



## OPPORTUNITIES *for the* MAJORITY

# Empowerment through Investment

### A New Way to Pave City Streets

Throughout Latin America low-income neighborhoods have difficulty in paving city streets. Municipalities are typically short of funds, and many informal urban settlements have not yet been properly incorporated into the tax base.

An innovative solution has been devised by CEMEX, a multinational cement company based in Mexico, to mobilize both public and private resources to pave streets in low-income neighborhoods.

Under the plan, called *Mejora tu Calle*, city residents will receive individual microloans and then pool the resources to finance half the cost of street pavement for their neighborhood. Municipalities will contribute the other half of the cost.

By participating in the project the IDB reduces the risk of other investors, encouraging its partners to move ahead on a larger scale. The Bank has the capacity to incorporate the program into a more ambitious mission of demonstrating to Latin America and the Caribbean as a whole the advantages of public-private partnerships in improving entire municipal neighborhoods. The IDB is backing the *Mejora tu Calle* project with a \$10 million partial credit guarantee and a \$250,000 grant for technical assistance to help the municipalities improve their tax collection through more efficient property registration.

### *A Market-Based Solution*

The IDB's support for the project is offered in the framework of the Bank's Opportunities for the Majority, an initiative that promotes innovative solutions and public-private partnerships to bring the benefits of economic growth to that 70 percent of the population in Latin America and the Caribbean with low incomes.

CEMEX is a world leader in devising creative, market-based solutions through a partnership between consumers and producers. Recognizing the potential of a long-ignored but numerous market segment, CEMEX in the 1990s organized a program known as *Patrimonio Hoy*, which enabled 185,000 low-income households to improve their homes in stages through a system of microloans. Many of these beneficiaries are now enthusiastic supporters of the *Mejora tu Calle* plan, which extends the microfinancing principle on a collective basis to entire neighborhoods.

"We know that our future is closely tied to the growth of our people and to the communities where we work," says Jaime Elizondo, chairman of CEMEX Mexico.

### *Creating New Wealth*

Paving municipal streets improves public health and neighborhood security and allows wage earners to travel to their jobs faster and become more productive. Property values rise, and so do incomes. In addition, thousands of neighborhood residents who participate in the microloan program will develop credit histories that will enable them to have access to other forms of financing in the future to meet their needs.

The microloans will average less than \$1,000 each and be repaid over a period of 70 weeks. CEMEX will organize a sales force consisting of a network, comprised mainly of women, known as *promotores*, to market the loans and collect the payments, and it will administer the loans through a Special Purpose Vehicle.

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