

SOCIAL ENTREPRENEURSHIP PROGRAM

PROJECT SYNTHESIS

1. **Country:** Colombia
2. **Project Number:** CO-S1012 y CO-X1021
3. **Project Name:** “Access to Finance and Entrepreneurial Development in Rural Nariño”
4. **Executing Agency:** Corporación Nariño Empresa y Futuro, Contactar.
5. **IDB Unit:** Multilateral Investment Fund (MIF)
6. **Financing Amount and Source:**

	BID US\$	Local US\$	Total US\$
Reimbursable financing:	700.000	200.000	900.000
Technical Cooperation:	270.000	100.000	370.000
Total:	970.000	300.000	1.270.000

7. **Goal and Purpose:**

The project’s impact objective is to raise income and improve food security for farmer households in Nariño. The project’s outcome objective is to implement sustainable agroecological systems that make the productive farmland of farmer households economically and environmentally viable in the targeted municipios, which include the area around the Galeras volcano and the La Cocha lagoon.

8. **Solution:**

The Asociación para el Desarrollo Campesino (ADC) and the microfinance NGO Contactar have been working in the area for 35 and 24 years each, within this project they will join for a common strategy. This strategy consists of an intervention with each customer, starting with a diversified garden and supported by an entrepreneurial component, i.e., an integrated productive line that contributes to the farmland’s sustainability and generates income. Investment in Sustainable Agricultural Production System (SAPS) will typically be financed through a combination of cash/savings and family or community labor (promoted by ADC), coupled with credit access (provided by Contactar). Each family is expected to receive an average of US\$1,100 in short- or medium-term credit from Contactar in the form of individual microcredit lines (for working capital and investment in fixed assets) and green products (for investment in implementing sustainable production alternatives that favor environmental management).

9. **Description:**

- **Reimbursable financing component (financed by IDB)**

The Bank will make a loan of up to US\$700,000 to Contactar, to be combined with counterpart resources of US\$200,000 for lending primarily to families in the municipios of

Puerres, Gualmatán, El Tambo, Ipiales, Sandoná, and the rural part of the municipio of Pasto. These loans will be delivered through Contactar's lines of credit: Microfinanzas Verdes [Green Microfinance] and Agricultura Sostenible [Sustainable Agriculture].

Contactar will provide microloans to finance the purchase of materials and equipment, labor, working capital, and other inputs needed to implement: (a) farming in diversified gardens for food security; (b) agroecological techniques, including inputs and infrastructure for composting and vermiculture and crop combination for pest protection; and/or (c) techniques for soil conservation, water management, environmentally friendly management of liquid and solid waste; and/or (d) microentrepreneurial businesses to supplement the main farming activity and/or the diversified garden, such as animals for meat or milk production (cows) and organic fertilizers (cows, guinea pigs, fowl), fruit farming, vegetables and fruits, agrotourism, etc.

- ***Non-reimbursable Technical Cooperation component (financed by the la Caixa Foundation)***

The loan will be supplemented by a nonreimbursable technical cooperation component of US\$270,000 with a local counterpart contribution of US\$100,000, to be used for three subcomponents: (i) training for sustainability and environmental management; (ii) implementation of SAPS; and (iii) financial education and entrepreneurial development. The execution will be done in coordination with the ADC, which working under a participating methodology will aim to build sustainable systems and make the model more replicable replication. This knowledge will take root within the communities through collaborative work. Contactar, for its part, is engaged in training and assisting its customers and promoting financial education and savings. The project will seek to expand this training to support the process of planning and implementing sustainable systems on the farmland, adjusting the budgetary planning of the enterprises.

10. Beneficiaries:

The beneficiaries of the project's technical cooperation component will be some 600 families in the municipios of Sandoná, Gualmatán, Puerres, El Tambo, Ipiales, and the rural part of Pasto. These families will see their socioeconomic circumstances improve and incomes rise as a result of the technical assistance activities and productive investments with Contactar financing. The beneficiaries will be identified through profiles based on an initial diagnostic assessment of their farming parcel, establishing different levels of advancement and lines of action adapted to their learning needs and implementation schedule, as well as their credit and investment needs. It is estimated that, in order to implement a complete SAPS (with the above-described five core lines of action), a household has to invest up to 12 million Colombian pesos (US\$4,300). This figure includes the cost of infrastructure and advisory services for technical assistance on an average land parcel of 0.5 to 2 hectares, with a minimum implementation period of 2 years. In addition, a total of approximately 500 agricultural microentrepreneurs will benefit from the loan component, for a total of 1,100 project beneficiaries.

11. Expected results and benefits:

As a result of these activities, some 600 families will achieve the following improvements: (1) increased food security, by implementing diversified gardens that provide fruits,

vegetables, and animal fodder on an ongoing basis; (2) application of agroecological techniques such as composting and use of organic fertilizers, reducing the need for chemical fertilizers and pesticides; (3) environmental conservation, such as through natural grey water purification and water conservation and recycling; (4) sustainable generation of microentrepreneurial income, such as guinea pigs and milk cows fed from homegrown vegetables and producing organic fertilizer; and (5) collaborative activities and community work to facilitate shared learning and cooperation in the above improvements.