

## SOCIAL ENTREPRENEURSHIP PROGRAM

### PROJECT SYNTHESIS

1. **Country:** Guatemala
2. **Project Number:** GU-S1025
3. **Project Name:** Agricultural Community Credit Development for Women in Guatemala
4. **Executing Agency:** Friendship Bridge
5. **IDB Unit:** Multilateral Investment Fund (MIF)

6. **Financing Amount and Source:**

	<u>IDB</u>	<u>Local</u>	<u>Total</u>
Reimbursable financing:	US\$600,000	US\$300,000	US\$900,000
Technical Cooperation:	US\$215,000	US\$105,679	US\$320,697
Total:	US\$815,000	US\$405,679	US\$1,220,697

7. **Goal and Purpose:**

The proposed project aims to help empower rural women by improving their income from agricultural activities. The project's purpose is to develop a new service for FB clients located in the departments of Huehuetenango, Quiché, Sololá, and Chimaltenango, which include value-added financial and nonfinancial services that facilitate growth of their agricultural activities and access to highvalue markets.

This development will come about through the design of a new agricultural community loan product tailored to women clients, based on the distinct characteristics of their agricultural productive evolution. Clients will be categorized in segments and provided loans and agricultural technical assistance based on their particular segment. This new financial product will also include developing partnerships with providers of specialized technical assistance and training and agricultural insurance, as well as access to companies that may purchase agricultural production from clients who meet their requirements for quality and fair prices.

8. **Description:**

To achieve the project's purpose, two components will be undertaken: a reimbursable financing component and a nonreimbursable technical cooperation component, both of which will be executed by FB.

- ***Reimbursable financing component***

(US\$600,000 from the Bank, supplemented with US\$300,000 in counterpart funding) will be used to grant loans using the new agricultural community credit model. FB will

design this new product, bearing in mind previous feasibility studies conducted, as well as potential partnerships with institutions specialized in agricultural assistance and training in FB's areas of influence. The new product will start by identifying FB clients who have agricultural production experience, classifying them as segment A (small noncommercial farmers). The segment A clients will receive loans during the first stages, as well as agricultural training. Subsequently, clients within this group with potential for becoming part of segment B (commercial producers in informal value chains) will be identified and provided specialized technical assistance and loans for larger amounts. Lastly, clients in segment C will be identified (commercial producers in formal value chains), who, in addition to a loan for a larger amount and specialized technical assistance, will also receive an agricultural insurance product and access to companies that purchase agricultural products of the kind that the clients produce. A total of 1,108 clients are expected to be served, and of these an estimated 200 will move from segment A to B and to C. The average loan would begin at an estimated US\$339 for segment A clients, US\$577 for segment B clients, and US\$769 for segment C clients.

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

The ***nonreimbursable technical cooperation component*** of US\$320,697 (US\$215,000 from the Bank and US\$105,697 in FB counterpart funding) is considered a priority in the model and will be allocated for the design, adjustment, and implementation of the loan products, as well as the educational, technical training, and organizational activities for clients participating in the project. Three subcomponents will be executed: (i) development and adaptation of agricultural financial products (including the loan product and the agricultural insurance product); (ii) implementation of the financial products; and (iii) business education and on-the-ground agricultural technical assistance for FB clients, including activities such on-site agricultural training for clients, establishment of strategic partnerships for specialized agricultural training, and support for developing business skills and formalizing community businesses. Furthermore, specialized agricultural technical assistance activities will be conducted using demonstration plots and with support from outreach workers. Partner institutions (i.e., foundations or technical training institutions) are expected to participate in both the training and technical assistance support, as well as in linking clients with markets (product procurement companies). Crops preliminarily identified for the project are tomatoes, garlic, onions, peppers, and French green beans.

## 9. **Beneficiaries:**

Based on the previous segmentation exercises undertaken by FB during 2013, the entity provided for three client segments for the project (A, B, and C). **Segment A** clients are those who have subsistence production (staple grains). The idea is to migrate them to surplus production of traditional products (noncommercial small farmers). **Segment B** clients (commercial producers in informal value chains) are those who have surplus production and/or nontraditional crops and are in informal production chains, and the objective is to migrate them to formal chains. **Segment C** clients are those who are in formal value chains, and the idea is to formalize the groups in community-based enterprises, fostering their growth and ties to stable markets. Additionally, through this segmentation exercise FB has successfully classified three types of clients: (i) poor; (ii) extremely vulnerable; and (iii) vulnerable. The typical FB client is a 38-year old woman with four children, two to three years of schooling, and a household that lives on between US\$1.12 and US\$4.51 per day. She is indigenous (Quiché, Kaqchiquel) and therefore speaks her native language and knows

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little Spanish. In short, poor clients are those who are in the income segment of between US\$1.11 to US\$2.35 per day, extremely vulnerable clients have an income of between US\$2.36 and US\$3.52 per day, and vulnerable clients are those that live on an income of between US\$3.53 and US\$4.49 per day.

**10. Expected results and benefits:**

The direct benefits of the Bank's financing will be captured by: (a) approximately 1,018 rural women and their families, **FB clients** who will have access to: (i) loans to finance agricultural activities with terms and conditions tailored to their needs; (ii) specialized technical assistance and training for their crops; (iii) specialized training in business skills to formalize their community-based enterprises; and (iv) an agricultural insurance product for their crops. Based on the social performance monitoring system developed by FB, upon completion of the project, about 45% of the clients will have increased their income. (b) **Friendship Bridge** will benefit from an increase in its outstanding portfolio and the expansion of its loan product offering for its target population. Furthermore, it will have new nonformal educational capacities on agricultural topics and strategic partnerships to provide specialized education to women entrepreneurial leaders who wish to expand their businesses.