

Community Assessment for Proposed Microfinance Project in Roatan

Honduras continues to be one of the poorest Latin American Countries, ranked second only to Haiti. More than 66% of the population live in poverty and one in five Hondurans live in “extreme poverty”. Women are one of the nation’s most vulnerable groups; due to their lack of access to capital and training, they struggle to survive and ensure basic necessities for their families. Challenges for impoverished people on the island of Roatan have been compounded by Covid and despite the recovering tourism industry, there are still thousands of women and their families living in poverty.

Dino Silvestri, previous Governor of the Bay Islands was a member of Roatan Rotary Club 2020-2021. During his term as governor there was a federally funded revolving microloan fund program to help underserved women in Roatan and Honduras at large to start businesses. It was well received on the island and hundreds of women benefitted, but the program was cut by the new presidential administration a few years ago. After observing the need and success, Roatan Rotary looked to locally established microfinance organization, Adelante Foundation, due to its proximity - headquarters in La Ceiba, a short 1.5 hour ferry ride from Roatan. Adelante Foundation has provided micro loans and financial services to women living in poverty who lack access to funding in Honduras for over 20 years. Their mission is to empower enterprising women with the least opportunity in Honduras to achieve economic self-sufficiency. Their end goal is to break intergenerational cycles of poverty, provide inclusive opportunities that address gender inequality, and improve household resilience to exterior shocks and stressors.

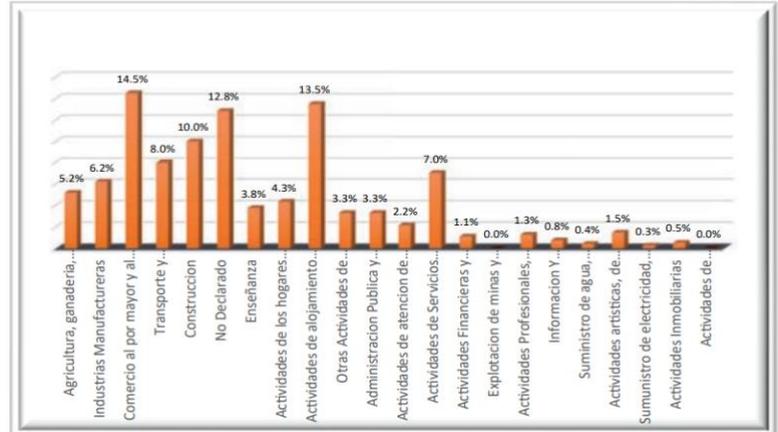
Roatan Rotary Club invited Adelante to do a presentation to the club and have since had several meetings with the organization. We are very impressed with their work. They were one of the first organizations to offer microfinance in Honduras, securing status as a Grameen Bank Replicator. Although there are several microfinance organizations now working in Honduras, Adelante continues to be one of the only microfinance nonprofits that prioritizes the very poor. Other financial institutions willing to lend to the poor often charge high interest rates or require collateral to guarantee loans to mitigate risk. Adelante, however, explores whether debt is appropriate for entrepreneurs and provides education to accompany loans, checking in monthly with borrowers to learn how things are going.

The Roatan Rotary Club, in conjunction with international host club, Denver Cherry Creek Rotary Club in Colorado proposes to work with Adelante Foundation as a collaborating partner, to do a pilot project to support 120-150 women in Roatan with microloans to start or grow enterprises. Given Adelante’s history of success in Honduras and strengths placing entrepreneurial beneficiaries at the center, we have faith in their ability to expand their scope of services to the deserving women in Roatan, ensure a high repayment rate, while also effectively fulfilling the mission to reduce poverty and empower women.

Development Director of Adelante Foundation, Jodi Fischer, liaises with local Adelante staff and made several visits to Roatan to discuss the feasibility and logistics of a microfinance project for women with Rotary. Open-ended conversations have also been had with numerous stakeholders to explore possible partnerships, synergies, community assets, and opportunities. Please see gathered information through Interview and Asset Assessments in following pages for relevant information that will help ensure a successful microfinance project to help the underserved people of Roatan.

Target Population

Target population for borrowers are women living in poverty who want to start an enterprise or who have an existing enterprise, but need capital to grow it. Most women living in poverty lack access to collateral and have not established a credit history which makes it very difficult, if not impossible for them to borrow from a traditional lending institution.



Interviews

In an effort to understand the different stakeholders that might benefit or wish to support an economic development activity through microfinance for underserved women in Honduras, Jodi Fischer¹ conducted over 15 informational interviews with a variety of individuals inquiring whether they believed the proposed project would be of value to the community, and if yes, whether existing Adelante Foundation parameters in mainland Honduras will work in the Roatan context, and if not, explore what conditions would be most appropriate. Each interviewee was also asked about possible assets that would help advance a project of this nature in Roatan. Please see examples of individuals met below.

- Dino Silvestri, former governor of Roatan and son of Giovanni & Rosa Silvestri, prominent business owners and community minded family.
- Shawn Hyde of Hyde Shipping Company shared that he'd be willing to serve as an advisor both in planning and implementation phases of the project. He has several family members with major businesses on the island. He also recommended increasing the budget to accommodate larger than previously planned average loan sizes and to accommodate the right personnel for the Well-Being Officer position (Roatan salaries are significantly higher than mainland salaries due to higher cost of living).
- Cameron McNab, of Bay Island Petroleum and President of Bay Islands Chamber of Commerce & Industry, offered to do a presentation to the businesses in the chamber.
- Jesus Reyes, Director of Marketing of Galaxy Wave (main ferry between Roatan and La Ceiba) potential for raising awareness amongst visitors either at ports or through videos played on ferry about the project.
- Trudy Hilton, current Vice-Mayor of Roatan Municipality - previously worked on an initiative to support women on the island and is familiar with the existing business education/training that can be available pro-bono to microfinance borrowers.

¹ Jodi has experience working with government contractors, foundations, and nonprofits in several developing countries and has experience working with Rotary Clubs to advance humanitarian projects.

- Kirsty Doig, former staff at SOL Foundation and consultant, very active in the humanitarian efforts in Roatan has offered sound advice, suggested additional community members and organizations, provided tour to needed regions on the island.
- Karen Ludlow, Executive Director of the Roatan Tourism Bureau offered to share information among the tourism businesses on the island that are part of the bureau.
- Daniel Siefken, Executive Director of Abundant Life Foundation (ALF) offered to share resources and finding synergies.
- Sharon McField, Regional Director of AFL offered training space and potential for overlapping training opportunities.
- Valerie Connor - worked with Trudy Hilton delivering microloans through government program that has since wrapped up. She is intimately familiar with the hundreds of women who need Adelante services and is happy to volunteer some time and suggest appropriate well-being officer candidates and potential beneficiaries.
- Giselle Brady, Program Coordinator of Bay Islands Conservation Association (BICA), an active and well-respected nonprofit organization on the island.
- Mitch Cummins, former President of Roatan Rotary, connected on the island amongst the expat community.
- Michelle & Kevin Braun - business owners in Roatan
- Captain Lynn Ripplemeyer, first female 747 pilot and regular US to Tegucigalpa flight path, also Founder & Executive Director of ROSE providing medical supplies and other humanitarian support to people in Roatan.

All interviewees expressed enthusiasm for the project and vouched for the need for this type of service as well as ample volume of target beneficiaries. Several offered direct and/or indirect support at various stages of project development. This data has been shared and reviewed by Lisa Blythe, Mike Wittry, and Christell Caceres of the Roatan Rotary Club.

Asset Inventory

After consulting with rotarians, meeting with various stakeholders in Roatan that reflect local government authorities, women's groups, nonprofit entities, business owners, entrepreneurs, former roatan rotarians, and relevant social service related organizations, the below assets have been identified that would benefit the proposed project.

- A number of potential Well-Being Officers that have long lived on the island and understand the dynamics between the variety of beneficiaries.
- Adelante Foundation has an established Honduras tested screening process for prospective borrowers
- An entrepreneurial community of women who are underserved and unable to access funds through traditional lending institutions to start and grow businesses
- Free office space
- Free facilities for training and education component of microfinance program
- Overlapping training activities offered by other organizations that would benefit prospective borrowers
- Network of individuals and organizations ready to help raise awareness to advance the project

- Numerous volunteers through individual and professional networks ready to step in to support the project
- Tourism related businesses seeking to gain social responsibility/recognition by bringing guests to visit borrower businesses once up and running to raise additional awareness about the program.
- Volunteers in the tourism industry that are interested in teaching skills or helping bridge so more local products can get to desirable end markets

Additional Information Gathered

General Demographics

The population of the municipality is 49,079 people, which is made up of 23,811 men and 25,267 women. With a population in the rural area of 20,687 people, while the urban area has 28,391 people. The population of the municipality is made up of 48.5% men and 51.5% women. In Roatan 14.5% of the population of this municipality is dedicated to Commerce activities (convenience store, food sales...) followed by accommodation activities with 13.5%.

Target Locations

There are several neighborhoods and regions in Roatan that have large populations living in poverty such as French Harbor, Coxen Hole, Los Fuertes, and Oak Ridge. We are open about which community to serve for the initial pilot project, but are seeking an option that is also close to pro-bono (free) office space proved to minimize distance the Well-Being Officer must travel.



Borrower Profile

1. Resides in an impoverished region
2. Receive social support and/or government aid for food, clothing, and/or home improvement.
3. Lacks credit or has poor credit history, unable to get funds through traditional banks
4. Economic dependence on spouse or other family members
5. Wishes to start or grow enterprise (ie: make/sells products, food, clothing, beauty salon, etc)
6. Ranks in the 60th percentile of Poverty Probability Index
7. Typically rents or lives in a family home
8. Minimum of 2 years of residency in the same home in Roatan

Loan Products for Roatan

Suitable Adelante loan products listed below:

Microloan	Loan Product	Maximum Amount
Individual microloan	Home Improvement Water & Sanitation	From \$400 or 10,000 Lempiras in the form of partial disbursements according to construction needs and total approved amount
Individual microloan	Working Capital	From \$200 or 5,000 Lempiras

Estimated Portfolio Risk

The purpose of estimating risk is to ascertain probability of reimbursement/sustainability of project.

Risk	Description	Rating
Credit Risks	<ol style="list-style-type: none"> 1. Failure of client to repay 2. Accelerated transition of balances to higher ranges 3. Increase delinquency & deterioration of Adelante loan portfolio 	High
Operational Risks	<ol style="list-style-type: none"> 1. Staff turnover 2. Failure of timely monitoring of client & credit 3. Failure in credit analysis, estimation of income, economic activities 4. Failure in logistics and client follow-up 5. Debilidades en la supervisión por parte del área Gerencial. 	Moderate
External Risks	<ol style="list-style-type: none"> 1. Geographic areas where clients can but don't pay 2. Clients want/expect donations (loan forgiveness) 3. Relocation difficulties due to climate change 	Moderate
Financial Risks	<ol style="list-style-type: none"> 1. Record of losses in the portfolio 2. Poor portfolio performance 3. Slow portfolio turnover 4. High operating cost ratio (operating expenses/# clients) 	High
Technological Risks	<ol style="list-style-type: none"> 1. Failures in connectivity and transaction synchronization 	Low
Legal Risks	<ol style="list-style-type: none"> 1. Probability of incurring legal claims or malpractice 2. Probabilidad of incurring lawsuits for entering areas classified as private (ZEDES) 	Low
Reputational Risks	<ol style="list-style-type: none"> 3. Affectation of the institutional image due to bad client management practices (disrespect, inadequate client treatment, lack of empathy) 	Low