

# Mobilising internal finance within a forest and farm producer organisation:

A case study of the Santa Anita Savings and Credit Cooperative



Access to Finance Case Study 2: Ecuador  
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## Forest and Farm Facility

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Cover photo: A member of the Santa Anita Savings and Credit Cooperative who has used productive credit for animal husbandry © Hugo Carrera Rueda

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## Acronyms

CONAFIPS	National Popular and Solidarity Finance Corporation
FFF	Forest and Farm Facility
organisations	FFPOs Forest and farm producer organisations
NGOs	Non-governmental organisations
UCODEP	Oxfam Italy (formerly Unit of Cooperation and Development of People)
UNORCAC	Union of Peasant and Indigenous Organizations of Cotacachi

## Summary

The Union of Peasant and Indigenous Organizations of Cotacachi (UNORCAC) is based in the canton of Cotacachi in Ecuador. As a union of Indigenous communities, its function is to assist its members in tackling sociopolitical issues. UNORCAC works to achieve the inclusion and empowerment of their peoples on both national and global stages, in order to contribute to the achievement of a just, equitable, supportive, productive and sustainable society.

Access to credit was a key exclusion experienced by the Indigenous communities of Cotacachi, which is representative of the challenges that face Ecuadorian peasant, women and indigenous people to have access to financial products and services. To overcome this, UNORCAC decided to create a finance mechanism that would facilitate access to credit for rural communities. In December 2001, the Santa Anita Savings and Credit Cooperative was legally registered under the National Directorate of Cooperatives of the Ministry of Economic and Social Inclusion. UNORCAC was the main partner and contributed US\$30,000 in initial capital using seed money from an international cooperation project.

For the last two decades, the Santa Anita Savings and Credit Cooperative has been helping to revitalise rural economies. The Santa Anita cooperative's fundamental mission is to facilitate access to savings and credit for the rural sector, mainly for family farming activities, through financial intermediation. In its initial phase, the cooperative was supported through alliances facilitated by UNORCAC with a series of non-governmental organisations (NGOs) that contributed funds and technical and administrative support. Once the cooperative was consolidated, it developed its own alliances and commercial links, which has allowed it to grow and become sustainable.

The cooperative raises funds from savings and fixed-term deposits and from offering microcredit loans to its members. Income from services provided to its members constitutes the main source of funding for the cooperative, and its membership has grown in parallel with the expansion of the cooperative's coverage of new territories. However, the saving capacity of families in this sector is low. To ensure liquidity, the cooperative has also established strategies to attract additional resources, for example from members in better-off urban centres, cooperation funds, international banks, second-tier banks, and government funds so that it can channel credit to its clients in the rural sector.

The Santa Anita cooperative is now 21 years old and has seen significant growth in its membership, territorial coverage, accounting assets, credit portfolio, fundraising, shared capital and equity. It is an important financial inclusion mechanism for a sector that is generally excluded from conventional finance institutions such as large banks. It has supported building sustainable agricultural value chains for peasant families and helped mobilise much-needed resources, including funds from outside the rural sector. It has helped its members to improve production and generate additional sources of income while also strengthening short marketing circuits. It supports local and agroecological production processes that prioritise the use of local inputs, low-energy consumption and the use of native seeds, all of which contributes to improved food security and sovereignty. It also supports finance education and financial inclusion. Finally, the cooperative has enabled its members to participate in the democrat running of the finance institution.

# 1 UNORCAC and the Santa Anita Savings and Credit Cooperative

## 1.1 UNORCAC's vision

The Union of Peasant and Indigenous Organizations of Cotacachi (UNORCAC) is a second-tier farm producer organisation, made up of 45 Andean Kichwa indigenous communities and 3,500 families who experience high poverty conditions. UNORCAC manages an Andean landscape located in Cotacachi canton, Imbabura province – Ecuador, where the rural poverty is 49% (CNII 2020).

In Ecuador, there is an exclusion and barrier to access to formal financial services<sup>1</sup>. These barriers affects more women and indigenous people. At national level, only 43% women have a bank account in the financial system, compared to 60% of men; and, only 8% of women have obtained a formal loan, compared to 16% of men. Indigenous people face financial exclusion; only 38% have a bank account, compared to 69% of mixed race people. Furthermore, in territories with a majority of indigenous population there is a lower presence of the formal financial system (about 15% less) compared to territories with a lower proportion of indigenous population (National Strategy of Financial Inclusion, 2021). Under these historical and structural challenges the forest and farm producer organisations (FFPOs), like UNORCAC, have designed financial mechanisms adapted to their context-specific needs to improve the living conditions of their members and territories.

UNORCAC was created in 1977, the result of a sustained socio-organisational process led by a group of young Indigenous intellectuals from Cotacachi. UNORCAC achieved legal recognition from the Ministry of Agriculture and Livestock on 21 April 1980, through Agreement No 139. The main purpose of becoming legally recognised was to take advantage of donations, incentives, technical advice and training offered by both public and private institutions that UNORCAC worked with.

In the beginning, UNORCAC's main aim was 'to fight for the defence of the values of Indigenous culture, against racism, exclusion and exploitation' suffered by Indigenous people at the hands of landowners, local authorities and religious *mestizos* from Cotacachi. Later, it supported peasant demands around the land and agrarian reform, representing Indigenous communities in democratic processes and occupying spaces in the local government of the Cotacachi canton.

In its second phase in the 1980s, UNORCAC concentrated its activities on securing for grassroots communities basic works and services, mainly neighbourhood roads, electricity and water, community housing, nurseries, childcare and healthcare, access to credit for productive activities, and cultural and sports revitalisation. UNORCAC combined these activities with a representative political structure for its members as well as the management of development projects, health services, education and training.

In its third phase in the mid-1990s, UNORCAC increased its development actions with the implementation of programmes, projects and activities related to economic and productive development, community tourism, natural-resource management, healthcare and strengthening local Indigenous and peasant cultural identity. New productive microenterprises were supported (such as hounous production, guineapig breeding, supplying artisanal raw materials and community kitchens) that aimed to help self-finance the organisation. Programmes to support family farming production using an agroecological approach were also developed. In particular, UNORCAC created a new credit system for its members the Santa Anita Savings and Credit Cooperative. It also established the Runa Tupari Native Travel agro- and community- tourism company with the participation of Indigenous families, as well as a legal advice and mediation

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<sup>1</sup> Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way. See <https://www.worldbank.org/en/topic/financialinclusion>



programme for families and communities to manage land conflicts. UNORCAC also began several projects related to the management of natural resources and environmental management in the Andean zone of the canton (see also UNORCAC 2007; 2020).

Over the last two decades (2000–2020), UNORCAC has expanded its operations to promote the sustainable use of agrobiodiversity and agroecological production to guarantee food sovereignty, focusing also on Indigenous health and revitalising ancestral medicine (ethnomedicine), strengthening grassroots organisations, and promoting cultural identity and the participation of Indigenous women in its programmes and projects.

To achieve this, UNORCAC has consolidated its organisational capacity through improved leadership, participation and internal cohesion, democratic culture, collective action, resource management and interinstitutional relations. The organisation has evolved from being a beneficiary of development projects to being an active agent driving force behind them, building strategic alliances with non-governmental organisations (NGOs) and public institutions. UNORCAC first accesses projects offered by international cooperation agencies and NGOs and then develops new alliances based on the development objectives outlined in its first strategic plan 2002–2007 (UNORCAC 2002). UNORCAC's vision is outlined in its current strategic plan (2008):

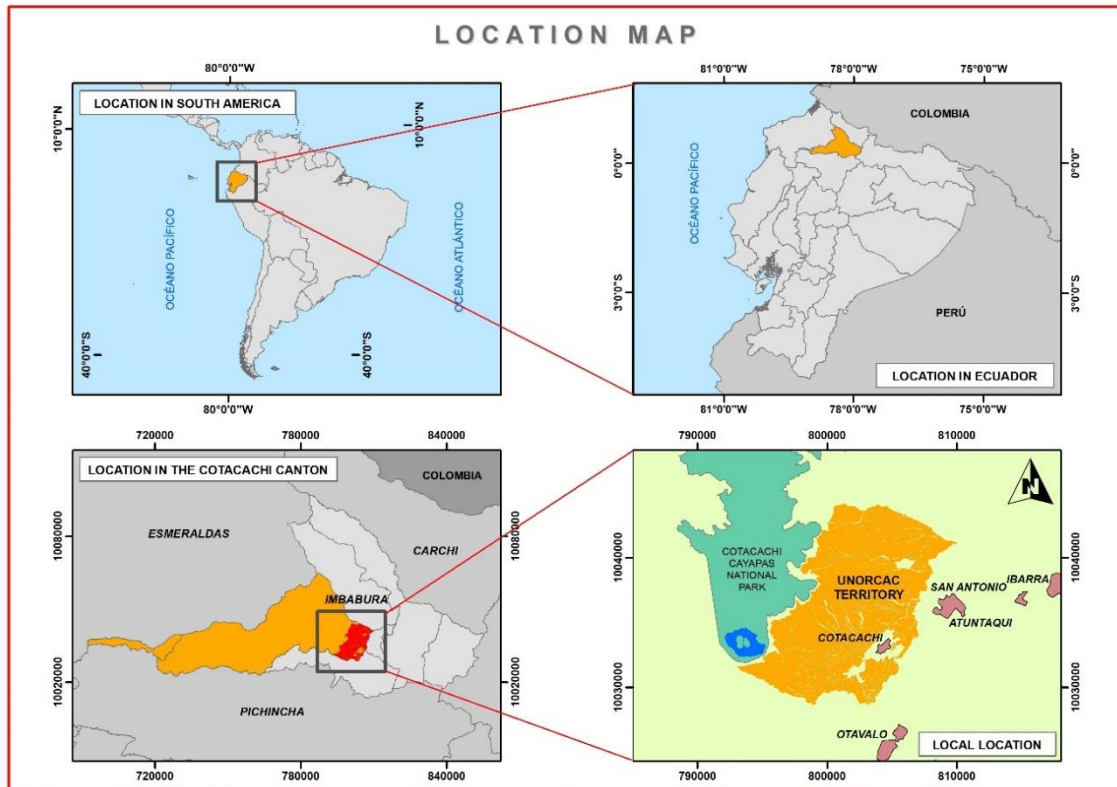
*We are a representative social organisation, with territorial jurisdiction within the canton of Cotacachi. We demand social, ecological and economic justice and we are recognised nationally and internationally. Our communities, families and organised groups actively participate in the construction of the Good Life – Alli Kawsay. We have a strong cultural and territorial identity. We revalue and preserve ancestral knowledge and wisdom. We apply an economic model based on respect for Pachamama [Mother Earth] and reciprocity. We have fertile and productive land and we develop complementary activities to agricultural work. We all participate in a quality education and health system. We are critical and proactive. We promote the praxis of interculturality and the realisation of a just and supportive society.*

UNORCAC mission, according to its strategic plan is:

*To achieve the Good Life in our peasant and Indigenous communities, we promote development with identity through our representation and political positioning [and] the management and execution of development projects. Our actions are based on the identity and principles of integrity, complementarity, parity and solidarity of the Kichwa Cotacachi People. We fight for food sovereignty through access to water and land, the conservation of biodiversity, the promotion of agricultural production and other productive, sustainable alternatives, and the fair marketing of our products. As education and health are fundamental rights, we demand access for all and we generate innovative proposals with an intercultural approach.*

## 1.2 Location

UNORCAC is located in the canton of Cotacachi, in the province of Imbabura, Ecuador (see Figure 1). Although not specifically an association of producers, it is a territorial organisation of Andean Kichwa Indigenous communities, where the entire population are members of UNORCAC. Other members include groups organised by sector or topic such as women's groups, youth groups, water management boards and Indigenous health volunteers (mainly indigenous midwives), among others. Communities and organised groups participate in the organisational structure of UNORCAC through its directors. A high percentage of families in the communities are engaged in agricultural production.

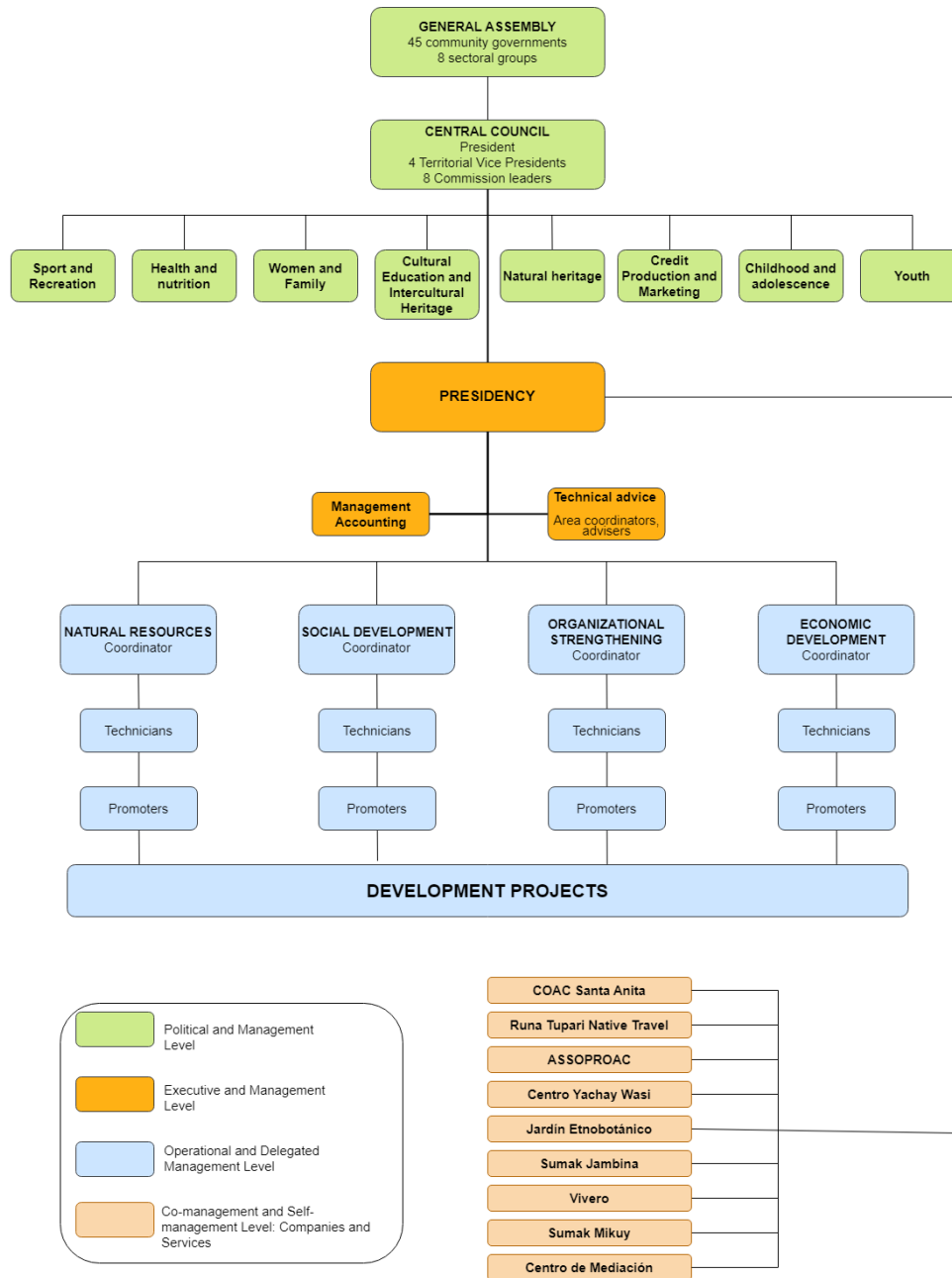


**Figure 1. A map of the territory covered by UNORCAC**

UNORCAC's members agree to abide by its social statute and comply with the regulations that govern the organisation, including caring for and preserving the nature, biodiversity, and natural and cultural resources of their territories. They agree to participate actively in the collective actions and political representation carried out by UNORCAC that aim to uphold the collective rights provided for in the legislation of Ecuador. In turn, members have the right to participate with their voice and vote in all events of the organisation, and to appoint and be appointed to the organisation's board of directors. They also receive equitable social, educational, cultural and other benefits that UNORCAC provides. Leaders representing the communities and organised groups in the different parts of UNORCAC's management structure are elected at community assemblies every year. For organised groups, their managers are elected at group meetings. Figure 2 shows the organisational structure of UNORCAC.



**UNORCAC ORGANIZATION CHART**



**Figure 2. Organogram of UNORCAC’s organisational structure**

**1.3 Structure and operation of the cooperative**

The Santa Anita cooperative created by UNORCAC offers its members a range of financial products (see Table 1) as well as non-financial products and services such as life insurance, interbank transfers, payments for basic services, the Ecuadorian Human Development Bonus<sup>2</sup> payments, and pension payments, as well as financial education. Annex 2 shows the Santa

<sup>2</sup> The Human Development Bonus is a conditional cash transfer programme for Ecuadorian families living in extreme poverty. See [www.iadb.org/en/toolkit/conditional-cash-transfer-programs/ecuador-human-development-voucher](http://www.iadb.org/en/toolkit/conditional-cash-transfer-programs/ecuador-human-development-voucher)

Anita cooperative’s credit-granting process while Annex 3 shows how financial products are accessed.

**Table 1. Financial products offered by the Santa Anita cooperative**

PRODUCT	DESCRIPTION	AMOUNT RANGE	TIMESCALE
<b>DEPOSITS</b>			
Savings	Regular savings deposits made by members. Savings can be withdrawn at any time by presenting savings books issued by the cooperative.	Members must pay an initial Certificate of Contribution fee (currently US\$15) as well as a fee to cover the costs of the savings log book issued to all members (US\$3)  Minimum savings required thereafter: US\$12	
Fixed-term deposits	These are securities deposited with the cooperative for a specific term of not less than 30 days, during which time the member cannot withdraw their funds. Once the money is withdrawn, the cooperative pays a negotiated interest rate that will depend on the term and the amount deposited. The cooperative provides a fixed-term deposit certificate, which is a negotiable document that endorses and guarantees the operation of a fixed-term deposit. The certificate is issued to the named member and includes the following information: amount, term, beneficiary and date of issuance.		Not less than 30 days
<b>CREDIT</b>			
Microcredit for businesses	Credit intended to finance small-scale production, marketing or service activities, where the main source of payment is from sales or income generated by said activities. Borrowers may be individuals (natural persons or legal entities) or groups.	US\$500–30,000	48 months
Microcredit for agriculture	Credit intended to finance small-scale agricultural and/or livestock activities, where the main source of payment is from sales or income generated by said activities. Borrowers may be individuals (natural persons or legal entities) or groups.	US\$500–30,000	24 months
General credit	Credit for the acquisition of consumer goods or payment of services, granted to natural persons. These consumer loans are generally repaid in instalments, the amounts of which are based on the borrower’s average monthly net income (the family’s average monthly gross income minus estimated monthly expenses).	US\$500–30,000	36 months

## 1.4 How the cooperative benefits its members

A key benefit provided by UNORCAC and the Santa Anita cooperative was the creation of the community tourism company Runa Tupari Native Travel<sup>3</sup>. 'Runa tupari' is Kichwa language and its means 'meeting with Indigenous peoples' and the community tourism company offers travellers the opportunity to stay with Indigenous families in their homes. To receive tourists as guests, participating Indigenous families first had to adapt their homes and to train to receive tourists. Families were able to access loans from the Santa Anita cooperative to make the adjustments needed to provide tourist accommodation. Loans and payment terms varied between US\$3,000–5,000 depending on the amount each family required and their ability to make repayments. Participating in the community tourism venture enabled these families to generate additional income to their daily agricultural activities and on average, each family now earns an additional US\$150 dollars per month: an approximate increase income of 40%.

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<sup>3</sup> Runatupari web: <https://runatupari.com/>

## 2 Origins and evolution of the Santa Anita Savings and Credit Cooperative

### 2.1 Establishing the cooperative

Between 1998 and 2002, using funds from international cooperation agencies, UNORCAC set up the project Socio-Organisational and Cultural Agrarian Development in the Rural Sector of Cotacachi Canton. The objective was to promote and strengthen agricultural and artisanal activities to increase the production and productivity of peasant microenterprises by offering credit, training and technical assistance.

Part of this included ensuring that there was credit available for producers. An agreement was signed with a national financial institution Codesarrollo for the administration of a small credit fund, assigned for this purpose in the project budget. In this agreement, Codesarrollo committed to providing credit to the producers from UNORCAC's member communities. UNORCAC personnel participated in the process of selection, analysis, delivery and monitoring of credit, with was a valuable learning experience for UNORCAC. However, the service provided by Codesarrollo was inappropriate and inadequate for local conditions.

This prompted UNORCAC to create a new local savings and credit cooperative. The Santa Anita savings and credit cooperative was founded in December 2001, through Ministerial Agreement No 347. It had 22 founding members, of whom 20 were natural persons<sup>4</sup> (leaders and employees of UNORCAC) and two legal entities (UNORCAC and the NGO Oxfam Italy, formerly the Unit of Cooperation and Development of People or UCODEP). The cooperative was also registered in the National Directorate of Cooperatives (No 6467).

In March 2002, in a small office in the city of Cotacachi, the Santa Anita cooperative begin operating. It had two staff – an administrator and an accountant secretary – and the support of two peasant technicians from UNORCAC who began inviting producers from the Indigenous communities to become new cooperative members able to access its savings and credit services. By the end of 2002, the Santa Anita cooperative had 153 members and by 2010, 4,500 members – and today, the cooperative has in excess of 15,000 members.

### 2.2 Foundation and membership

The Santa Anita cooperative has variable capital and allows for an unlimited number of members. Both natural persons and legal entities can be admitted as members, providing they meet the requirements established by and comply with the internal regulations of the cooperative. The first principle of the cooperative is to have open and voluntary membership. Member can join or leave the cooperative whenever they wish.

One requirement is that all members must pay an initial fee for a Certificate of Contribution (currently US\$15 per member). By law, this contribution will be repaid if or when a member decides to leave the cooperative. These payments for Certificates of Contribution provide the cooperative with the share capital required to operate and this amount will increase or decrease depending on the number of members (hence the cooperative has variable capital).

According to the Santa Anita Savings and Credit Cooperative's founding statute (2001), its original objectives were to:

- Promote the socioeconomic development of its associates as well as gender equality and the community, through the **provision of financial and complementary services** obtained from members' savings and fixed-term deposits, as well as credit operations and other financial services
- Promote and expand the number of members of the cooperative so as to maintain the institution's services
- Promote the cooperative's relationship and/or integration with other similar national and international entities including other cooperatives

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<sup>4</sup> In Ecuador, 'natural persons' refers to any individual, whether national or foreign, who carries out lawful economic activities in the country.

- Establish other services and activities that are framed within national laws governing cooperatives
- Obtain sources of internal and external financing for the development of the institution.

The vision of the cooperative has not changed over time and the current statute outlines its mission:

*We are a reliable and solvent savings and credit cooperative of the popular and solidarity financial sector<sup>5</sup> that offers products and services aimed at our members and clients in the Northern Andean region of the country, promoting economic growth, care for the environment, social development and financial inclusion of the community.*

It also outlines the cooperative's vision:

*To be a sustainable savings and credit cooperative, recognised for preserving social inclusion, promoting quality of life for our people, providing products and services to meet the financial needs of members and customers.*

## 2.3 Sources of funds

The financial resources to start credit operations initially came from Certificates of Contribution from its original 22 members. UNORCAC, as a legal entity partner, also contributed US\$30,000 in Certificates of Contribution, taken from the budget of an international cooperation project financed by the Inter-American Foundation. One of the project's objectives was to create a mechanism for accessing credit for producers of rural Indigenous communities.

UCODEP (now Oxfam Italy) was also a legal entity partner. At the time, UCODEP was an Italian NGO implementing an international cooperation project in Cotacachi. It contributed US\$5,000 in Certificates of Contribution to help establish the credit access system as part of meeting the project's objectives. Although UCODEP is no longer a member, the value of its contribution certificates was donated to the cooperative, without any conditions.

## 2.4 How the cooperative has evolved

The Santa Anita cooperative was initially created to provide access to savings and credit for the 45 Indigenous communities within UNORCAC's area of influence. Thanks to UNORCAC's support, the Santa Anita cooperative was able to thrive, despite the poverty of its target population. Key to this success was tapping into the opportunities available for external support from important international and national cooperation entities.

To begin with, UNORCAC established a strategic alliance with the NGO Heifer Ecuador and UCODEP. Later, another strategic alliance was made with Enabel (formerly the Belgian Technical Cooperation or BTC) through the Rural Financial Services Programme in the Northern Sierra of Ecuador (PSFRSN), from which UNORCAC received technical assistance to strengthen their management processes.

Another fundamental pillar in the development of the cooperative was the approval of the project Strengthening of Micro-enterprise Activities of Agricultural and Artisanal Production in the Rural Sector of the Cotacachi Canton, financed by the Secretariat for the Implementation of the Food Support Programme of the United States Department of Agriculture (USDA PL-480) Ecuador. This project also aimed to promote and support a microfinance system of rural savings and credit in the communities of the Canton.

UNORCAC and the Santa Anita cooperative have also formed other strategic alliances, working with networks of intermediary microfinance institutions. This is a practical way to use opportunities for complementarity, to exchange services and learn about and apply shared strategies to meet common objectives of this specialised sector. The Santa Anita cooperative is

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<sup>5</sup> In Ecuador, the 'popular and solidarity' economy includes over 15,000 associative, community and cooperative organisations representing half a million members, mostly located in the country's poorest areas. See <http://bit.ly/3KEorB7>

allied to a number of other credit unions, regional and national microfinance institutions, and international cooperation agencies, including:

- Rural Financial Network (RFR)
- Federation of Savings and Credit Cooperatives of Ecuador (FECOAC)
- Union of Savings and Credit Cooperatives of the North (UCACNOR)
- Coonecta (a cooperative network)
- Financoop (formerly the Central Cooperative Fund)
- National Financial Corporation of Ecuador (CFN)
- National Popular and Solidarity Finance Corporation (CONAFIPS)
- Poverty Reduction and Local Rural Development project (PROLOCAL)
- Inter-American Development Bank (IADB)
- United States Department of Agriculture (USDA PL-480) Ecuador
- Agriterra
- Oikocredit
- Inter-American Foundation (IAF)
- UCODEP (now Oxfam Italy)
- Heifer Foundation Ecuador
- Rabobank
- Xarxa de Consum Solidari, and
- Care International.

The Santa Anita cooperative has now provided 22 years of service to rural populations living in the provinces of Imbabura and Carchi. Its headquarters are located in the city of Cotacachi, with an additional five offices in Imantag, Atuntaqui, Ibarra, Mira, San Rafael as well as three extension kiosks in the rural parishes of the cities of La Liberta and San Gabriel and the San Blas Parish of Urcuquí canton. Table 2 shows how the value of the savings and credit cooperative has grown based on its main financial management accounts.

**Table 2. Growth in value of Santa Anita cooperative between 2002 and 2022**

	2002	2010	2016	2019	2020	2022
Asset (US\$)	129,000	3,060,000	10,295,000	12,184,000	12,709,000	14,655,000
Loan portfolio (US\$)	69,000	2,568,000	7,974,000	9,728,000	9,532,000	11,306,000
Partner savings and investments (US\$)	63,500	1,547,000	5,714,000	8,554,000	9,178,000	9,830,000
Share capital (US\$)	35,000	358,900	447,500	602,000	596,000	592,600
Equity (US\$)	35,000	654,000	1,245,000	1,291,000	1,348,000	1,722,000
<b>TOTAL VALUE</b>	<b>331,500</b>	<b>8,187,900</b>	<b>25,675,500</b>	<b>32,359,000</b>	<b>33,363,000</b>	<b>38,105,600</b>

## 2.5 Current funding sources

The cooperative's fundamental mission is to facilitate access to credit for the rural sector, mainly for family farming activities, through financial intermediation. However, the saving capacity of families in this sector is low, due to their levels of poverty but also because there few have a culture of saving with financial institutions. Peasant families tend to use other family-based coping mechanisms when money is needed, such as raising livestock to sell when emergency money is required. Because of this, the cooperative also relies on three main alternative funding sources.

### 2.5.1 Funding from rural and urban members

Funding from members constitutes the main source of funding for the cooperative, and the number of members has also grown in parallel with the expansion of the cooperative's coverage of new territories. In the first five years, these funds constituted less than 30% of the cooperative's funding. By 2010 they exceeded 50%, by 2015 they exceeded 70% and currently they exceed 80% of the cooperative's funding.



The Santa Anita cooperative has two financial products it uses to raise funds: savings and fixed-term deposits from both members who are national and foreign natural persons. The cooperative has three agencies located in the cities of Cotacachi, Atuntaqui and Ibarra. These were strategically created to enable the cooperative to raise funds through savings and fixed-term deposits from its urban members, who tend to be more economically active and therefore have a greater savings capacity.

In particular, Cotacachi has a significant number of foreign residents, especially retired people from the United States. Attracted by the services provided by the cooperative to facilitate access to credit for poor families in the rural sector, these members have invested in fixed-term deposits, which currently stands at around US\$495,000. The cooperative is then able to channel these funds from its urban offices to provide credit in rural sectors, prompting a financial flow and network between urban and rural areas within the territory.

### 2.5.2 International funding

Thanks to its links with international cooperation agencies, the Santa Anita cooperative has access to credit funds from foreign financial institutions, such as Rabobank and Oiko Credit. Borrowing is made under favourable conditions that allow the cooperative to provide credit to the rural sector. These funds were crucial in the initial phase of establishing the cooperative. However, they have decreased over time. In 2018, the cooperative stopped receiving credit from foreign financial institutions, after a tax on the outflow of foreign currency was created in Ecuador, making these resources more expensive to access.

The cooperative does have other important allies, including Care International UK. Care's Lendwithcare microfinance project, which grants better credit conditions to members using a social and environmental approach. The project was piloted in 2016 and by November 2020, a long-term contract was signed. The project includes a platform where members' stories about their credit needs are shared. This helps to promote the project to potential investors worldwide. Since the cooperative first became involved, the project has delivered credits worth US\$3.235 million to 1,941 people, 57% of whom are women.

### 2.5.3 Second-tier cooperative funds

The Santa Anita cooperative has been a member of Financoop (formerly the Central Cooperative Fund) since 2008. Financoop is a second-tier financial institution that provides specialised financial products and services to meet the needs of membership-based savings and credit cooperatives, such as the rural sector where the Santa Anita cooperative has coverage.

An important source of funding for the cooperative comes from CONAFIPS, a public institution in Ecuador that operates as a second-tier bank. It serves cooperatives and mutual savings societies in the popular and solidarity financial sector. Credit provided by CONAFIPS has a low interest rate which favours the strengthening of the cooperative and the financial inclusion of new members. It currently offers a type of 'green' credit at a low interest rate that promotes productive activities that contribute to the care of natural resources. This particular product has a great affinity with peasant family agriculture and presents a good opportunity to encourage productive activities that contribute to environmental conservation. Access to credit funds from government institutions has been ongoing for 15 years and in recent years the relationship with CONAFIPS has been strengthened, so that currently these funds represent 15% of the cooperative's funding.

## 2.6 Management structure

The cooperative operates in compliance with the Popular and Solidarity Economy Law as well as its own internal regulations and is regulated by the Superintendency of Popular and Solidarity Economy and Segment 3 of the Cadastre of Popular and Solidarity Economy Institution. This government institution acts as a technical body for the supervision and control of entities within the Popular and Solidarity Economy of Ecuador. The governance, management, administration and internal control of the cooperative is managed through the following bodies:

- General assembly of representatives

- Board of directors
- Supervisory board
- Management, and
- Special commissions and committees provided for in current regulations

Figure 3 shows the organisational structure of the Santa Anita cooperative for 2022, while Appendix 1 shows the cooperative’s original structure in 2008, during its first year of operations.

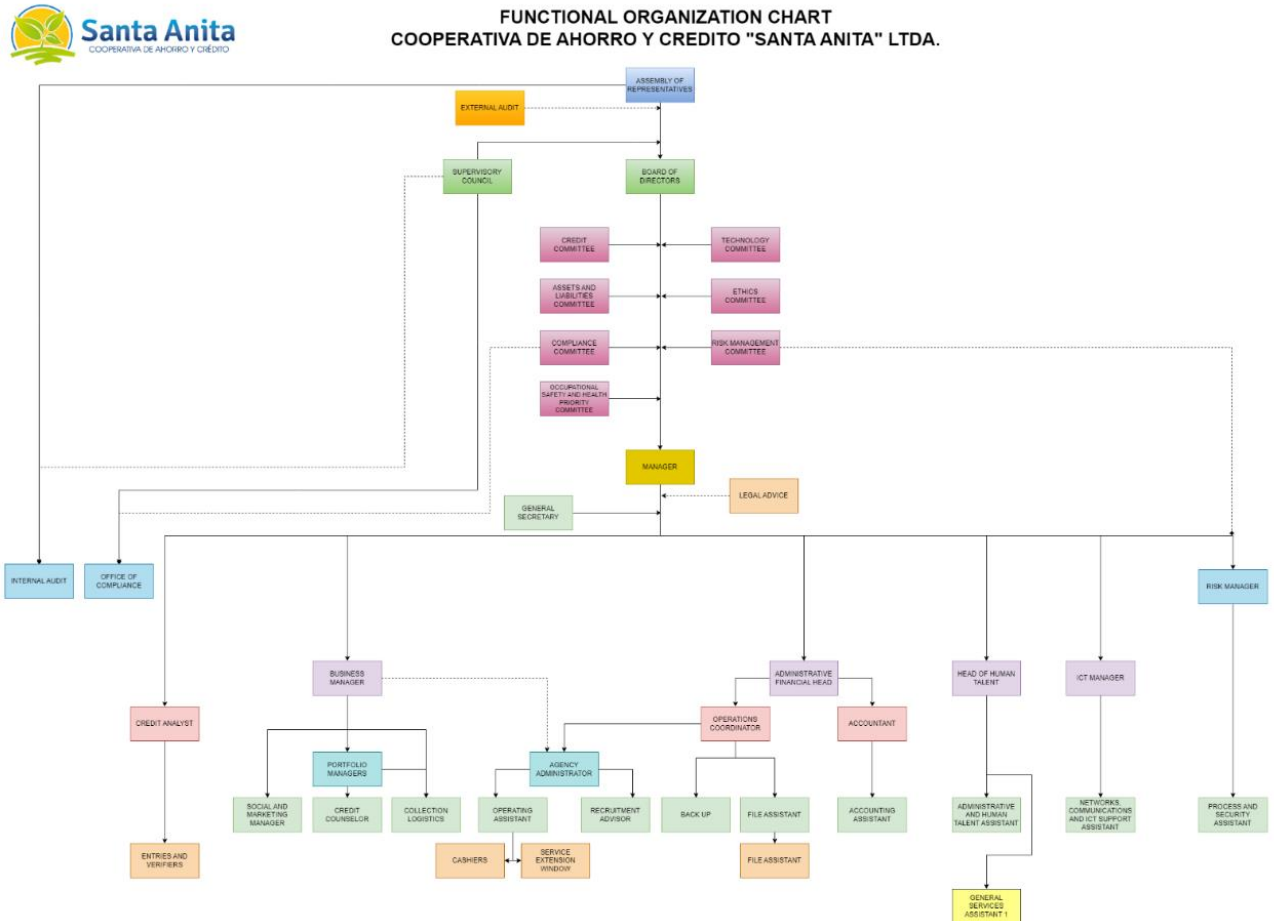


Figure 3. Santa Anita cooperative’s organisational structure in 2022

**General assembly of representatives:** The general assembly of representatives is the highest decision-making level of the cooperative and consists of up of 30 main partners, elected by the members. Each partner also has a substitute. The assembly is responsible for approving and amending the bylaws, electing and removing members of the administration and surveillance councils, approving or rejecting financial statements, reporting to the administration and surveillance councils. They must also be fully versed in the cooperative’s strategic plans, operating plans and budgets, and external audit reports as well as the regulations set out in the Popular and Solidarity Economy Law and its general regulations.

**Board of directors:** Composed of 5 members, this is the executive body of the cooperative and is responsible for planning, organising and directing the administration of the cooperative as well as appointing the manager. It includes a supervisory board made up of three members that supervises the progress of the cooperative, based on compliance with the Popular and Solidarity Economy Law and its general regulations and on the bylaws and other internal regulations of the cooperative, including resolutions legally adopted by the general assembly of representatives and the board of directors.

The functional structure of the cooperative has evolved over time as the cooperative has grown and in order to comply with the Popular and Solidarity Economy Law and other provisions made

by the government. In particular, this has required changes in the operational, administrative and internal control functions of the cooperative. The managerial functions have remained in compliance with the traditional cooperative structure. The hierarchical structure of the current cooperative is shown in Annex 1 Functional organisation chart of the Santa Anita cooperative.

## 3 Impacts of the Santa Anita cooperative on its members

### 3.1 Impacts on FFPO business operations

Since its creation, the cooperative was envisaged to be independent from UNORCAC. Part of UNORCAC's work is to support its partner communities with non-reimbursable resources (donations) through international cooperation agency projects. Because of this, community members and producers were accustomed to the fact that support from UNORCAC did not have to be repaid. But the purpose of the cooperative as a provider of credit – that is, loans which must be repaid – is different. There was a risk that members who received access to credit might default on making the required repayments because they assumed that the resources were a gift from UNORCAC.

Although the aim of the Santa Anita savings and credit cooperative was to achieve the financial aims stated in UNORCAC'S mission and vision, it also needed to be differentiated from UNORCAC and so the Santa Anita name was chosen after a proposal to name it the UNORCAC Savings and Credit Cooperative was rejected. Instead, the cooperative established itself as a rural financial institution that facilitates access to credit for producers from the Indigenous communities of Cotacachi and rural communities in the north of the country.

To evaluate its social impact, the cooperative periodically prepares a social balance report. This report is a management tool that collects quantitative and qualitative results of compliance with Cooperative Social Responsibility, allowing the cooperative to evaluate its financial performance during a determined period and identify areas for improvement according to cooperative principles. The 2021 report is based on the seven cooperative principles of credit unions<sup>6</sup> using a set of 57 indicators (Santa Anita Savings and Credit Cooperative 2021). Some of the key indicators and their results for 2021 include:

- Active female members making regular savings or obtaining loans (51.1%)
- Women members who have accessed credit (44.0%)
- Youth savers (5.9%)
- Microcredits issued (81.0%)
- Level of members' satisfaction with the services provided (83.9%)
- Level of attendance at general assemblies (80%)
- Number of women acting as representatives (80%)
- Level of external debt owed (13.2%)
- Proportion of elected representatives who have received training (100%)
- Proportion of loans disbursed for social purposes (30.1%)
- Credit issued for productive activities (74.6%)

The social balance does not include indicators that evaluate the impact of the cooperative's financial services on the productive activities of its members, nor does it evaluate the impact of credits on productive processes. However, the testimonies of those who have accessed credit show that even with small amounts, they have been able to increase their productive capacity:

- Juan Celin is a 63-year-old farmer. Juan grows potatoes and raises dairy cattle. He took out a loan of US\$1,500 for a term of 24 months to buy two dairy cows. Thanks to the loan, Juan was able to increase his milk production from 50 to 80 litres per day, which he sells for US\$0.35 per litre.
- María Esteves is 51 years old and runs a business selling prepared food. María took out a loan of US\$3,000 for a term of 18 months to improve her business, purchasing equipment including chairs, tables, kitchen utensils and other inputs for the preparation of food. Her turnover is now US\$525 per week.

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<sup>6</sup> The seven principles are voluntary membership; democratic member control; members' economic participation; autonomy and independence; education, training and information; cooperation among cooperatives; concern for community. See for example [www.pscu.ca/Home/YourCreditUnion/CooperativePrinciples/](http://www.pscu.ca/Home/YourCreditUnion/CooperativePrinciples/)

- María Liquinchana is 56 years old. She cultivates gooseberries and also produces bracelets. She took out a loan of US\$1,000 for a term of 12 months to increase her cultivation of gooseberries by purchasing plants, fertilisers and other agricultural inputs.
- A group of farmers from the El Batán commune in Cotacachi bought plots of land from a neighbouring farm to expand their area of farmland. They agreed to individual loans of between US\$5,000 and 8,000 over a term of four years. With the loans now repaid, they grow and produce enough additional food to make an income at the community fair of US\$30 per week.

Table 3 presents data taken from the 2021 Santa Anita gender indicators report. Currently, both the manager and president of the cooperative are women. Table 4 shows the disaggregation of the cooperative's members by age.

**Table 3. Summary of gender-related indicators**

Indicator	Women	Men
Partners	48.9%	50.8%
Assembly of representatives	40.0%	60.8%
Board of directors	80.0%	20.0%
Supervisory board members	100.0%	0.0%
Savings and investments	48.4%	45.3%
Access to credit	47.7%	52.3%
Average credit amount (US\$)	4,028	4,113
Delinquency rates	5.06%	5.44%

**Table 4. Disaggregation of members by age**

Age range	Percentage
18–30	19.8%
30–39	29.2%
40–49	21.4%
60–65	21.2%
Over 65	8.3%

Some of UNORCAC's leaders have expressed discontent because the Santa Anita cooperative is independently managed. However, this is not a serious issue as the cooperative is governed by recognised cooperative norms that establish equal rights between its members. UNORCAC is only one out of approximately fifteen thousand members of the savings and credit cooperative, 98% of whom are natural persons (farmers, artisans, small merchants, employees and day laborers) and 2% are legal entities (associations, unions and organised groups).

### 3.2 Impacts on internal relations with FFPO members

UNORCAC is a peasant organisation that supports community development, promoting various value chains related to family farming such as diversified agricultural production, marketing, beekeeping, added-value products, tourism and other activities. As such, having the cooperative as the financial arm for supporting these activities has made its local development vision and mission more viable. The initial funds provided by UNORCAC for the creation of the cooperative have been transformed into an ongoing investment that generates financial returns for UNORCAC, which are very important for supporting the union's administration. The savings and credit cooperative has gone beyond the territory of UNORCAC to provide coverage in other rural territories in the north of the country. However, close cooperation links between the Santa Anita cooperative and UNORCAC are maintained to improve the productive and social processes within their territories of influence.

However, there have been some negative experiences. For example, the payment of credit to organised groups (such as producer associations, water management boards and retirees' unions) has been problematic. These groups responsible for disbursing credit from loans to their

group members individually and for taking repayments which are then subsequently repaid to the cooperative. However, these groups lack the organisational capacity to manage the process effectively and recover repayments from their members, which in turn caused problems when it comes to repaying the cooperative. To resolve this issue, the cooperative has now chosen to disburse loans directly to individual group members. This has resulted in a much high recovery rate as the cooperative has both the trained personnel and the necessary procedures in place for portfolio recovery that the groups themselves lack.

Another issue is when individual members are granted loans larger than they are capable of repaying. This can happen when a cooperative credit advisor inaccurately assesses a member's ability to repay their loan. However, there are stringent procedures and training in place to minimise the occurrence of this happening (see Appendix 3).

Yet despite these examples, there are many positive impacts that the cooperative has had on its members.

- **Financial inclusion:** The most significant impact has been facilitating access to credit for people from Indigenous communities and for small-farm producers, especially women.
- **Training:** Leaders of peasant organisations that are involved in the administrative management and control structure of the cooperative have received training.
- **Improved production and marketing:** Financial products have contributed significantly to improving the production and marketing of family farmers.
- **Access to productive resources:** Loans disbursed by the cooperative have provided its members and their families access to productive resources (such as land, tools, materials and inputs) which has helped improve incomes.
- **Women's participation and leadership:** The cooperative has promoted and motivated more women to participate in the representation, leadership and management of the cooperative.
- **Indigenous participation:** The cooperative has increased the participation of its Indigenous members in the representation, leadership and management of the cooperative (the current president is an Indigenous woman).
- **Social responsibility projects:** The cooperative has also contributed to community development through small social responsibility projects. Examples include in education (through the delivery of school supplies to low-income members or people with disabilities), preventive health campaigns, and the delivery of biosecurity supplies and food rations during the COVID-19 pandemic.
- **Environmental campaigns:** The cooperative has coordinated and contributed to a variety of environmental campaigns involving local governments and communities on issues such as reforestation, garbage collection, conservation of agrobiodiversity.
- **Supporting local organisations:** The cooperative has contributed to various initiatives of peasant groups (and especially women's groups), for example revitalising cultural activities and campaigns against violence against women.

### 3.3 Impacts on external relations: banks, markets and government

The Santa Anita cooperative's relationship with the markets is positive, especially when its producer members are associated and are part of a value chain that involves trading companies. In these cases, mutual trust is generated: the cooperative reduces its risk of delinquency because the producers have access to secure markets for their products and can also invest in improvements to their production systems, knowing that they have financial support from the cooperative. Having a savings and credit cooperative has also become a mechanism for accessing resources available from the government via its Popular and Solidarity Finance Corporation under conditions that favour producers. In general, the fact that UNORCAC has promoted the creation of a savings and credit cooperative in its territory lends integrity to its territorial development proposal, which is highly valued when working on projects with national and international cooperation agencies.



One issue in recent years is that a number of larger savings and credit cooperative agencies with national coverage have been installed in Cotacachi, with large advertising campaigns. These cooperatives also provide financial services under similar conditions to the Santa Anita cooperative and many farmers now also access credit from them – this has unfortunately generated a situation where some members have become overindebted and defaulted on their payments. However, the Santa Anita cooperative still enjoys a high level of loyalty from its members. It remains the only cooperative with its headquarters located in the city of Cotacachi and this gives it a local value.

An important challenge in Cotacachi is the weak associativity of local producers, despite the efforts made by UNORCAC, other government institutions and NGOs. This has meant that there are no larger-scale linkages between producers and markets and is why the cooperative focuses on providing credit to individual producers. For this reason, it is difficult to assess the impact of the cooperative on the relationships between producers and markets.

## 4 What next for UNORCAC and the Santa Anita cooperative?

### 4.1 Future plans

For UNORCAC, future priorities include:

- Strengthening relationships between the producers' value chains. UNORCAC and other institutions (such as local governments, ministries, international cooperation agencies and NGOs) are working intensively to strengthen associations of agricultural producers to promote their collective commercialization to local, national and international markets. The aim is help them consolidate their productive, commercial and administrative processes to improve their overall credit management.
- Furthering UNORCAC's political advocacy to encourage local and national governments to channel resources to producers, especially through financial intermediation.
- Strengthening financial education for producers and families in rural communities. In this sense, a new project with a national coverage supported by FFF has as focus the training of trainers in financial education for FFPOs to strengthen and scale the experience and lesson learned by UNORCAC to other FFPOs.
- Improving financial inclusion for Indigenous communities by strengthening community savings and credit banks managed by women's groups and encouraging them to foster links with the Santa Anita cooperative.

For the Santa Anita Savings and Credit Cooperative, future priorities include:

- Taking advantage of and providing farmers with access to 'green' credit products at low interest rates that are currently being promoted by CONAFIPS. Green credit supports organic and agroecological production practices and environmental conservation.
- Strengthening the digitisation of financial and non-financial services through a new online service provided by the Santa Anita cooperative.
- Maintaining and expanding strategic alliances, mainly abroad, to improve the financial conditions (costs and terms) of capital funding that is destined for disbursement to rural producers.
- Increasing the cooperative's amounts of share capital and equity in general by increasing its membership and thereby improving solvency.
- Developing and strengthening microcredits for business and agriculture purposes, in particular through a combination of deeper credit analysis and commercial value chains to obtain commercial collateral. This will both lessen the financial risk to the cooperative and provide benefits to its members.
- Continuing to expand the cooperative's membership through promotion and advertising and also extending its territorial coverage.
- Continuing to increase the cooperative's operational assets, mainly through providing microcredit loans to members and by diversifying the portfolio of credit products the cooperative offers.

### 4.2 Prospects for replication

For any second-tier FFPO thinking of setting up a similar financing system to support its members, there are several relevant conditions that should be met.

- The FFPO must have organisational strengths (understood here as the availability of statutes and internal rules), democratic processes for decision-making and electing leaders, leaders with capacities to support the organisational and productive processes, and good planning tools.
- To create a financing mechanism for its partners, the FFPO must have strengthened its productive and commercial processes, identified the financing needs and conditions required to strengthen its members productive value chains, as well as knowledge of the savings capacity of its members. This will make it possible to establish effective funding strategies for the financing mechanism.
- Based on the organisational, legal and productive analysis of the FFPO, select the most appropriate finance mechanism model for your needs and management capacities,

such as creating savings and credit cooperative or another alternative that is legally and technically viable.

- The FFPO must have good relationships with national and international cooperation agencies that will allow it to manage support, especially in its initial phase, both in terms of resources for funding the finance mechanism, as well as for specialised technical assistance.
- The FFPO must design a strategy to maintain a management independence between FFPO sociopolitical objectives and the new entity focused on offer financial services to FFPO members. Its means that these two institutions have their own rules, but at the same time, keep up cooperation relations.
- Once the financing mechanism has been created, the FFPO must implement internal regulations that clearly specify the functions and responsibilities of all levels of management of the mechanism. It is especially important to differentiate the functions of the managerial and operational roles.
- FFPOs should implement a level of internal control that guarantees compliance with laws, internal rules and procedures of the finance mechanism, as well as the processes of accountability to its partners.
- FFPOs should manage the finance mechanism independently from other productive units of the producer organisation, but always in coordination and complementarity with them.
- Becoming a legal financial intermediation institution makes an FFPO eligible for accessing funds from government and other entities that lend resources at low interest rates. This is important for the sustainability of the finance mechanism.
- The financial capacity of the FFPO and the savings capacity of the producers may not be sufficient to meet the demand for credit from the producers. Obtaining savings resources at the beginning will always be difficult until institutional trust is developed. Additional sources of funding need to be identified.
- FFPOs should implement robust practices that enable them to assess whether a potential credit recipient will be able to make their repayments. This is important for the full recovery of credit that has been disbursed.

FFPOs should also be aware of potential problems that may arise:

- Unclear leadership and managerial roles: People in leadership functions are apt to exert non-technical influence on the operational management of the finance mechanism. This can destabilise the management of the finance mechanism.
- A high level of delinquency in credit repayments complicates the liquidity of the system and jeopardises the sustainability of the financial service. There must be procedures that allow a good and objective analysis of the credit-receiving client's productive capacity and repayment capacity.
- Financial institutions are very sensitive to the behaviour of external factors that negatively affect local and national economies. Strategies must be established that minimise the impact of external threats.

## 5 Main conclusions

UNORCAC is an organisation of Indigenous and peasant communities and specifically an organisation representing producers. Its purpose is to develop sociopolitical strategies to demand the collective rights of Indigenous peoples and peasants. However, to help overcome the financial exclusion experienced by rural producers, UNORCAC created the Santa Anita Savings and Credit Cooperative. With UNORCAC's ability to obtain funds from international cooperation projects, it was able to support the new cooperative. This support was fundamentally important in the initial phases until the Santa Anita cooperative was able to gain the trust of local communities and ensure it had enough members to acquire financial liquidity. Since the creation of the cooperative, the strategy of maintaining management independence has helped to differentiate between the UNORCAC's sociopolitical objectives and the financial services offered by the Santa Anita cooperative, while enabling these two different institutions to maintain trade and cooperation relations.

As the Santa Anita cooperative was created by an indigenous and peasant organisation, it focuses on providing appropriate and affordable financial services to the rural sector. This gives it a comparative advantage over other financial institutions. For rural producers, the benefit of becoming a member is that the cooperative promotes financial inclusion by working with those who have little experience in managing credit and who have a low financial savings capacity, such as Indigenous communities and rural farmers. The cooperative is also able to mobilise external funding sources to channel credit to the rural sector. This includes strategies to capture savings and investments in urban centres as well as funds from government institutions, second-tier banks and international credit from specialised credit institutions.

Since operations began, the cooperative has also networked with other intermediary microfinance institutions. This is a practical way to use opportunities for complementarity, to exchange services and learn about and apply shared strategies to meet common objectives of this specialised sector. Belonging to these networks has also enabled the cooperative to receive direct support. For example, the cooperative has participated projects that support financial inclusion and that have helped it to develop and update its internal regulations, improve its financial products, train managers and employees and, above all, participate in public policy processes related to Ecuador's Popular and Solidarity Economy.

For the last two decades, the Santa Anita Savings and Credit Cooperative has been helping to revitalise rural economies. It is an important financial inclusion mechanism for a sector that is generally excluded from conventional finance institutions such as large banks. It has supported building agricultural value chains for peasant families and helped mobilise much-needed resources, including funds from outside the rural sector. It has helped its members to improve production and generate additional sources of income while also strengthening short marketing circuits, bringing producers closer to consumers. It supports local production processes that prioritise the use of local inputs, low-energy consumption and the use of native seeds, all of which contributes to improved food security and sovereignty. It also supports finance education and financial inclusion. Finally, the cooperative has enabled its members to participate in the democrat running of the finance institution.

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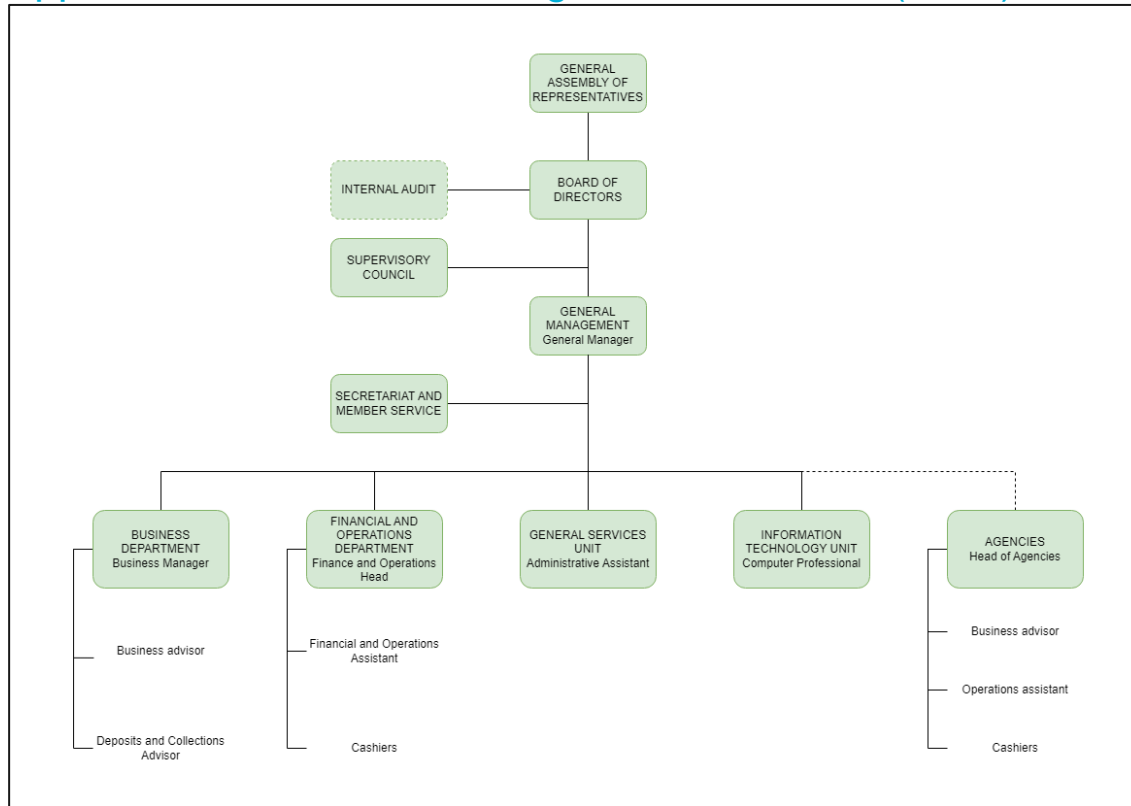
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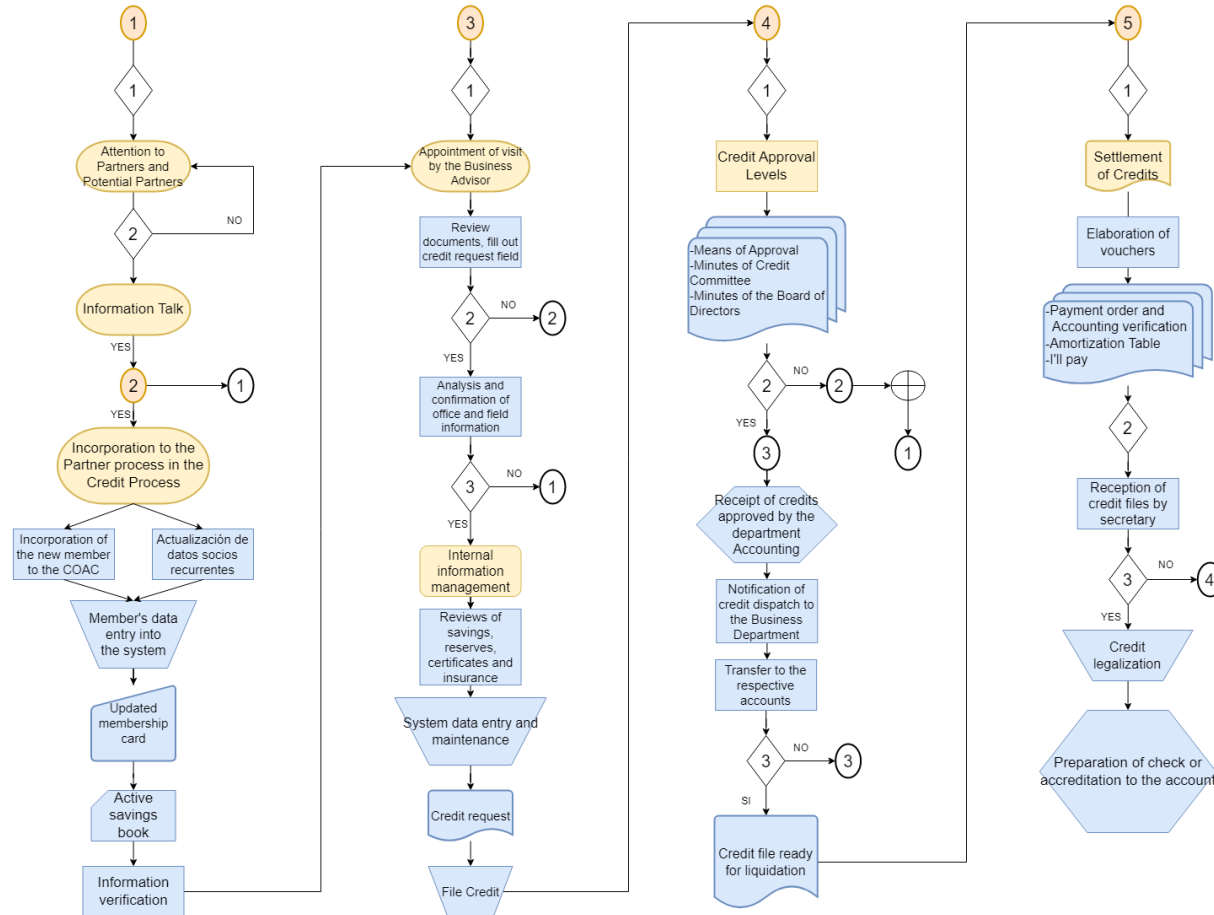
## Appendix 1. Santa Anita's organisational chart (2008)





## Appendix 2. Credit-granting process

CREDIT GRANTING PROCESS "COAC SANTA ANITA"



## Appendix 3. How Santa Anita members access financial products

### Savings and fixed-term deposits

**Savings accounts:** Members of the Santa Anita Savings and Credit Cooperative can deposit and withdraw savings at any time using their savings log books issued by the cooperative to all members. The minimum deposit required to open a savings account is US\$30, which includes:

- An initial Certificate of Contribution fee (currently US\$15)
- Minimum savings of US\$12, and
- A fee to cover the costs of the savings log book issued (US\$3).

**Fixed-term deposits:** These are funds deposited for a specific term of not less than 30 days, during which time members cannot withdraw the funds. The Santa Anita cooperative will pay a negotiated interest rate that will depend on the term and the amount deposited. The cooperative provides a certificate, that endorses and guarantees the operation of the fixed-term deposit. Certificates are issued to the named member and include the following information: amount, term, beneficiary and date of issuance.

**Documentation required:** This will depend on the legal status of individual members (either as a natural person or as a legal entity). In Ecuador, 'natural persons' refers to any individual, whether national or foreign, who carries out lawful economic activities in the country. 'Legal entities' includes 'any business organisation that is legally permitted to enter into a contract, including a contract for the purchase, sale, or lease of real property'.

Documents required for natural persons:

- A legible copy of the front and back of the identity cards of both the cardholder and their spouse (in case there is no separation of property)
- A copy of the act of dissolution of the conjugal partnership (if there has been a separation of assets)
- For clients of foreign nationality, a copy of their identity card or visa granted, and
- A current copy of a utility/services bill for their place of residence (such as an electricity, water or telephone bill).

Documents required for legal entities:

- A copy of the current Single Taxpayer Registry (RUC) or screenshot of the RUC from the Internal Revenue System (SRI) website, where applicable
- Confirmation of the appointment of the entity's legal representative updated and duly registered in the commercial register
- A copy of the entity's legal representative's identity documents
- A copy of current social bylaws – this must be updated once a year when appropriate, and
- In the event that the legal representative or the contact person is a foreign national, a photocopy of the visa granted.

### Credit

**Process for granting individual agricultural microcredit:** The microcredit process begins with credit advisors promoting the cooperative's microcredit products to rural microentrepreneurs. Each stage of the process requires specific skills developed through the ongoing training of credit advisors. In general, the credit process includes the following stages:

- A promotional visit to potential rural microentrepreneurs
- A credit-application visit to assess the potential client's financial statements, including their ability and willingness to make the required repayments, as well as drafting the credit applications
- Once the application has been received and approved, legal agreements are signed and loans are disbursed
- Credit advisors then work with clients to monitor their ability to repay the loan and if necessary, manage occurrences of non-payments.

## Promotional visits

Credit advisors play a key role in promoting the cooperative's microcredit products. During promotional visits, credit advisors provide potential rural microentrepreneurs with a brief overview of the cooperative and the benefits of its products, highlighting their advantages and suitability over traditional credit products (such as reduced transaction costs, flexibility in guarantees, adjustments according to people's ability to pay, and speed of loan disbursement once a credit application is approved). The advisors also explain the requirements and conditions of the credit as well as the process for granting credit.

For promotional visits, the cooperative plans which areas each credit advisor will visit to avoid duplicating efforts. It identifies the leader or director of each neighbourhood, community, parish or organisation and works with them to plan meetings with potential new microcredit clients. Credit advisors also conduct door-to-door visits to promote the products. Promotional visits are then recorded in a follow-up report, which contains observations and recommendations to guide and plan subsequent activities.

## Credit application visit

If the promotional visit is successful and the microentrepreneur decides to apply for a loan, the credit advisor is then responsible for collecting the necessary information required to assess the viability of the loan and complete the credit application form. The information is used to structure financial statements and establish the client's credit needs. These visits take place either at the applicant's home or place of work and also help to strengthen ties between the cooperative and the client, making the client aware of the importance of establishing their financial position as accurately as possible, so as to adjust the credit operation to their needs. Openness and collaboration with the client are essential to consolidating a long-term relationship.

To apply for microcredit, the credit advisor and the client complete the credit application form, indicating the desired financing conditions and detailing the personal data of the partner and their guarantor, after which they jointly sign the application. All personal information gathered during this process is confidential and no information about other potential clients and the status of their credit is ever shared. The credit advisor explains that the decision to grant the microcredit loan rests with the decision-making bodies of the cooperative. Credit advisors also explain that they never accept gifts from clients, as it may compromise their creditor–client relationship. They also stress the importance of making repayments on time so that the client can continue to access credit from the cooperative.

During the visit, the credit advisor learns about the potential new client, their business and its financial importance to the client's family. The credit advisor notes the client's economic activity as well as the quantity and quality of inputs and productive resources available to them. This includes noting for example the size and quality of the land being farmed, the size and type of premises used, the quantity and quality of the livestock, the presence of inventories, the existence and condition of work tools or machinery, the availability of basic services, and the quality of the access roads, as well as the overall condition of the client's home and the availability of goods therein. Normally, only a single visit is required to complete this stage of the process. However, if the credit advisor feels it is necessary, they may choose to make a second visit.

## Assessing a client's ability to repay credit

To minimise the credit risk to the cooperative, it is important to assess a client's ability to make repayments. This involves determining whether they can generate sufficient surpluses to repay the loan in full in accordance with the proposed conditions. This assessment is based on the information the client has provided and other information taken from financial system databases.

During interviews with potential new clients, the credit advisor uses a set of guided questions to gather the information required while also ensuring that the conversation remains fluid and flexible so that the client can share the information spontaneously and freely. The interview questions determine the client's solvency and, if necessary, the credit advisor may also cross-check the information provided, for example by asking additional questions or verifying the information against financial documents such as invoices and receipts. Any information that cannot be verified must be confirmed by other means, for example by visiting neighbours, suppliers, community leaders or priests.

To complete a credit application form, the following information is required:

- Income received (both from economic activities and from the family nucleus)
- Direct costs of economic activities
- General or operating expenses
- Family expenses
- Funds available
- Accounts payable
- Accounts receivable
- Inventories
- Fixed assets
- Wealth
- Production and sales cycles, and
- The client's main markets.

The creditor advisor is responsible for ensuring that the assessment is thorough and accurately reflects the cashflow of the client's economic activities related to both their business and family. The assessment also determines whether there are any potential risks to providing a microcredit loan. The credit advisor must prepare financial statements without overestimating revenue or underestimating costs. All income and expenses must be included and also indicate the seasonality of income and expenses.

### Assessing a client's willingness to pay

The credit advisor also assesses the willingness of the client and the client's family to repay the loan, noting any hostility or reluctance when the client is asked to provide financial information. Generally, if potential clients are predisposed to provide all the information required by the credit advisor, it is taken as a good sign that they will be willing fulfil their credit obligations. However, to ensure a potential client's creditworthiness, the credit advisor also runs checks on their credit history and obtains personal, commercial and financial credit references (for example, from a credit bureau). They also speak to the client's customers, suppliers, neighbours or other relevant sources. If a potential client has a bad credit history (for example, defaulting on loan repayments) the credit advisor may decide not to submit the client's credit application.

### Credit application approvals

The next stage is to evaluate the credit application, to decide whether to approve, reject or postpone the application. Applications are assessed at the operational level established by the cooperative, based on the credit advisor's prior analysis of the client's willingness and ability to make the required repayments, their credit history, and any other comments on the financial situation of the rural microentrepreneur. The credit application must be clear, concrete and well-reasoned and must include the recommended conditions for the disbursement of the loan (amount of credit required, disbursements, terms, repayments and the intended purpose of the loan). The credit application must not be a reproduction of the client's initial request and the credit advisor should express whether or not they support the application. The credit advisor must be able to efficiently resolve any doubts that may arise when the application is considered for approval.

### Loan disbursements and portfolio monitoring

Before loans can be disbursed, the client and the cooperative must sign a legal agreement outlining the obligations and conditions of the loan, including an agreement to comply with the cooperatives policies and procedures.

Once a microcredit loan has been disbursed, credit advisors are responsible for monitoring and identifying whether there are any potential risks that could affect a client's ability to repay the loan. This is so that preventive action can be taken if required, such as providing the clients with guidance, but it also serves to strengthen the ongoing relationship between the cooperative and the client, which is important both for preserving the financial position of the cooperative. From the beginning, clear rules are established so that the client is fully aware of the consequences of defaulting on payments (rates and surcharges). If clients are still unable to make repayments, then there are legal procedures in place to recover the full amount of credit owing.