

SOCIAL ENTREPRENEURSHIP PROGRAM

PROJECT SYNTHESIS

1. **Country:** Argentina
2. **Project Number:** AR-S1006
3. **Project Name:** Support for Microenterprises Linked to the Sustainable Wood Industry in Chaco Province
4. **Executing Agency:** Fundación para el Desarrollo del Centro Chaqueño (FUNDECCH)
5. **IDB Unit:** Multilateral Investment Fund (MIF)

6. **Financing Amount and Source:**

	<u>IDB</u>	<u>Local</u>	<u>Total</u>
Reimbursable financing:	US\$800,000	US\$200,000	US\$1,000,000
Technical Cooperation:	US\$250,000	US\$280,000	US\$530,000
Total:	US\$1,050,000	US\$480,000	US\$1,530,000

7. **Goal and Purpose:**

The objective of the project is to improve the living conditions of members of microenterprises and small businesses in Machagai and its area of influence. The purpose of the project is to enhance the commercial viability of microenterprises and small businesses linked directly or indirectly to the wood industry in Machagai and its area of influence.

8. **Description:**

The project includes two components: a US\$1 million reimbursable-financing component (IDB: US\$800,000; local counterpart: US\$200,000) and a US\$530,000 nonreimbursable technical-cooperation component (IDB: US\$250,000; local counterpart: US\$280,000). Both the reimbursable-financing component and the technical-cooperation component will be executed by FUNDECCH.

- ***Reimbursable financing component***

(IDB: US\$800,000; FUNDECCH: US\$200,000). FUNDECCH and the IDB will jointly execute a loan program to finance working capital and fixed assets for the productive activity of microenterprises and small businesses in Machagai and its area of influence. The loans will be issued through FUNDECCH, and an office will be established for this purpose in Machagai.

This program will feature a special line for loans to the woodworking value chain, but will also include loans to other microenterprise sectors in Machagai and surrounding areas. This portfolio diversification will prevent the high risks associated with having

loans heavily concentrated in a single sector. The funds for this component will finance some 300 microenterprises, at least half of which will belong to the woodworking value chain. The lending methodology used by FUNDECCH is personal loans.

- ***Non-reimbursable Technical Cooperation component***

The US\$530,000 allocated to technical cooperation includes US\$250,000 in Bank resources and US\$280,000 in contributions from FUNDECCH, which will be used for the following technical assistance and training activities to strengthen the capacities of FUNDECCH and its beneficiaries: (1) strengthening of FUNDECCH's institutional capacity to start up, execute, and supervise the project and in specialized technical assistance and training for the beneficiaries; (2) studies and diagnostic assessments on the wood sector in Machagai and its area of influence, including: (i) mapping and profiling of microenterprises and small businesses; (ii) potential competitive trends; and (iii) feasibility of technological and business alternatives for waste treatment and usage; and (3) technical assistance and training for microentrepreneurs on business management, accounting and finance, costs, marketing and sales, environmental protection, production technologies, and alliance-building.

9. Beneficiaries:

The project's target sector consists mainly of woodworking microenterprises and small businesses and, to a lesser degree, those devoted to production and services in the woodworking value chain with microenterprises or as self-employed workers or independent contractors located in the municipio of Machagai and its area of influence. This project is expected to benefit some 300 owners of microenterprises and small businesses. Most of these are sawmills and carpentry shops devoted to the manufacturing of wood products, and a large percentage of them are located in a newly established industrial park located far from the city center. The project is also expected to benefit microentrepreneurs in the informal sector of Machagai and its area of influence, who by virtue of their location are linked directly or indirectly to the wood industry, are part of the low-income population, and lack sufficient collateral to gain access to conventional sources of credit.

10. Expected results and benefits:

Upon project completion: (i) at least 300 people will have gained access to microloans, and at least half of them will belong to the woodworking value chain; (ii) at least 60 people will have received technical assistance or training in production methods; (iii) at least 100 people will have been trained in business management, accounting and finance, costs, and sales and marketing; (iv) at least 50 people will have been trained in waste management and appropriate practices for conserving natural resources and protecting the environment; (v) at least two alliance-building experiences will have been completed; and (vi) FUNDECCH will have increased its operational capacity through sustainable lending activities in Machagai. As for benefits, 60% of the woodworking microenterprises and small businesses participating in the project are expected to achieve at least one of the following improvements: (a) at least a 20% increase in sales volume; (b) at least a 20% increase in sales margin; (c) increased efficiency in the production process (in use of materials or in time); or (d) incorporation of an improvement in waste treatment.