

Microserfin Panama

Panama's leading microfinance institution, Microserfin, has been working for 26 years to brighten the future of entrepreneurs with scarce resources. With coverage throughout the country, it stands out for the advice provided by its officers who specialize in farming businesses run by rural entrepreneurs. In 2015 it awarded some USD 20 million in productive credits and improved its service network with the opening of three new offices, bringing the total up to 20 branches.

Mariela Martínez

Outstanding areas of initiative in 2015

Casafin

Progressive home refurbishment program for entrepreneurs conducting their commercial affairs in their own home. A combination of technical construction advice and credit to build homes that are safe for productive activity and suited to their immediate surroundings.

Ruralfin

Small farming producers program, offering support, advice, skills training and access to credit.

Refugee Program for Access to Credits, Skills training and Advice

In partnership with UNHCR: a program that has been running for over five years in partnership with the UN Agency for Refugees, to provide refugees with access to credits and skill training.

Microserfin Panama

Soluciones de Microfinanzas, S.A.

(Microserfin) has a solid track record of more than 26 years of activity in Panama, consolidating the purpose for which it was founded of improving the standard of living of low-income entrepreneurs and their families. Using Responsible Productive Finance, over the course of 2015 it provided solutions to the most vulnerable groups in the country. A team of 224 professionals is the backbone of the organization, committed to transforming their clients' development, reducing poverty and vulnerability levels and sowing the seeds of economic self-improvement among disadvantaged population groups.

The institution offers nationwide coverage, much of it in rural areas, in the east and west of Panama. Microserfin is committed to its promise to service rural entrepreneurs

whom it advises at the start-up and growth stages of their farming enterprises, with its specialized officers offering personal advice.

In 2015 it released over USD 20 million in production credits through more than 13,000 loan operations for its products, demonstrating its commitment to supporting its clients' development. Furthermore, the institution improved its client service network in 2015 for entrepreneurs with the opening of three new offices, bringing the total number of branch offices up to 11 offices and 9 user services centers.

In 2015 Microserfin retained its 5 Diamond qualification ranking from Mix Market, the highest rating that a microfinance institution can be awarded, given to those institutions that stand out for their transparency and the quality of their financial information.

Management team and board

Management Team

Luis Germán Linares
General Manager

Rosalía Espinales
Risks Manager

Sebastián Acevedo
Senior Administrative
Manager

**John Alexander
Duque**
Senior Distribution
Manager

Héctor Rangel
Client Management
Manager

Sandra Soler
Senior Control Manager

Xiomara Becerra
Legal Manager

Marisela Zamora
Human Talent Manager

Arquímedes Rivera
Senior Production
Manager

Onilda Rodríguez
Audit Manager

Board

**José Antonio
Colomer**
President

Arturo Gerbaud
Member and Secretary

Margarita Correa
Member

Mercedes Canalda
Member

Gissele González
Member

Microserfin Stories of Hard Work and Achievement **Marleny Benítez**

“I am very proud
of what I have
achieved.”

Marleny lives with her husband, her 5-year old son and her parents in the community of Cauchal, Capira district (in the Cacao jurisdiction), in a house built of leaf stalks, zinc and earth. Reaching her home is not easy, you have to cross a dirt track road which is hard to access in the rainy seasons, one hour's drive after leaving the main highway.

Marleny has not had an easy life. She has been working since she was 15 years old. First with her parents, whom she helped in farming tasks after her brother died when he was 18, and then in her own enterprise. In this latter phase she has been supported by Microserfin, the institution which has granted her six loans over the different growth phases of her business.

Since that time she has bred chickens and pigs on a small scale, as well as growing and selling yucca plant, coriander, yams, aji peppers, bananas and the root vegetable taro. She has had to overcome many obstacles, such as transporting her products by

horse to the food markets in Chorrera and Panama City.

Little by little she has tried to improve her own standard of living and that of her family. In 2011 Marleny applied to Microserfin for her first loan of USD 250 to buy chickens to fatten up, which she paid back in eight months. The experience was positive, she met her payment obligations and in 2012 she applied for a renewal for USD 375 to enlarge her farm sheds. Thanks to these improvements, she and her husband started selling their goods in fairs, opening up more sales opportunities.

Although she had started building her own house, the income from selling her products was not enough to be able to finish it. In 2013 Marleny applied to Microserfin for two new loans, which she duly paid off punctually. The excellent news of having won a permanent stall at her fairs has enabled her to sell her products two days a week, resulting in higher earnings so that she can finish her house and move out from her parents' home.

In 2014 she asked for her first farming loan in order to enlarge her yucca plots, sow pigeon pea and breed pigs and chickens. In 2015 once again she was granted a renewal of USD 1,000 to continue extending production.

Marleny is very proud of what she has achieved to date; with Microserfin's support she has proven that by working and investing the loans appropriately she can get on, improve her own and her family's standard of living and even help other people, giving them the chance to work with her on her plots of land. She is grateful to the institution for the opportunity it has given her to grow and forge a promising future.



Marleny Benitez and her family

Scan the QR
code and watch
the video about
Marleny.



Microserfin Stories of Hard Work and Achievement **Tiodoro Rodríguez**

Working for the community, the best-liked entrepreneur in La Pintada area.

Tiodoro has a grocery store in La Pintada de Coclé area and has become well known in his community as a generous person, with great people skills and, above all, is seen as a role model.

The first years of his marriage were difficult, he lost his job. He and his wife didn't have anywhere to live, so they set up a home in a house made of mud that belonged to his brother. As he couldn't find a job to put food on the table, he decided to set up his own enterprise, using the USD 300 settlement from his previous job. He used this money to buy basic products which were needed in the community where he lived, such as salt, kerosene, matches, sugar and started selling them from his house, helped by his wife. Tiodoro reinvested his earnings to continue with his business.

Tiodoro took no notice of his neighbor's comments when he said that his business wouldn't do well because only people with money could do it, and not poor people like him. He didn't let the gloomy forecasts depress him and he enlarged his productive activity by sowing rice, which he later sold. However, he needed support in order to increase his capital and his sales.

It was in 2003 when he learned about Microserfin, which gave him an opportunity with his first loan of USD 700. **Tiodoro feels very grateful to the institution because it has been his ally for several years; it has made it viable for him to grow his enterprise as well as helping his family and his community.**

The expansion of his business has meant that his four children have enjoyed the education he could not aspire to because of his own family's precarious economy. His youngest daughter is studying to become a nurse.

He currently owns four areas of farmland in different parts of La Pintada which he uses as pasture for his cows, whose meat he sells in his grocery at a very reasonable price for his customers. What he doesn't sell in his store he gives away to other people in the community.

Tiodoro tries to show solidarity and be generous with his neighbors. He gave away a plot of land in the new village of Machuca to one of his farm employees so that he could live there. He donates to the church and other community organizations. Since



Tiodoro Rodríguez with companions

Scan the QR code and watch the video about Tiodoro.



he is one of the few people with a car in Machuca, he often has to help the ill and take them in the small hours to the hospital at Penonomé; he doesn't mind if they wake him up in the middle of the night, as long as he is helping a neighbor. This good heart means he is much loved and respected in his community.

He has run his business for over 23 years and has been a Microserfin client for 12. The most recent credit he applied for was for USD 10,650. His hard work, careful management and the support of his family have meant that his business has grown steadily.

Microserfin Outstanding Areas of Initiative in 2015

Casafin is a pioneering program to improve entrepreneurs' housing conditions so that they can conduct their productive activities successfully and safely. Around two thousand families have taken part in this initiative for the improvement of productive housing.

Casafin, program for productive housing

The Casafin program was created in order for low-income entrepreneurs to make gradual improvements to the homes in which they are carrying out their productive activities. It is the only program in Panama accessing credit for home improvements that has Constructive Technical Advice, which identifies the building and refurbishment needs that are appropriate in terms of safety, health, comfort and practicality. Projects are designed to make incremental improvements with solutions that are practical and viable for each client, and advice provided as to how to go about the building phases, with a commitment to finish and to use the money sensibly.

Casafin improves business productivity by making more space and better conditions available to develop commercial and/or productive activities and has improved the standard of living of over 1,800 families. This innovative program has received several prizes, such as the award for inno-

vation given by the Chamber of Commerce, Industries and Agriculture of Panama and the National Secretariat for Science, Technology and Innovation (Senacyt).

Ruralfin, program for helping rural communities

Ruralfin is a program that has been offering support, advice, training and access to credit for more than three years to small farming producers in Panama. Ruralfin facilitates loans to finance investment in working capital and fixed assets with affordable collateral. The program has an extensive team of specialist officers who reach the remotest parts of the country, together with a progressive plan which makes it possible to accompany the producer along the different development phases of their activity, providing advice and training.

"Ruralfin Farming Training Courses" are supported by the Panamanian Farming Institute and the Panamerican Health Organization (the World Health Organization's regional office for the Americas) which are

in charge of training small producers in the subject areas of their specialty, with the former providing the farming and stock-breeding modules, and the PHO the "Five Keys for Growing Safer Fruit and Vegetables" module. The Microserfin staff responsible for executing the project have received specialist training from the PHO, such that the Microserfin team decides on the training courses using the materials previously produced and coordinated with the PHO. In 2015 training sessions took place in San Felix, Chiriqui, Darien and Veraguas, with attendance by around a hundred producers in the area.

Access to credit, advice and training are the three areas covered by the "Ruralfin" program for helping rural communities and small farming producers in Panama.

UNHCR program providing credit access, training and advice for refugees

In November 2015 Microserfin ratified its commitment to continue offering financial and social inclusion to entrepreneurial refugees in Panama through the agreement it has with UNHCR and the Panamanian Red Cross. Since it was signed for the first time more than five years ago, this agreement has provided opportunities for refugees, giving them access to microcredits and training which have enabled them to have hope for their futures.

During the diagnosis that UNHCR carried out in Panama, the refugees specifically highlighted the lack of access to banking systems, loans and opportunities for self-employment as key obstacles they face in their integration process. Microserfin supports refugees, who are also looked after by the Red Cross, giving them loans and skill building, which make it possible for them to create and consolidate small enterprises.

The integration of refugees in Panama is a priority for UNHCR and Microserfin. Because of their extremely vulnerable situation, access to banking services and microcredits becomes a major challenge for refugees wanting to make something of themselves and give back to Panamanian society. Microserfin's alliance with UNHCR provides refugees with an opportunity, making social and labor integration easier for them, in a situation in which refugees would otherwise not be able to access loans.

"Thanks to Microserfin we have examples of refugees who have flourishing, successful enterprises". Fernando Protti Alvarado, Regional UNHCR Representative for Central America, Cuba and Mexico.

Microserfin Awards and Honors 2015

Institution

- Microserfin was honored in the **Panamanian Credit Association (APC) Awards**, winning 4 out of 5 prizes, achieving first place in the categories of information quality, updating, compliance and overall change. These awards recognize timely, accurate and thorough information reporting on the part of financial and commercial institutions that benefits the system, national economy and their clients.

Client(s)

- Clients won **Micro-entrepreneur prizes** in the “Micro-entrepreneurs for Development” awards. Microserfin’s entrepreneur Hilda Hernández took **first place in the “Service” category**. Another of Microserfin’s entrepreneurs received a special mention in the “Impact on the Community” category which honors the support and creation of jobs that have a positive impact on improving the community.



Marleny Benítez with companions

Panama Macroeconomic Context

Panama is the fastest growing economy in Latin America.

The Panamanian economy held to its 6% growth rate in 2015, although this is a slight slowdown from recent years, when it grew at an average rate of over 8%, essentially because of the healthy constitution of the construction sector, both in civil building projects linked to expansion work on the canal and the boost to residential building.

This slowdown is consistent with convergence towards the economy's growth potential, together with the fact that some of the major investments that have been completed have not yet started production. The start of operations of the canal expansion in 2016 and of the Minera Panama copper mines in 2018 will help keep growth at around 6%-7% in the next few years.

This momentum held steady in 2015 with the construction sector growing by 6.5%, thanks mainly to the surge in residential projects which grew by 14%, although the lag in non-residential projects brought growth in this sub-sector to 3.2%, well below the rate of years past.

Growth in mining and quarry operations continued, linked to the sectors above, as well as electricity, gas and water supply, which increased by 7% and 12% respectively. The latter is a response to the increase in energy consumption on the part of commercial customers and, to a lesser degree, of residential customers.

The transport, warehousing and telecoms sector grew by over 7% as a result of the 3% increase in tanker traffic through the Panama Canal and a rise of more than 6% in cargo movement. Tolls increased by 7% and services to ships passing through the canal grew by around 5%. Traffic through Tocumen International Airport also expanded by 6%.

Trade grew by 5.5% mainly thanks to the performance of domestic demand. The value of re-exports from the Colon Free Trade Zone fell by 13% to their lowest level since 2010 against lower demand from some of the country's main trading partners, given the challenging economic situation facing some of these economies, especially Colombia and Venezuela, affected by a serious recession, factors affecting the companies operating out of Colon Free Trade Zone.

The restaurant sector enjoyed a 3.3% uptick and hotels one of 5.6% as a consequence of higher tourist numbers. The key manufacturing industry indicators reported a contraction in activities associated with the production of dairy products, alcoholic drinks, non-metal minerals and their exports.

The Panamanian economy is experiencing a similar scenario to that in the Dominican Republic, because of external sector impacts. Solid performance in the US economy, as well as the fall in oil price, both represent a positive shock on Panama.

However, the appreciation of the US dollar introduces a delaying factor for investments.

Inflation as measured by the Consumer Price Index was hovering around deflation at year end, with a rate of variation close to 0.2%, the lowest figure for a decade, due to the behavior of the energy price because of the fall in the oil price, as well as the drop in import costs because of the dollar appreciation. Price controls on 22 products, established in 2014 and extended in principle until December 2015, continued. If these distortions are corrected and the impacts of the energy price isolated, inflation will be closer to the 3-4% mark.

The 2015 fiscal deficit was 2.0% of GDP. The deficit reduction is the product of a real spending fall of 7%, while real income increased by the same amount. The main adjustment was made in capital expenditure, which shrank by 30% in real terms because of the new Administration's review to its plans for a number of projects. Transfers in subsidies for energy also fell sharply because of the oil price trajectory.

The current administration proposed a five-year infrastructure investment and social welfare spending plan, with more emphasis on the latter. Key programs include: urban renewal of Colon, the Techos de Esperanza (Roofs of Hope) program, the metro extension and other building projects aimed at making an impact on wider society. Altogether this new five-year plan is approximately half the size of the previous one, in an attempt to achieve greater fiscal sustainability. Recurrent loss-making management has pushed the debt-to-GDP ratio up to nearly 50%, and grew at a real rate of 10% in 2015.

The external sector continued to support a weighty current account deficit equivalent to 6% of GDP, although this was half of the 2014 rate. The fall in imports because of the lower value of oil-derivative products was one of the main factors behind this reduction. Foreign direct investment increased by 18%.

In the labor market unemployment stood at 3.8%, close to full employment, when in Latin America the average is above 6%. Nevertheless the rate of urban unemployment came in at around 6%, a rise for the second year in a row. 2015 was notable for the adjustments resulting from the final phase of major projects, which historically cause temporary, or frictional unemployment, the result of a transition to new activities, particularly those based in the construction sector with completed projects and which can be absorbed by new building projects approved in the new five-year investment plan.

Adult participation in the labor force was 73%; the labor market has a high proportion of informal employment, at 42% of the labor force, while self-employed workers and/or micro-entrepreneurs make up 27% of the whole, one of the lowest ratios in the region after Chile.

According to official figures, poverty in Panama measured by income stands at 22.3%, a reduction from 2014 when it was 25.6%, while extreme poverty edged down from 10.8% in 2014 to 10.3% in 2015. The people covered by the latter figure are basically in the indigenous areas, where 90% of the population is extremely poor.