

SOCIAL ENTREPRENEURSHIP PROGRAM

PROJECT SYNTHESIS

1. **Country:** Nicaragua
2. **Project Number:** NI-S1015
3. **Project Name:** Microcredit for Expansion of Microbusiness and Extension of Basic Services in Urban and Rural Communities in the North Atlantic Autonomous Region
4. **Executing Agency:** Asociación para el Desarrollo de la Costa Atlántica “Pana Pana”
5. **IDB Unit:** Multilateral Investment Fund (MIF)

6. Financing Amount and Source:

	<u>IDB</u>	<u>Local</u>	<u>Total</u>
Reimbursable financing:	US\$250,000	US\$60,000	US\$310,000
Technical Cooperation:	US\$81,000	US\$28,000	US\$109,000
Total:	US\$331,000	US\$88,000	US\$419,000

7. Goal and Purpose:

The project objective is to help improve living conditions for the poor and vulnerable population of the RAAN. The purpose is to expand the supply of credit services for microentrepreneurs and low-income individuals in the RAAN to meet their financing needs and facilitate access to new and improved water and basic sanitation services.

8. Description:

To accomplish the project’s purpose, two components will be financed: a reimbursable financing component for US\$310,000 (IDB: US\$250,000, local counterpart: US\$60,000); and a nonreimbursable technical cooperation component for US\$109,000 (IDB: US\$81,000, local counterpart: US\$28,000). Both components will be executed by APP. For the reimbursable financing component, the counterpart will be contributed 100% in cash, and for the technical cooperation component the contribution will be at least 30% in cash.

- ***Reimbursable financing component***

The **reimbursable financing component** will be used to expand APP’s credit portfolio in urban areas and rural communities of the municipios of Bilwi, Waspam, and Rosita, with emphasis on women-headed microenterprises. The credits are expected to be used in the following areas: microbusiness (35%), home improvement (25%), stock farming (20%), and the implementation of a new product to finance the installation and upgrade of technical solutions for water and sanitation for homes or communities in the three municipios (20%). This breakdown could change based on demand, although an effort will always be made to maintain a diversified portfolio; however, emphasis will be placed on achieving the targets of the credit product for water and sanitation. WaterAid has established a strategic

partnership with APP to offer financing for water and sanitation solutions. In the framework of that partnership, with resources from MIF project NI-M1037, WaterAid will provide APP with technical assistance for the design and development of the credit product for water and sanitation solutions and for determining with the client which solution is best based on his/her needs and financial possibilities. APP will be responsible for offering microcredit, generating the credit portfolio (with financing from the present project), and assuming the credit risk.

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

These resources are intended to help build APP's institutional capacity to provide sustainable, high-quality services to its customers. The component will enable APP to consolidate its institutional governance; improve its administrative and operational capacities to provide credits on a timely basis that are tailored to its customers' needs; and implement an efficient system of ongoing internal control, which will improve the management of its portfolio and the quality of its services. The component will support four main efforts: (i) an institutional diagnostic assessment; (ii) strengthening of corporate governance and the management staff through various training activities; (iii) optimization of the credit methodology and internal control through improved processes and personnel training; and (iv) implementation of customer service and consumer protection mechanisms for beneficiaries of credits. The Plan of Operations for the technical cooperation, available in the project technical files, describes this support in further detail and includes an itemized budget and schedule of activities.

9. Beneficiaries:

The **expected beneficiaries of the project** will be 578 microentrepreneurs and individual APP customers, of whom 70% are women, and their families from rural and periurban communities in the RAAN who are self-employed workers, small producers, or female heads of household and live in the municipios of Bilwi, Waspam, and Rosita. The majority of them have little formal education and earn low incomes, and their communities have limited access to basic services, all of which represent obstacles to development and economic growth. In allocating the project funds, emphasis will be given to financing female-headed businesses.

Most of the APP customers residing in impoverished periurban and rural communities are descendants of African and indigenous peoples who understand Spanish but prefer to communicate in their own native languages. They are organized according to village laws, and illiteracy rates are high. The communities are scattered; most of them lack access to basic services and infrastructure is inadequate. The economic activities of these communities relate to the primary sector, particularly lobster and shrimp fishing, forest extraction, subsistence farming, and to a lesser extent market-oriented production (cacao) and stock farming. A large percentage of households are headed by women who are generally self-employed in activities such as catching and selling shellfish, running local stores, and selling used clothing. Customers who live in the vicinity of urban centers and are more educated are able to access permanent employment in state-owned enterprises.

10. Expected results and benefits:

During the project execution period, roughly 578 low-income microentrepreneurs will benefit directly from the Bank's resources; 70% of them will be women (a significant proportion of them heads of households) living in the urban and periurban areas of Bilwi, Waspam, and

Rosita, who will have access to credit in their communities to finance: (i) their requirements for working and/or investment capital in order to increase the capacity of their economic activities, (ii) improvements to the infrastructure of their homes, enabling them to provide better living conditions for their families, and (iii) drinking water and, to a lesser extent, basic sanitation systems in the communities, in order to improve the quality of life and health of their families, particularly children. Lastly, at the conclusion of the project, APP will have strengthened its institutional capacity, implemented a new credit product, optimized its credit methodology, improved its internal controls, and implemented a customer service system. As a result, APP will offer products more tailored to and appropriate for its customers and will have improved its management indicators, which will facilitate its efforts to attract new sources of funds and continue expanding its supply of credit to a larger number of poor, vulnerable microentrepreneurs in the RAAN.