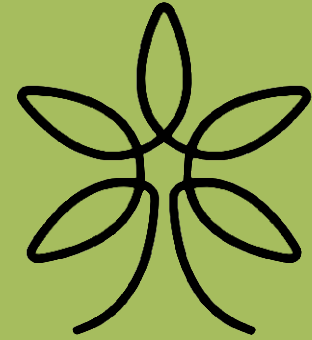


# grassroots connections

the newsletter of working capital for community needs (wccn)

fall 2010



## PAC: Creating a new kind of rural entrepreneur in Nicaragua



Map of PAC Service Area

By Carlos Arenas, WCCN Executive Director

While attending a microfinance conference in New York City in spring 2009, I happened to sit next to and chat with Stephan Bauman, vice president of programs at World Relief, a well known worldwide development organization. He mentioned a partner in Nicaragua, Pueblos en Acción Comunitaria/People in Community Action (PAC). Stephan explained that PAC works on microfinance in some of the most difficult to reach rural areas of Nicaragua (see map). I confessed that I had never heard of PAC, despite our extensive work in Nicaragua.

*continued on page 4*

### Inside this edition

A letter from WCCN's Executive Director.....2

CDRO:  
Empowering Mayan Communities.....3

Interview with Mario Pérez Lejarza, PAC Executive Director.....8

WCCN's Microfinance Portfolio.....10

Borrower Profile: Maria Esther Sysabucha.....11

### Study Tours!

Travel with WCCN and Social Impact Adventures to

Guatemala:  
Spring 2011

Ecuador:  
Fall 2011

Details on back page.

# A letter from WCCN's Executive Director

The microfinance industry learned lessons during the tough economic environment these past two years, including the importance of an organization's mission for positive social and financial outcomes. That mission is reflected in its approach, character, methodologies, programs and, most importantly, in the ethics that guide everyone involved. As a result, there is a renewed interest in organizations providing credit with broader approaches to development, as opposed to organizations specializing in only credit services to clients. Happily, most WCCN partners take a holistic approach to development, as that remains one of our major factors in selecting potential partners.

This *Grassroots Connections* edition profiles two of our partners whose microfinance services are part of a broader set of services. Both institutions have interesting organizational models. Their approaches to development differ according to their own history, missions and visions. They exemplify the diversity of our partner organizations. *Asociación Cooperación para el Desarrollo Rural de Occidente* (CDRO), from Guatemala, is a grassroots organization created and run by indigenous people of Mayan descent. CDRO is located in the department of Totonicapán. CDRO can offer several services to communities because of its access to donated funds from international agencies, mostly from Europe. CDRO's microfinance program is its main self-sustainable program, and it has been able to leverage its resources by accessing debt financing from sources such as WCCN and others.

*Pueblos en Acción Comunitaria* (PAC) from Nicaragua is a civil association created under the umbrella of World Relief, an international development organization, that over time was completely transferred into Nicaraguan hands. PAC's work is concentrated in remote municipalities in Nicaragua. PAC's model was not imported from World Relief but was developed entirely by Nicaraguans. It's a grassroots effort, with a realistic approach to finding sustainable solutions to poverty. As a development oriented organization, PAC has a unique model that's more entrepreneurial than other groups. PAC also manages debt financing and donations from development oriented organizations. PAC is successfully creating a new kind of rural entrepreneur -- one with a strong social and environmental commitment.

Continuing efforts to connect supporters directly with partner organizations and their members, WCCN is excited to announce our first study tour to Guatemala in spring of 2011. WCCN has partnered with Social Impact Adventures (SIA), an agency that specializes in organizing trips related to social impact investing. SIA works hand-in-hand with the local Center for Global Education office, which provides the experience and infrastructure for an educational and overall successful experience. WCCN and SIA also have scheduled a fall 2011 trip to Ecuador. We will keep you posted on details for these opportunities.

Sincerely,



Carlos Arenas  
WCCN Executive Director

# CDRO: Empowering Mayan Communities

By Jeanne Duffy, WCCN Development and Marketing Director

Living in the beautiful Guatemalan highlands near Totonicapan, Juana Jesus Garcia Barreno weaves cortes, the traditional skirts worn by Mayan women. Juana started her weaving business with a 1,500 quetzal (\$190) loan from WCCN partner agency CDRO (*Asociación Cooperación para el Desarrollo Rural de Occidente*/The Association of Cooperation for the Rural Development of West Region). She used her first loan to purchase a loom and yarn, and business has been booming ever since.

Prior to starting her own business she worked for another weaver. Since starting her own business, her income has increased and her children are better educated, fed and clothed. She hopes her children will graduate from school and secure professional jobs and that she can improve her home or build a new one.

Women such as Juana play key roles in their community. They support their families and prepare them for the future, while preserving their Mayan heritage. Helping them succeed is CDRO, a holistic community development organization



Juana Jesus Garcia Barreno working at her loom.  
Photo by Michael Kienitz

that combines microfinance services with other grassroots development initiatives.



Street scene in a typical Guatemalan highland village.  
Photo by Michael Kienitz

In 1988, CDRO began to support Mayan families during the former armed conflict known as “the time of violence.” CDRO now serves 10,550 families in 28 rural, indigenous communities. Of CDRO’s clients, 70% are women, 97% are Mayan Quiches, 80% are poor (earning \$2 or less a day), 20% are extremely poor (earning under \$1 a day) and many are illiterate.

CDRO strengthens the participation and organization of the local community through the organizational approach of “POP,” which is a Mayan Quiche word that means total participation of the

*continued on page 9*

## PAC, continued

I became very curious about PAC and visited during my next trip to Nicaragua. PAC General Manager Mario Pérez Lejarza arranged a meeting in the organization's Managua office. With no exterior sign, it was difficult to find. Located on an unpaved busy street alongside businesses selling construction materials, PAC looked like another similar business. The office sat back on the lot, and the front was used to store various construction materials and fertilizers, which I later learned are used in PAC's projects.

When Mario and Juan Ruiz, the financial manager, explained PAC's work over a two-hour meeting, I couldn't believe what I was hearing. From all angles, PAC seemed to be a unique, impressive organization. The humble office and low profile among other development-oriented organizations in Nicaragua reflected well on PAC's own character. I left the meeting thinking PAC was one of the best-kept secrets in Nicaragua and that WCCN should explore the possibility of a partnership. A few months later, after passing our due diligence analysis and approval processes, WCCN extended its first loan to PAC. Recently WCCN disbursed a second. PAC lends that capital to small-scale farmers for technological and infrastructure improvements on their farms and the maintenance of coffee and cacao fields.

The following explains PAC's mission, history, organizational model, and economic and social impact. We also are publishing an interview with the executive director (page 8), through which he addresses PAC's approach and his experience with the organization.

### Mission and Services

PAC's mission is "to find realistic and sustainable responses to poverty." PAC's model of intervention focuses on the final goal of "socially responsible development," through the offering of two sets of services:

1. Entrepreneurial services: PAC provides financing to their members, facilitates the

integration of value chains for commodities such as coffee, cocoa, taro, purple taro, yuca, chiles, etc, and produces commodities reports for the benefit of their members.

2. Development services, such as training of young leaders, strengthening of local entrepreneurs and promotion of private investment.

Both sets of services are permeated by three principles: environmental stewardship, security and quality of agricultural products, and family and community self-management.

### Stages of PAC's History

Under World Relief's umbrella, PAC was created in 1996 following Christian principles such as stewardship and service. PAC divides its institutional history in four stages.

1. Formation and institutional incubation (1996-1998): PAC and World Relief jointly administered food security programs and family gardens with an emphasis in agricultural diversification.

2. Strengthening institutional capabilities (1999-2003): PAC created its own administrative and technical team, beginning financial services to help build members' income-generating capacity. PAC also implemented two programs on sustainable development in conjunction with World Relief.

3. Operating self-sustainability (2004-2007): World Relief-Nicaragua transferred a large portion of its assets to PAC (mainly productive infrastructure). PAC experimented with the first alliances with local actors in the municipalities of El Murra and Nueva Guinea around specific business initiatives. Also during this stage, PAC created Groups of Self-Management for Economic Development.

4. Corporate integration (2008-today): PAC has a long-term corporate vision and has attracted investments from organizations such as

Oikocredit and Rabobank from the Netherlands, as well as WCCN. PAC also has attracted donations from international cooperation agencies for its development-oriented projects. During this stage, PAC created the Business Groups of Producers by Commodity.

### **Organizational model**

Legally, PAC is a civil association created under Nicaraguan law in 1996. Since 2004, when its by-laws were restated, PAC fully incorporated beneficiaries as members to its governance structure. A member of PAC is “any person who consciously and voluntarily incorporates itself into the organization to actively participate in their business platforms.” A membership in PAC entails a balanced frame of benefits and compromises. PAC promotes a culture of responsibility and service among its 1,203 members that generates direct benefits for their individual enterprises and to the entire community.

PAC has two independent but parallel membership structures. The first organizational structure is based on the people who live in each locality where PAC executes projects. They are called Grupos de Autogestion para el Desarrollo Económico/Groups of Self-Management for Economic Development (GADE). According to PAC’s bylaws, this kind of group organizes beneficiaries around the search and implementation of business initiatives that could positively impact the individual and community well being. Typically, each GADE has 15 to 20 people. Currently there are 79 GADE.

The second organizational structure is based on the people producing the same agricultural product. They are called the Grupos de Negocios de Productores por Rubro/Business Groups of Producers by Commodity (GNR). According to PAC’s bylaws, this kind of group considers characteristics of each production cluster, municipality and/or department, and consolidates marketing efforts of producers and producers’



*Cleaning Taro for Export. Photo by Emily Allred*

organizations supported by PAC. Typically, each GNR has between six and 20 producers. Currently there are 18 GNR.

PAC’s main decision-making structure is the general assembly of 46 people, who are elected among GADE and GNR representatives. The general assembly elects the six-member board of directors.

### **Economic and social impact**

PAC’s economic and social results are impressive. During the last three production cycles (June 2007-June 2010), PAC’s producers have exported 434 containers of coffee, taro and other agricultural products. Of the \$8.7 million in

*continued on page 6*

## PAC, continued

sales, \$6 million was returned to the local communities where those commodities were produced. During the last three years, PAC has created 18,417 jobs, at an average of 6,139 annually (see table on next page).

Along with other WCCN staff in July, I had the opportunity to meet with several GADE and GNR leaders while we visited PAC's roots and tubers processing plant in the municipality of San Ramón, Matagalpa. They came to our meeting

from several municipalities where PAC is working. During our visit, we developed a better understanding of PAC's philosophy and organizational structure, held discussions with PAC's

producers and staff, and learned firsthand about processing taro for export.

Our visit also made me appreciate PAC's innovative model and the importance of telling this story, which should not remain a secret. All of us working on development-related issues look for good news like this, and we're eager to continue learning from PAC. \*



*WCCN and PAC Staff in a Taro Field*  
From left to right, back row, PAC staff: Eduardo Herrera, Juan E. Ruiz, Frederick Jimenez, Harold Mantilla, Néstor Jimenez, Néstor Rodríguez, Mario Pérez Lejarza, front row, WCCN staff: Emily Allred, Francisco Barquero, Carlos Arenas

## PAC's economic and social impact of export products over the last three production cycles (June 2007-June 2010)

	2007-2008 production cycle	2008-2009 production cycle	2009-2010 production cycle	Total 2007-2010 production cycles
Number of coffee containers exported*	20	23	43	<b>86</b>
Number of taro containers exported**	91	104	66	<b>261</b>
Number of containers of other agricultural products exported (purple taro, yuca, ginger)	25	42	20	<b>87</b>
Total number of containers exported	136	169	129	<b>434</b>
Income from sale coffee exported	\$1,033,857	\$1,006,365	\$2,168,523	<b>\$4,208,745</b>
Income from sale of taro exported	\$1,071,452	\$1,207,801	\$980,188	<b>\$3,259,441</b>
Income from sale of other agricultural products exported	\$342,696	\$715,006	\$181,750	<b>\$1,239,452</b>
Total Income from agricultural products exported	\$2,448,005	\$2,929,172	\$3,330,461	<b>\$8,707,638</b>
Number of jobs created by PAC's coffee value chain	2,150	3,228	5,480	<b>10,858</b>
Number of jobs created by PAC's taro value chain	1,650	2,612	1,508	<b>5,770</b>
Number of jobs created by PAC's other agricultural value chain	527	953	309	<b>1,789</b>
Total number of jobs created	4,327	6,793	7,297	<b>18,417</b>
Total income from the coffee value chain that returned to the local economy	\$806,408	\$815,155	\$1,713,133	<b>\$3,334,696</b>
Total income from the taro value chain that returned to the local economy	\$621,442	\$640,134	\$735,141	<b>\$1,996,717</b>
Total income from other agricultural value chain that returned to the local economy	\$198,764	\$378,953	\$136,313	<b>\$714,030</b>
Total income that returned to the local economy	\$1,626,614	\$1,834,242	\$2,584,587	<b>\$6,045,443</b>

\* Each export container holds 40,000 pounds of coffee.

\*\*Each export container holds 40,000 pounds of taro.

Value chains are comprised of the people and products needed to produce, harvest and export agricultural products, such as farmers, rural merchants, suppliers of agricultural inputs (seeds, fertilizers, etc.) , carriers, processors, providers of technical assistance, brokers, export companies, import companies and wholesalers.

# Interview with Mario Pérez Lejarza, PAC Executive Director



*Mario Pérez Lejarza,  
PAC Executive Director*

**How and when did you connect with PAC?** It was in February 1998, when Mr. Kevin Sanderson – at that time, the director of World Relief Nicaragua (WRN) – hired me as a consultant to design a method for analyzing the applicable feasibility of different agricultural products. In September of the same year, I was hired as the executive director of PAC, as part of the support WRN was providing for the development of PAC.

**Who created PAC's organizational model and how?** The model is the result of a combined process between WRN and PAC. It has been shaped by an entrepreneurial vision, a pragmatic sense of interpreting and using the business environment, but, above all, by the will to implement realistic and sustainable proposals to combat rural poverty in Nicaragua.

The model is a product of two connected and complementary strategic focuses:

- a. In the initial stage, WRN creating and/or strengthening institutional, human and economic capacity to assure the continuity of a sustainable development strategy through a local organization.
- b. In the current stage, PAC designing and stimulating businesses that are oriented to the market, based on the experiences of the local businesspeople, appropriate to their characteristics and, at the same time, consistent with the evolution of the markets and the economic environment.

In synthesis, it's a connecting model with all types of businesses interacting: local businesspeople, established commercial businesses, investors and others.

**Why did PAC decide to create a participatory organizational model?** The establishment of an investment model (in both people and businesses) as an engine for local development requires partners. The strengthening of social capital, translated into environments of trust for businesses, requires organization. The transformation from a culture of dependence to an entrepreneurial culture (the process of entrepreneurializing) requires empowerment. As a consequence, the participatory structure was set up as an essential catalyst for the model, which explains its relevance.

**What kind of "subject of development" does PAC seek to create?** Socially responsible businesspeople, focused on the profitability and efficiency of their own business, who are, at the same time, committed to improving the quality of life of their community, as part of the effort to improve the business environment.

**What is the greatest satisfaction you have had in your work with PAC?** Observing the changes in people, in my team, in the target group. In other words, to be able to prove that the possibility does exist of gradually transforming the environment of poverty that affects approximately 50% of the Nicaraguan population, once a common vision can be agreed upon and resources and willpower are brought together.

**What message would you send to WCCN's supporters?** It's very important to invest in projects that have a clear impact on generating sustainable employment. In a broader sense, you need to go beyond providing financial resources. You need to create or strengthen the networks that assure the effectiveness of the invested resources. Nicaragua is a small country with great natural potential and with a relatively low population density. Development initiatives based on business strategies help not only to reduce poverty but also to stimulate productive capacity, stabilize the labor force, slow immigration and reduce the incidence of international crime in our economy. \*

## CDRO, continued

community. CDRO had 26 community councils and four local associations as members. Women make up approximately 62% of the board of directors.

In addition to its microfinance project, CDRO is active in vocational education, women's empowerment, healthcare and alternative business development.

**Vocational Education:** CDRO has established a network of community education centers (CEC) with 14 adult vocational schools (EPOAS), 13 educational family centers for development (NUFED), three computer academies, two community libraries and 70 scholarships for children. A total of 3,040 people -- 82% of them women -- have received education in the areas of agricultural extension, horticulture, poultry, soil environment, management of organic fertilizers, nutrition, gender, environmental education, community development, educators of community health, and local leadership. As a result, 25 women operate 14 small poultry farms, 552 women manage small businesses of food processing, and 644 women work with embroidery, tailoring and handicraft.

**Women's Empowerment:** CDRO also supports 10 community centers for women. Run by 37 women leaders, these centers train women in the areas of domestic violence, self-esteem and citizenship.

**Healthcare:** CDRO operates a well-equipped medical center that serves more than 1,500 patients a year. The medical center has a clinical laboratory, where minor surgeries can be performed. In addition to the medical center, CDRO has 14 community health teams that visit rural villages providing basic health care and health education and 59 trained midwives.

**Alternative Business Development:** CDRO has greatly promoted an alternative business approach known as the "community business model." As a part of this strategy, 140 small farmers



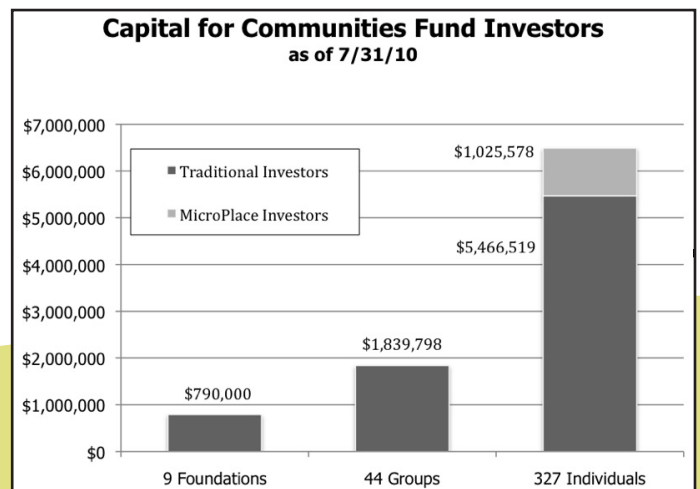
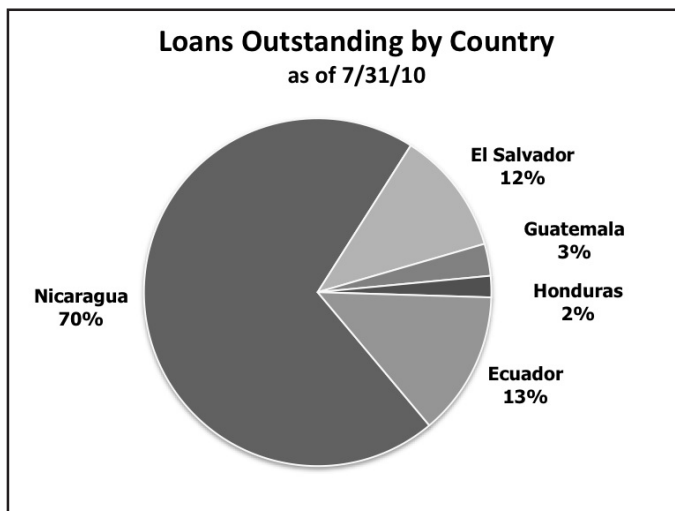
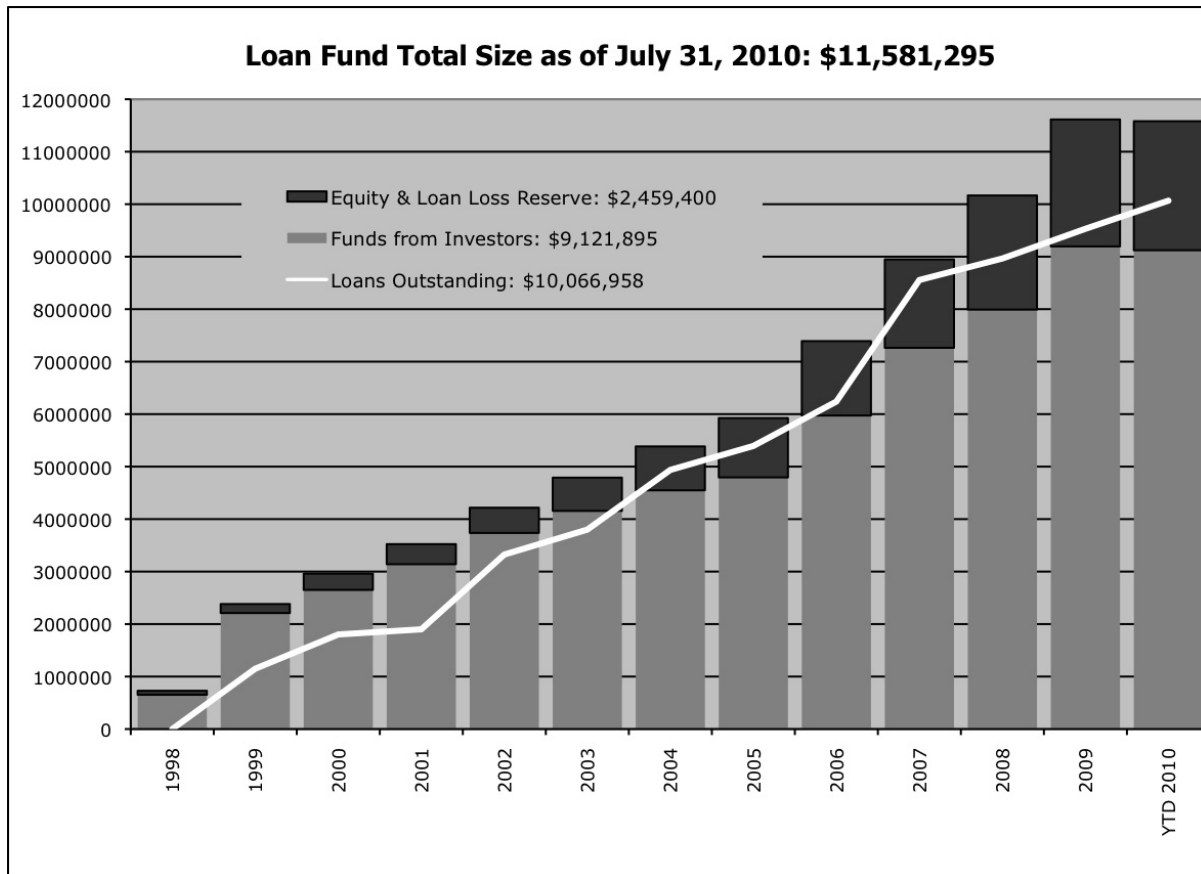
*CDRO loan client, Maria Magdalena Vasquez Tzumun, working on her loom. Photo by Michael Kienitz*

-- 81% of them women -- began to cultivate medicinal plants using organic methods and soil conservation techniques. The medicinal plants are processed by Mabeli, a private company that sells shampoo, exfoliants and other cosmetics to 15 Wal-Mart of Guatemala supermarkets and many local drugstores.

Importantly, 31 small producers of medicinal plants and CDRO are stockholders of Mabeli. In 2008, Mabeli received an annual award from the National Prize of Exportation in the areas of Value Chains.

CDRO is doing outstanding work to strengthen communities by focusing on those most oppressed, Mayan women. And they are doing so in a manner that celebrates and preserves their Mayan heritage and natural environment. ✱

# WCCN's Microfinance Portfolio



# Borrower Profile: Maria Esther Sysabucha

By Jeanne Duffy, WCCN Development and Marketing Director

Maria Esther Sysabucha is 63 years old. A life of hard work shows in her face.

Maria is a farmer growing potatoes, carrots, radishes and fingerling potatoes near Ambato, Ecuador. At the age of 61 she took out her first loan for \$1,000. She used the loan to buy seeds and fertilizers, increasing her production and ultimately her profits.

Maria had wanted to borrow money in the past but was unable due to her lack of sufficient collateral. WCCN's partner agency, INSOTEC (*Instituto de Investigaciones Socioeconómicas y Tecnológicas*/Institute of Socioeconomic and Technological Investigations), provided her access to credit and her business has greatly improved. Maria has successfully repaid her first loan and has secured a second loan to help with a second planting.

With her increased profits she was able to put a new roof on her house, making her life a bit more comfortable. \*



Maria Esther Sysabucha. Photo by Michael Kienitz

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Organized by WCCN & Social Impact Adventures, LLC

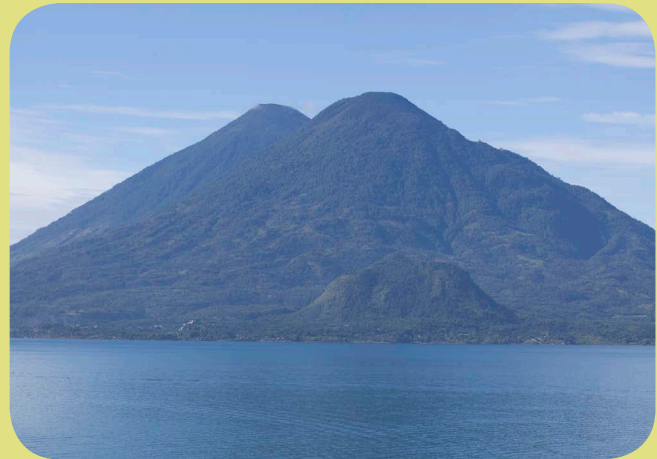
**Guatemala: Spring 2011**  
**Ecuador: Fall 2011**

WCCN study tours enable participants to learn firsthand about the history, politics, culture and social issues in the country they are visiting. By structuring our tours to allow dialogue with local people from a variety of social sectors, participants are able to experience the host country from the perspective of local citizens.

On both tours you will have the opportunity to speak with families and small business owners who directly benefit from WCCN's Capital for Communities Fund. Seeing firsthand how microfinance borrowers are breaking the cycle of poverty.

Please contact Christina Jennings at SIA, 612-751-3524, or [christina@socialimpactadventures.com](mailto:christina@socialimpactadventures.com) for details about the trip and to let her know you want to go. For more information, visit our websites:

**[www.capitalforcommunities.org](http://www.capitalforcommunities.org)**  
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*Volcanoes and Lake Atitlan: one of our stops  
on the Guatemala study tour.  
Photo by Michael Kienitz*