor production
- Payments to producers are channeled through the credit union
- Proceeds from the sale of the commodity are directly distributed to the credit union
- Total outstanding balance of the loan including principle and interest is deducted from proceeds; remaining amount is deposited into the members savings account

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Peru:

- Credit unions provided $2.3 Million in financing to 4,686 value chain actors
- 18 distinct value chains
- Designed 7 new financial products

- Delinquency of 2.65%
- Increased participants income by 22%

Kenya

- Adopted FAO "Farmer field school" model
- Create new Ag BDS division in SACCOs
- Establish contractual relationship with buyers

- Set basis for production, financing requirements, and market
- Purchase end contract places proceeds directly into members savings

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Sri Lanka

- Developed end purchase contract with CIC
    - CIC also provided training to Women's Coop Agriculture Committtee
- Agriculture committee members provided TA to member farmers

- Improved inputs
- New crop/varieties
- Monitoring throughout growth cycle

Thank you

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