

Development of Sustainable Microleasing Mechanisms

Swisscontact

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Social and Industry Challenge

Social Challenge: Lack of access to appropriate financial products for acquisition of business and productive assets necessary for additional income and income diversification.

Industry Challenge: Few appropriate financial products for rural smallholder farmers and microentrepreneurs with limited collaterals; financial exclusion of the rural sector.

Program background

Swisscontact, with funding from Credit Suisse, introduced microleasing in Kenya in September 2006. Credit Suisse has been the main sponsor for this program ever since. Microleasing can be defined as leasing and acquisition of productive assets of small value which generate additional revenue to low income population. Based on the fact that there are only few appropriate credit products for rural smallholder farmers and small, medium and micro enterprises, the microleasing project aims to close this gap by developing a leasing mechanism for the acquisition of business assets to the bottom of the pyramid, especially the rural smallholder farmers. Such assets could be a dairy cow, irrigation equipments, poultry or a posho mill.

The program partners with committed financial institutions, farmers training institutions, insurance companies, asset/equipment supplies and development partners (and their related distribution systems). The goal is to introduce new assets within this innovative financial product and target new market segments. Swisscontact shares information about market gaps and opportunities, coordinates research activities with partners and cost shares the exploration of new ways of doing business. Swisscontact further facilitates the training of lessees (within the market model) to ensure utilization of the assets completely via brokering relationships between the partner and relevant training organizations. Swisscontact also supports partners in acquiring equity and debt capital for the microleasing operations (pre-financing of assets). The role of the partners is to provide the microleasing products to the farmers and the SME sector. Primary implementing partners are the leasing company Juhudi Kilimo Limited in Kenya, as well as Pride Microfinance, KIFFI and Kihurura SACCOs in Uganda.

At A Glance

Sector	Agriculture
Geographical Focus	Africa, Latin America
Number of Countries in which the Program is Active:	5
Target Beneficiaries	Rural smallholder farmers and small, medium and micro enterprises
Partner	
Partnership with Credit Suisse since	"Schweizerische Volksbank" has supported Swisscontact since its founding in 1959 – Credit Suisse since it acquired "Schweizerische Volksbank" in 1993
Targeted Social Impact	Reduced poverty of excluded rural people in Africa and Latin America
Targeted Business Impact	Market enhancement by improving the supply of microleasing products/services
Targeted Key Figures	Over 30,000 people benefit (increased income through access to working assets)

Countries in which the program is active:

Uganda, Kenya, while plans are underway for Tanzania, Rwanda and El Salvador. Further Latin American countries where program will be replicated are to be defined.

Goals and Objectives

The goal is therefore to provide the rural smallholder farmers and small and medium enterprises with a finance leasing mechanism for the acquisition of a productive asset that:

- Pays for itself through its production over a given transaction period (i.e., cash-flow driven)
- Transfer of ownership at the end of a given transaction period (i.e., collateral)

The main objectives for this program are therefore to:

- Make financial leasing available to smallholder farmers and SMEs in rural areas for provision of equipment or other non-consumable items that generate cash flow and enable business growth
- Increase income streams for smallholder farmer households and thus generate more employment for the unemployed rural communities as well as household financial stability
- Stimulate improvement in credit terms available to smallholder farmers and SMEs by providing competition in the market for smallholder farmers and SMEs finance by continually refining the Microleasing products

Planned Program Outcomes

- Establishment of sustainable leasing mechanisms to enable people to acquire and diversify income-generating assets increasing and diversifying incomes and employment opportunities
- Reduced poverty of excluded rural poor people
- Equity/debt investment in partner financial institutions

Credit Suisse Employee Engagement

Credit Suisse employees are able to contribute via:

- Microfinance Advocates Network
- Global Citizens Program
- Virtual Volunteering

Previous contributions included for example the Virtual Volunteering Project "Microleasing in Latin America: Replicating a successful model", that focuses on research highlighting microleasing initiatives in Latin America, including microfinance institution backgrounds, lessons learned, business environments, and legal frameworks governing microleasing.

About Swisscontact

Employment and income open up new opportunities out of poverty and real opportunities for the future. Swisscontact promotes economic, social and ecological development by successfully integrating people into local commercial life. Swisscontact creates opportunities for people to improve their living conditions as a result of their own efforts. The financial services program of Swisscontact develops the capacity of financial intermediaries (banks, deposit taking Microfinance Institutions, cooperatives, village savings and lending associations) to provide inclusive and relevant financial services that support the growth of SMEs and the active poor at the bottom of the pyramid.

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