

## SOCIAL ENTREPRENEURSHIP PROGRAM

### PROJECT SYNTHESIS

1. **Country:** Honduras
2. **Project Number:** HO-S1022
3. **Project Name:** Value Chains and Rural Businesses in the Gulf of Fonseca Region
4. **Executing Agency:** Cooperativa de Ahorro y Crédito Chorotega Limitada (Cooperativa Chorotega)
5. **IDB Unit:** Multilateral Investment Fund (MIF)

6. **Financing Amount and Source:**

	<u>IDB</u>	<u>Local</u>	<u>Total</u>
Reimbursable financing:	US\$1,000,000	US\$250,000	US\$1,250,000
Technical Cooperation:	US\$250,000	US\$50,000	US\$300,000
Total:	US\$1,250,000	US\$300,000	US\$1,550,000

7. **Goal and Purpose:**

The goal of the project will be to improve the socioeconomic conditions of small producers and microentrepreneurs, as well as their families and communities located in the Gulf of Fonseca region of Honduras. The purpose of the project will be to expand and improve the supply of financing that the Cooperativa Chorotega provides to small producers linked to agrifood chains in the Gulf of Fonseca region.

The following actions are proposed for achieving the goal and purpose of the project: (i) expand the supply of financing to agrifood chains in the area of intervention; (ii) develop Cooperativa Chorotega's financial and technical capacity to offer financing to stakeholders in the chains; and (iii) promote the economic viability of the region's small agrifood producers with financing linked to the development of export chains in the Gulf of Fonseca region.

8. **Description:**

- ***Reimbursable financing component***

**Reimbursable financing (IDB: US\$1,000,000, Cooperativa Chorotega: US\$250,000).** The target of this component is to finance about 760 rural microentrepreneurs and small women entrepreneurs in the departments of Choluteca and Valle (Gulf of Fonseca geographical region), nearly 60% of whom are expected to be small producers in the 22 high-potential agricultural chains identified by Swisscontact. Financing will be granted through new loan products tailored to the needs of producers in the different chains and their investment requirements. The products will be adapted

with support from the project's technical cooperation operation and training by Swisscontact.

It is expected that the loan products to be adapted will include: (1) a product for investments in chains with growth potential that show the proven experience of producers linked to exporters, initially involving cashews, shrimp, and sugar cane. The products may be adapted to cover longer terms, loan size, and possible collateral, or financing based on a purchase contract; (2) a microloan product for agrifood chains, which would be adapted for small producers who work individually or in groups in one of the 22 selected categories, but preference will be given to chains that the project defines as having priority; this product could operate based on microloan methodologies such as joint guarantees or personal guarantees; and (3) a flexible product for rural microenterprises in the services and trade sectors in areas that Chorotega does not traditionally reach.

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

**(IDB: US\$250,000, Cooperativa Chorotega: US\$50,000).** The project's technical cooperation operation will focus on three components. The first will be devoted to adapting and disseminating Cooperativa Chorotega's new loan products. The second component will be dedicated to building institutional capacity to properly execute the project, including training loan officers in the management of agro-chain credit, and developing tools to monitor loan product performance. The third technical-cooperation component will cover administration, monitoring, evaluations, audits, and contingencies.

The project will be executed in coordination with a parallel MIF project supporting agro-export chains in the Gulf of Fonseca region (HO-M1042). Coordination mechanisms between the two projects will include the cooperative's participation on the coordinating council of the LED initiative promoted by the MIF. In addition, the cooperative's loan officers responsible for agricultural loans will be trained by Swisscontact on the production and commercial conditions of the different chains promoted through the MIF's LED initiative. The MIF project will ensure that the producers who obtain financing are familiar with the economic and environmental viability conditions of the chains' various agrifood products and, with the support of the project, will be able to connect to higher value markets.

## **9. Beneficiaries:**

It is estimated that most of the beneficiaries receiving credit for microenterprise products in agricultural chains (product 2) and nonagricultural rural microenterprises (product 3) live in conditions of poverty and extreme poverty, work as rural laborers, and have small subsistence plots and/or small trade and services businesses. It is estimated that rural laborers in the area of Choluteca have family incomes of less than \$178 per month, placing them below the national poverty line. Some beneficiaries may be producers that are already connected to established agro-export chains such as shrimp, melon, or sugar cane, and have collateral (product 1).

## **10. Expected results and benefits:**

The project will benefit about 800 low-income rural microentrepreneurs in Choluteca and Valle, the two Honduran departments on the Gulf of Fonseca. It is expected that 50% of the families working on the value chains supported by the project and receiving financing will show an average increase in their net incomes of at least 25% in three years with respect to

the project baseline. These microentrepreneurs are in production sectors, and it is expected that at least 70% of the microentrepreneurs will be agro-chain producers, while the remaining 30% will belong to rural trade and services sectors.