



PROGRAM BRIEF PERU

Increasing Access to Financial Services and Improving Value Chain Linkages



■ Regions with CUMIP credit unions



PROGRAM OBJECTIVES

With funding from the U.S. Agency for International Development (USAID) Office of Microenterprise Development and support from Peru's National Credit Union Federation (FENACREP), World Council of Credit Unions (WOCCU) is implementing the Credit Union Market Integration Program (CUMIP, 2006-09). CUMIP's goal is to increase the income and assets of poor households by improving access to financial services and facilitating greater market access for their products.

WOCCU works with nine credit unions in low economic growth corridors to:

- Improve credit union financial performance.
- Enhance producer competition by improving access to finance and market linkages along the "value chain" that moves a product from conception to market.
- Launch client-responsive savings and credit products designed to reach the poor in specific local markets.
- Create a national credit union shared branching network to offer low-cost transaction services.

BACKGROUND

After decades of volatility, Peru's economy has stabilized and grown at an average rate of 6% over the past five years. While some Peruvians are better off, the benefits of economic growth have not been shared by many others. One in four Peruvians and more than half of the rural population live in extreme poverty.* Many rural poor are unable to improve their livelihoods because financial services are out of reach, and they are isolated from more profitable market opportunities.

For more than 50 years, credit unions in Peru have served the marginalized poor and rural communities. Today, WOCCU is working with these credit unions to further expand their outreach and respond to the complex challenges faced by people living in poverty.

KEY INDICATORS

Increasing Access	12/06	11/08
No. of Members (9 CUMIP credit unions)	134,131	194,888
Savings Mobilized (USD)	\$53 M	\$95 M
Total Loans Outstanding (USD)	\$63 M	\$111 M
Total Assets (USD)	\$86 M	\$129 M

Reaching Marginalized Producers (10/07 - 12/08)

Members Using Value Chain Financing	3,285
No. of Value Chain Loans Disbursed	1,026
Volume of Value Chain Loans Disbursed (USD)	\$794,000

* Peru National Institute of Statistics and Information

PROGRAM HIGHLIGHTS

Improving Value Chain Linkages

The objective of the value chain component of CUMIP is two-fold: 1) link credit unions in the Andean and Amazon regions with rural and semi-urban producers who lack access to finance; and 2) use the credit union network to provide producers greater access to market information and to strengthen commercial linkages to suppliers, provincial buyers and merchants in Lima.

Providing Value Chain Financing. WOCCU's systematic and quantifiable methodology for evaluating value chains has helped credit unions identify at which point, from production to commercialization, financial access brings producers the most value and is a good investment for the credit union. Credit union field officers visit outlying communities to bring the value chain financing to them.

Facilitating Market Linkages. A key component of WOCCU's strategy is to help credit unions bring together all of the value chain participants—producers, producer associations, suppliers, technical assistance providers and buyers—to discuss problems in the value chain and commit to providing solutions. Making direct links enables producers to solidify relationships and gain market access not only for the duration of the WOCCU program, but for years to come.

Five credit unions have provided financing to 18 distinct value chains: alpaca fiber, cacao, coffee (five different chains), guinea pigs, industrial oats, kiwicha (amaranth), milk, palm hearts, peas, potatoes, purple corn, rice, tropical flowers and trout.

Launching Client-Responsive Products

Savings. Based on information gathered during market studies conducted by WOCCU and the credit unions, program credit unions have designed new savings products and marketing techniques to attract savings from small-scale savers. In 2008, savings grew by 30%.

Individual microcredit. Two credit unions have designed individual microcredit products to meet the short-term working capital needs of poor microentrepreneurs who previously had no access to affordable financial services. The lower-priced products leave the microentrepreneurs with more money to invest in growing their businesses.

Group savings and lending. Several credit unions have introduced a group savings and lending product, backed by the solidarity group guarantee, to provide financial services to poor unbanked women living in remote areas. Participation in the group gives the women an opportunity to save and develop a credit history that allows them to access individual loans and an array of other financial services.

Deepening Outreach to Rural Women (10/07-9/08)	
New Women's Groups	156
New Members	2,265
Group Lending Loans Disbursed (USD)	\$796,368
Savings	\$102,872
Delinquency	0%

Using Technology to Enhance Member Service

Through new technology, credit unions are expanding into an innovative phase of member service. WOCCU has worked with credit unions to build and launch Kuskanet, Peru's first national shared branching network. Members of networked credit unions will be able to conduct deposit, withdrawal, balance inquiry and loan payment transactions in any other networked credit unions.

PARTNERSHIP WITH VERMONT CREDIT UNIONS

Through WOCCU's International Partnerships Program, the Association of Vermont Credit Unions and FENACREP are working together to create a private deposit guarantee fund for credit unions in Peru. The partnership has also developed a credit union-to-credit union alliance program, through which credit unions in each country partner directly to share best practices on critical issues.

RECOGNITION

In 2009, USAID awarded WOCCU-Peru the first *Innovations in Financing Value Chains* competition award.

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FEATURED VALUE CHAIN: KIWICHA



Small-scale kiwicha (amaranth) producers in the Andean community of Tambobamba are joining their local credit union not only to access financial services, but to connect with markets.

When WOCCU and the credit union began working with the community, the producers were at a standstill. Isolated geographically and culturally, they did not have the necessary financing for proper seeds and supplies to be competitive. Nor did they have relationships with buyers or access to reliable market information. They had no choice but to sell to intermediaries at low prices.

WOCCU worked with the credit union to bring together the kiwicha value chain—producers, suppliers, technical assistance providers and buyers—to discuss problems, commit to finding solutions and identify where in the value chain financial access could bring the most value for all participants.

The credit union agreed to lend producers up to 70% of their costs. The buyer agreed to purchase the kiwicha at a set price, providing a guarantee that the loan would be repaid. The buyer would pay the credit union upon delivery of the kiwicha, which would cancel the producers' loan and put the remainder into a savings account for each grower.

Last year, kiwicha producers in Tambobamba doubled production and increased their income by 164% per hectare. Twice as many producers have taken out loans this season and are forming a producer association. The right financing and market arrangements have given these producers a new opportunity to lift themselves out of poverty.

ABOUT CREDIT UNIONS

Credit unions, called by various names around the world, are financial cooperatives that provide savings, credit and other financial services to their members. Credit union membership is based on a common bond, a linkage shared by savers and borrowers who belong to a specific community, organization, religion or place of employment.

ABOUT WOCCU

WOCCU is the global trade association and development agency for credit unions. In 2008, WOCCU's technical assistance programs reached 8 million people in 16 countries. Learn more at www.woccu.org/microfinance.

