

SOCIAL ENTREPRENEURSHIP PROGRAM

PROJECT SYNTHESIS

1. **Country:** Ecuador
2. **Project Number:** EC-S1020
3. **Project Name:** Sustainable Development of the Dairy Value Chain of Small-scale Entrepreneurs in the Cantons of Cayambe and Pedro Moncayo
4. **Executing Agency:** Fundación Casa Campesina de Cayambe (FCCC)
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\$450,000	US\$1,250,000
Technical Cooperation:	US\$325,000	US\$222,000	US\$547,000
Total:	US\$1,125,000	US\$672,000	US\$1,797,000

7. Goal and Purpose:

The general objective of the project is to help improve the socioeconomic situation of families involved in the dairy value chain in Ecuador. The purpose is to boost the productivity, quality, and profitability of small-scale producers, processors, and other members of the dairy value chain in Cayambe and Pedro Moncayo.

8. Description:

To achieve these objectives, the project is divided into two components: one for the amount of US\$1,240,000 in reimbursable financing (IDB US\$365,000; MCCH US\$875,000), and the other in the amount of US\$468,000 in nonreimbursable technical cooperation (IDB US\$325,000; MCCH US\$143,000).

- ***Reimbursable financing component***

The resources of this component will be used to expand the FCCC loan portfolio, and will be directed to financing working capital and investment needs for the production, marketing, and service activities of farmers and micro and small entrepreneurs in the dairy value chain.

The FCCC will provide funding through its individual loan program. It will serve an estimated 500 small producers, with individual financing needs of US\$2,000 on average. It will also finance individual loans for processing firms with financing needs averaging US\$12,000, to acquire GMP certification. Lending activities will be governed by the FCCC's credit regulations, with adjustments to credit conditions for the project area and the dairy sector, as well as the incorporation of environmental and social considerations

into the loan analysis. The most important elements of these regulations will call for a positive real interest rate, terms of up to 36 months (average 24 months), the possibility to make monthly, bimonthly, or quarterly payments of principal, and the use of guarantees on signatures, pledges and mortgages, appropriate to the target population, on the basis of the minimum guidelines of the Credit Regulations for the project and the General Credit Regulations of the FCCC, which are included in the project's technical files.

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

The objective of this component is to boost the productivity, quality, and profitability of small producers, processors, and other members of the dairy value chain in Cayambe and Pedro Moncayo. The technical cooperation operation will be structured in four activity groups under which consulting, training, and other services will be financed: (i) training and advisory support in new productive techniques (farming, collection, transportation, and processing), and implementation of GLP and GMP; and management and administration of productive units; (ii) support for strengthening cooperatives and their ventures; (iii) support for developing new dairy products and cooperative marketing (search for new markets); and (iv) improvement of FCCC credit supply to participants in the dairy value chain, through the development of lending products suited to their needs (in terms of amount, term, grace period, guarantees and disbursements), and training a interns in credit management and credit risk control in the dairy sector. Training and technical assistance activities will be promoted through ASOPROLAMM. One of the advantages of working with associations like ASOPROLAMM is that they provide social and commercial benefits to their members, and they make it easier for the firms they support to meet minimum performance requirements. By working with ASOPROLAMM in the training and technical assistance activities, the project will achieve greater dissemination of activities, thereby reducing promotion costs. However, the activities will be open and membership in the association will not be a requirement for participating in the project.

The technical cooperation operation will also finance jointly the hiring of a project coordinator and an accounting and financial assistant, as well as a survey for the baseline that will incorporate tools for measuring project indicators, and the preparation of two evaluations (midterm and final). The technical-cooperation plan of operations, included in document 4 of the project's technical files, describes the support in greater detail and provides an itemized budget.

9. Beneficiaries, expected results and benefits:

The main beneficiaries of the project will be some 750 microentrepreneurs, primarily in the agriculture sector, who will receive loans and technical assistance for their productive activities. Most of them have had no previous financing, and at least 146 communities of Cayambe and Pedro Moncayo that are now served to a limited extent by the FCCC will have access to more credit services. The bulk of the loans will be provided in rural areas of the two cantons. Based on prior experience, it is expected that at least 50% of the clients will see their incomes rise by around 20% over the baseline. FCCC clients and others in the project área will also receive support for enhancing their investments, with adequate financial services. At the same time, they will receive training and advice on productive techniques consistent with GLP and GMP

requirements for improving quality and productivity in dairy production in the project area. For its part, the FCCC will benefit in the following ways: (i) over three years, its loan portfolio will grow by at least US\$1.28 million over its level at 30 June 2013; and (ii) it will improve the overall management of its lending operations and in this way enhance its portfolio performance, its risk management, and its client service practices. Consequently, it will remain profitable, it will post better financial indicators, and it will expand its coverage in rural areas. With these improvements, the FCCC will be able to surpass the RFR institutional risk rating obtained in June 2013.