

## SOCIAL ENTREPRENEURSHIP PROGRAM

### PROJECT SYNTHESIS

1. **Country:** Colombia
2. **Project Number:** CO-S1007
3. **Project Name:** Financial Inclusion of Women Microentrepreneurs
4. **Executing Agency:** Corporación Acción por el Quindío, known as Actuar Famiempresas del Quindío [Quindío Family Enterprise Action] (AFQ)
5. **IDB Unit:** Multilateral Investment Fund (MIF)

### 6. Financing Amount and Source:

	<u>IDB</u>	<u>Local</u>	<u>Total</u>
Reimbursable financing:	US\$840,000	US\$300,000	US\$1,140,000
Technical Cooperation:	US\$250,000	US\$85,000	US\$335,000
Total:	US\$1,090,000	US\$385,000	US\$1,475,000

### 7. Goal and Purpose:

The general objective of this project is to contribute to improving the quality of life of women microentrepreneurs living in the departments of Quindío, northern Valle del Cauca, and southern Risaralda. The purpose of the project is to increase the availability of loan products tailored to the needs of rural women in Colombia by introducing a new product created in line with the needs of women microentrepreneurs.

### 8. Description:

- ***Reimbursable financing component***

The Bank would grant AFQ a loan of up to US\$840,000, which would be combined with counterpart funds of US\$300,000. The funds will be used for lending primarily to women entrepreneurs and women's associations in the productive sector in the departments of northern Valle del Cauca, Risaralda, and Quindío, through a new product called *Mujer Acuerdo Pago* (MAP). AFQ will grant loans to finance activities such as small businesses (catalogue sales, ice cream parlors, shops), handicrafts, foods, alternative medicine products, recyclers, beauty services (hair or nails salons) and general services (decorating for parties, tailoring) through local PCAs and direct services with credit analysts. With these loan proceeds, AFQ will be able to reach at least an additional 1,224 women microentrepreneurs with financing.

The granting of loans will be governed by the AFQ Credit Regulations, which can be found in the project's technical files. AFQ will provide its own funds and Bank funds at an effective weighted average annual rate of 28% (2.1% monthly), with which it will

cover its operating costs, financing cost, portfolio provisions, and a portfolio profit margin of between 2% and 4%.

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

The loan will be supplemented by a nonreimbursable technical cooperation component of US\$250,000, with a local counterpart of US\$85,000. These funds will be used for three subcomponents. The first of these will be *definition, testing, and adaptations of the new “Mujer Acuerdo Pago” financial product*, targeting the needs of women microentrepreneurs and offering flexible payment facilities, analysis, and disbursement at a lower financial cost. The technical assistance for the design of this product will include: (a) a diagnostic assessment of current financial products; (b) a market study for the new product; (c) the design and structuring of the financial product; (d) testing and adaptations of the loan product; (e) design of the marketing strategy; (f) training and coaching of office and field staff; (g) informing in the community about the project through festivals to launch the project; (h) design of the corporate image of the program; and (i) dissemination products (radio spots, television ads, dissemination video, stories about successful women entrepreneurs, virtual radio station).

A second subcomponent of the technical cooperation component will be used to *implement the financial product* by designing an application whereby the product is offered on a new platform focusing on flexible service. This will include: (1) a data collection process for the new product, (2) information analysis, (3) consultation with credit bureaus (credit data, CIFIN), (4) virtual submission of the loan application, (5) approval, and (6) disbursement authorization and processing. This application will generate the loan documents, such as the promissory note, the payment plan, the disbursement authorization document, and the loan payment ticket. Developing this component will require the following activities: (a) design of the technological application for the product; (b) adaptation of the technological application for the product; (c) technological support for the PCAs and customer service network; (d) equipping of a network for new product transactions; and (e) testing, monitoring, and support of the technological application.

A third subcomponent of the technical cooperation component will be devoted to *financial education and business identification*. This component seeks to produce knowledge and financial intelligence through an educational program allowing women microentrepreneurs to learn about planning, administration, organization, management, and financial control at the personal level and about registering with the chamber of commerce and legal rights and obligations. This will involve the following activities: (a) design of a financial education system for the beneficiary population (videos, modules, chats, role-playing exercises); (b) implementation of the financial education system; and (c) training in the corporate identity process. This component will also include development of a knowledge product consisting of a digital memory of the project to document the experience and lessons learned.

## **9. Beneficiaries:**

Women microentrepreneurs in the coffee belt: In the departments of the coffee belt, it is estimated that approximately 30,000 women survive thanks to the income generated by their microentrepreneurial activity. These women (urban and rural) manage different types of

enterprises. Subsistence microenterprises include the manufacture and sale of handcrafts and foods; small businesses; tailoring; selling clothes; and beauty shops. These women have a low level of schooling; most live in crowded conditions; and many of them are heads of households with no other source of income. In addition, AFQ, which has been working in the area since 1989, has identified a large number of expanded microenterprises and some small enterprises led by women whose operations have grown to include between one and ten employees and monthly average gross sales of about U\$6,000. In other cases, these women-owned businesses are dynamic, meaning that they could grow beyond a subsistence level if they had technical support to address their weak areas and financing products tailored to their needs.

#### **10. Expected results:**

It is anticipated that this project will contribute to the development of women-led microenterprises in the area, the consolidation of AFQ's portfolio, and the expansion of AFQ's services to cover 36 of the 47 municipios in the coffee belt. The results expected upon completion of the project include: introduction of a new loan product tailored to the needs of women microentrepreneurs; implementation of a technical process enabling remote recording of loan operations; a financial education and corporate identity program; financing for an additional 1,224 lowincome women microentrepreneurs who receive training and business assistance; rollout of 27 new PCAs in the project's area of influence, 15 of which will be managed by women microentrepreneurs; assistance in their business process and support for 400 women in the marketing of their products and services through commercial fairs, strategic alliances for the sale of products in supermarkets and public and private institutions, business forums, and coordination among entrepreneurs to support the sale of products and services