



Application for:

2011 World Chambers Competition

In Category:

Best Small Business Project

**Financial Support for Micro and Small business
Microcredit Service**

Chamber of Commerce and Industries of Choloma

Honduras, Central America

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EXECUTIVE SUMMARY

In our country it was common for the world of microfinance was only in the hands of OPD's and NGO's. But 16 years ago our board of directors raised the question: Why did the OPD's and NGO's serve our business, when the Chambers are calls to do so? This question generated a debate within our organization that culminated with an extensive community consultation MiPyME in our town, and overwhelmingly the response of employers was "we hope that the Chambers meets our needs for financing."

This request took strength and form in the Chamber of Commerce and Industries of Choloma, located in Honduras, Central America, successfully inroads in the field of microfinance, and being so far, so structured, the only Chamber that provides this service in Honduras. However, other Chambers are interested in knowing our expertise to eventually replicate it in their organizations.

Despite the adverse conditions for which we have gone through, the service remains in force and growing, it is measured by international standards applicable to the microfinance industry. Also viewed positively by the business community to meet a specific need. Additionally contributes significantly to the financial sustainability of the Chamber. On the other hand we are contributing with the development of many micro and small businesses, enabling improved quality of life for employees and their families.

The service is innovative and has broken paradigms, it is not typical for a Chamber provides direct microfinance service, and to adjust its organizational structure to provide such service on a competitive basis in the financial market in the town of Choloma, where we offer a real opportunity to many of our business-customers who do not have access to formal banking.

On the other hand, the service is subject to replicate and adapt to others Charmbers, particularly in municipalities in developing countries, where the business community is represented by a strong presence MiPyME. In fact we have developed a training module to implement this tool.

Finally we believe that the 7th. World Chambers Congress is a forum and a global platform for socializing our experience in order to interest other Chambers in practice this initiative to support the thousands of micro and small entrepreneurs from other countries.

INTRODUCTION

Choloma is an important town in the Cortés Department located on the north of the country with a land area of 450.46 square kilometers located on the most important industrial corridor in Honduras, where sits the largest national textile concentration and clothing industry, with a population from 40 thousand in 1989 to more 200 thousand in 2009. This industry and others as cement manufacturer, corn meal, hand tools, shoe polish, rice processing plants, etc. have significantly boosted the economy of the sector, promoting the MiPyME's and the Informal Sector.

The Chamber of Commerce and Industries of Choloma, CCICH is a Honduran business association nonprofit, thanks to the support of its members, the preference of its customers, the guidance of their managers, the confidence of nationals and internationals organizations and the contribution of its staff, it is now a organization that has achieved a significant growing and contributes to the development of our municipality.

Established in January 10, 1992. He earned his Legal Status on November 21, 1994 by Resolution No. 205-94 which was published in the Official Journal "La Gaceta" on May 6, 1995.

¿HOW WAS THE PROJECT BORN?

Once set up the Chamber and concerned about their role to employers, particularly MiPyME's of Choloma Town, decided in 1994, surveying some 500 entrepreneurs to know what the business community expected from his Chamber. The results of these surveys showed that the two major unmet needs of / the business people were access to credit and training.

The result of this investigation allowed the Chamber direct its efforts to respond to the mentioned needs, and it was so early 1995, with the support of the Honduran Fund Social Investment, FHIS, through the Program to Support the informal Sector, PASI, which began with a background credit of U.S. \$53,000.00 providing the micro-credit service by the Chamber.

Paid the first loan, came a second loan for same amount, then another fund twice the initial amount (U.S.\$106,000.00), and then we had access to new

funds of the Credit Program to Support the Rural Small Business, PROCATMER of the Union European and thereafter to fund the National Endowment for Production and Housing, FONAPROVI and finally to funds of José María Covelo Foundation with whom we currently approved the U.S. credit line of \$316,000.00.

EVOLUTION AND DEVELOPMENT PROJECT

Within the Organizational Structure of the Chamber, the microcredit facility began as a credit unit that dates back to early 1995, and has behaved like a small installation program with a yearly average of \$ 130,000 under the credit methodology individual. The limited growth of the unit should be a prudent decision of the board, given that the administration of the portfolio is made up in November 2006 by hand. It was not until later that year, thanks to negotiations with various organizations, we obtained the support of SNV Netherlands Development Cooperation, SNV, the German Technical Cooperation Agency, GTZ, and the Network of Microfinance Institutions of Honduras, REDMICROH, of which we are founding partners, and with a counterpart from the Chamber, we could purchase specialized software called MicroBanker.

Thereafter, we set the program's development, creating the Management of Credit, and thereafter experienced significant growth, from a historical average annual drop of \$130,000 to place in the year 2007 the sum of \$300,000. As you can see the outlook was very encouraging to the extent that as of December 2007 our loan portfolio balance was over \$232,000, which represented in relation to December 2006 a growth by 73.9% with 208 active customers and a rate of 4.1% of portfolio affected.

PROJECTIONS AND GROWTH EXPECTED

During the year 2008 we had the opportunity to develop our first Strategic Plan (2008-2011) supported by COSUDE and BFZ, and following the previous years figures projected optimistic scenarios, resulting in sustained growth and a significant strengthening our program after 2011.

In our plan we set as top priority market segment of the MiPyME's, followed by small loans to improve housing and consume, focusing on the latter to meet

the demand for wage employment in the manufactory industry and other affiliated industries. Accordingly with this, our target was:

Years	MiPyME's of Commerce 55%	MiPyME's of Industry 15%	MiPyME'S of Services 10%	To Consume 15%	Housing 5%	Totals
2008	213	58	39	58	19	387
2009	351	96	64	96	32	638
2010	579	158	105	158	53	1,053
2011	956	261	174	261	87	1,738

Based on projected customers we hope to catch for the coming years as the characterization mentioned in the above table, we have that the portfolio and projected portfolio balance would be those shown in the table below:

Description	2008	2009	2010	2011
Projected Portfolio Amount (U.S.\$)	420,000.00	630,000.00	1,000,000.00	1,600,000.00
Projected Balance Portfolio (U.S.\$)	331,000.00	494,000.00	778,000.00	1,268,000.00
Expected Number of Customers	387	638	1,053	1,738
Amount Average per client (U.S.\$)	857.00	775.00	740.00	730.00

NEGATIVE IMPACT DUE TO THE GLOBAL FINANCIAL CRISIS AND THE POLITICAL CRISIS OF OUR COUNTRY

In late 2008, began to feel some symptoms of a slowdown in the textile and clothing industry in our country, particularly in our town that housed more than 40% of the total domestic industry, however the program's behavior was similar to 2007, with a placement of \$ 275,000 and sustained growth.

During the last ten years our donor was Jose Maria Covelo Foundation, and since then we have been measured by financial indicators by CriNeo tool, and

although some indicators are still far from suitable international standards for the microfinance industry, they show how the credit facility from the Chamber gradually has improved its performance, going from a program originally qualified as a category "D" to a category "C", then "B", and tend to become Category A".

However, the effects of financial crisis world began to be felt in early 2009, and In our country, deepened by the political crisis following the forced retirement of Mr. Manuel Zelaya of the Presidency of the Republic.

The global crisis combined with the situation prevailing in our country, generated an instability and uncertainty that was manifested particularly in our town, the way following:

Closure of about 12 assembly plants, for loss contracts as a result of the slowdown the U.S. economy.

Sharp rise in unemployment, loss of about 15 thousand jobs just in Choloma, and a 180,000 nationwide.

Protests and riots that threatened security companies, being forced to close temporary facilities.

Increase in crime due to unemployment, repeated assaults on small businesses that ultimately were forced to shut down operations.

Starting a new electoral process uncertain and unstable.

The above impacted on our institutional environment and MiPyMEs, manifesting as follows:

Significant reduction in demand for credit.

Contraction of our available credit because of the instability and risk.

Fear on the part of donors.

Suspension of disbursements approved by the suppliers.

Reducing of our credit line.

Default in payment by business-customers.

Cessation of new investments and projects.

In the following table we can see the behavior and improvement of financial indicators for the 2007 and 2008, and the negative impact during 2009 and 2010:

INDICATOR	PARAMETER	2003	2006	2007	2008	2009	2010
Net Worth	>20%	28.9%	63.8%	50.9%	49%	59.2%	58.3%
Adequacy of provisions	>100%	40.8%	100%	100%	100%	100%	100%
Target Portfolio	<10%	12.1%	6.1%	4.1%	7%	15.2%	7.4%
Production Capacity	>90%	68.1%	43.3%	59.2%	63.4%	55%	54.8%
Losses	<5%	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Credit Service	>80%	68.1%	43.3%	59.2%	63.4%	55%	54.8%
Productivity	>150%	38%	29%	41%	45%	41%	25%
Operational Efficiency	<20%	38.4%	15.4%	9.2%	7.6%	11.4%	10%
Credit Efficiency	>175%	153%	115%	207%	226%	226%	126%
Financial Self-Sufficiency	>120%	53%	89.8%	106.7%	145%	153%	123.4%
Economic Self-Sufficiency	>100%	51.3%	83.7%	93.4%	145%	146.6%	113.7%
Heritage Return	>5%	-63.2%	-4.5%	1.9%	16%	18.1%	7.6%
Liquidity	>2 veces	1.6	1.9	1.5	1.6	1.9	1.7%
Increased Customer	>25%	-7.3%	-1.7%	80%	9.2%	-9.7%	-10%
Increased Portfolio	>25%	14.7%	1.6%	73.9%	17.2%	0.0%	-23%
Rating		53.39%	59.39%	73.9%	71.2%	69.23%	67.78%
Category		D	C	B	B	C	C

In late 2008 the rate was increased portfolio affects 4.1% to 7%, and in 2009 shot up to 15.2%. It was after 2010 that efforts were made to stabilize the indicator, reducing it to 7.4%. On the other hand, in 2009 we could only put in credit and U.S. \$180,000 in 2010 U.S. \$ 166,000, below of the planned target.

The year 2011 is showing signs of economic recovery and our goal of placing credit points to U.S. \$ 309 mil.

POSITIVE IMPACT FOR THE CHAMBER AND THE MiPyME

The credit facility is the first and oldest service the Chamber at the business community, and repeatedly has consulted with clients its relevance, having qualified as an useful service and the most widely used and known by employers.

Our credit facility aimed at the micro and small business grants loans from \$260.00 to \$10,000.00 at competitive rates in the market for the microfinance industry of our country, so our annual rate averaged 29%, with preferential rates for members at the Chamber and excellent customers. On the other hand delivery times vary depending on the amount and destination of funds, ranging from 4 to 36 months.

The guarantees required for end users include: trust, pledge, mixed and mortgage, and determined by the amount requested to fund activities, credit

record, risk, applicant experience in running the business, income and job security guarantees.

As to the guarantee given by the Chamber to our brokers, is the endorsement of the healthy loan portfolio and the sale of mortgage guarantees offered by customers.

Since the Chamber of Commerce and Industries of Choloma opt for the microcredit facility in early 1995 to December 2010, the impact is measured by the following indicators:

Total amount disbursed: U.S. \$ 2.4 million

Total business-clients served: 2.037

Average amount per customer: U.S. \$ 1,178.00

Economic Activities Answered		Clients Served by Gender		Clients Served by Geographical Area	
Commerce	44%	Men	56.5%	Urban	72%
Service	18.5%	Women	43.5%	Rural	28%
Industry	5.5%				
Housing	14%				
To Consume	16%				
Agricultural	2%				

For the Chamber this service represents an important positive impact, as the interest margin that leaves the intermediation of funds can contribute 39% to fund the chamber's annual budget amounting to some U.S. \$250,000.00.

In the following table we can see the composition of the remuneration received by the chamber to finance its annual budget, and the importance of microcredit represents the service in these revenues, which makes it a strategic service key.

Composition of the House Revenue	
Microcredit Service	39%
Grants and Sponsorships	17%
Registration and Membership	15%
Public Safety	12%
Employment Opportunities	6%
Training, Advertising, Rentals, Enterprise and other	11%

ANNEXES

TESTIMONIALS OF SOME EMPLOYERS

Blanca Herenia Izaguirre Bonilla: I've often characterized as being a fighter, I am very grateful to the Chamber of Commerce of Choloma for the support they have given me through Financing credit has helped me a lot, I have about 15 years working with them, now I have a grocery store, open-air cafe and refreshments deposit.



Marco Tulio Mejía García: The Chamber of Commerce of Choloma has been a great blessing from God for my life and my family, I am a loyal customer since they started with the loans have in the 90's, thanks to funding have continued to repair electronics and start with the Business of selling spare parts ELECTROMARCONI, I have also been benefited from the training they offer. The Chamber of Commerce of Choloma is an institution of great assistance to trade development in my city.



Maria Virginia Sánchez: I am truly grateful to the Chamber of Commerce of Choloma, I am a widow I've gone ahead thanks to the loans that the institution has given me, I remember when my business starts a little gum store, it's been over 15 years, today I have a strong grocery store, I have made improvements to my home, I grew as a trader and also a personal level.