



## OPPORTUNITIES *for the* MAJORITY

# Developing Anchor Companies, Boosting Small Producers.

### Competitive Producers for Competitive Companies

Credit is the boost small and medium enterprises in Latin America need most. It gives companies that anchor distribution chains the opportunity to integrate small producers into the formal economy. This creates jobs, strengthens domestic markets and improves access to exports, while increasing productivity and bettering the lives of poor producers at the base of the pyramid.

The Inter-American Development Bank's (IDB) Opportunity for the Majority Initiative (OMJ) is lending up to \$3 million to the Fondo de Desarrollo de Emprendimientos Socialmente Responsables (PymeCapital S.A.) to bolster small and medium anchor companies in agriculture, agroindustry, manufacturing, and tourism in nine countries in Central and South America.

Through the OMJ loan, PymeCapital will provide credit and technical assistance to SMEs and small producers in Bolivia, Nicaragua, Guatemala, Honduras, Dominican Republic, Peru, Paraguay, El Salvador, and Colombia. The fund lends to companies whose business models incorporate social and environmental impact, and is thus developing a portfolio with a triple bottom line.

### Training Competitive Small Producers

Agriculture and manufacturing are two of the most important sources of employment in Latin America and the Caribbean. Yet many workers in these sectors have low productivity and are poor. They can't obtain capital and many have few organizational and administrative skills. Since the majority of small producers live in rural areas, they are often hampered by geography, cut off from formal markets and exports by a lack of infrastructure and information.

SMEs also need to be more competitive and productive, and increasing the capacity and sustainability of their small producers

helps them do so. PymeCapital has developed a win-win model for SMEs with expansion plans that have a social vision, and producers that need a stable anchor within a distribution chain. Thanks to OMJ, the fund will offer SMEs access to medium-term financing and technical assistance to maximize their competitive advantage, expand integration and strengthen their linkage with more small producers along the value chain.

All of the businesses in the fund's portfolio are linked to a base of small producers. Businesses must have operated in their market for at least three years, have an expansion project with a social impact vision and be an important part of their production chain.

### Stronger Businesses, Better Producers

The fund offers companies to which it lends two kinds of technical assistance: production and management. Support for improved management, corporate governance and formalization develops and strengthens businesses. Support for small producers strengthens them and businesses, since companies in the portfolio buy raw materials, supplies and other inputs from producers at the base of the pyramid. Technical assistance is provided with the aim of improving productivity and irrigation and assisting small producers to qualify and apply for organic certification. These are among many services offered through specialized institutions with which the fund has cooperation agreements.

### A Model for Many Sectors

PymeCapital specializes in providing credit, technical assistance, consulting services and aid to SMEs in Latin America, particularly those requiring structured mechanisms in their business development. As OMJ's loan supports a regional project, the fund uses its partners in individual countries to originate, execute, and monitor the portfolio within a standardized framework. The project is expected to raise incomes of several thousand low-income small producers at the base of the pyramid. As several sectors are involved, the project expects to have a positive demonstration effect. It can be replicated and scaled through other venture capital funds and financial institutions and support SMEs in these and a variety of different sectors across the region.



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