



USAID
FROM THE AMERICAN PEOPLE



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PARTNERING TO ACCELERATE ENTREPRENEURSHIP

ENCLUDE: BANKING ON WOMEN
EMPOWERING WOMEN-LED BUSINESSES
IN LATIN AMERICA THROUGH FINANCIAL
INNOVATION



USAID	PARTNER*	TIMEFRAME	GEOGRAPHY
\$1 Million	\$1.2 M (E)	3 Years (2016-2019)	Latin America

Entrepreneurs play a critical role in driving economic growth, creating jobs, and innovating to improve people’s lives through solutions. Through the **Partnering to Accelerate Entrepreneurship (PACE) Initiative**, USAID catalyzes market-based private sector investment into early-stage enterprises by identifying and testing innovative models or approaches that help entrepreneurs bridge the pioneer gap and scale.

THE CHALLENGE

Small and growing businesses (SGBs) create jobs for local economies, connections to regional and global markets, and access to critical goods and services for underserved communities. Yet despite their importance, SGBs — especially women-led businesses — have trouble accessing appropriate finance. SGBs often lack experience dealing with commercial banks and the business acumen to prepare a business or investment plan required to secure a loan. Women-led SGBs are especially likely to lack the collateral that traditional banks request, and without which businesses are unable to access the credit they need to grow.

In August 2015, Enclude, Agora Partnerships, and Santa Clara University’s Miller Center for Social Entrepreneurship launched the Variable Payment Obligation (VPO) Program to demonstrate that a traditional commercial bank can lend to SGBs using cash-flow-based methodologies instead of relying on collateral. Targeting women-led enterprises, the VPO Program also demonstrates that bundling an appropriate credit product with enterprise growth services, such as training, group workshops, and individual consulting, can lower the borrower’s risk of default and increase the loan’s impact on the business’s growth.

The VPO program partners and local bank partner, Banco de América Central (BAC) Nicaragua, needed a stabilizing institution to share the risks involved in launching an innovative financial product.

THE PARTNERSHIP

In 2016, USAID became a partner on the VPO Program through PACE. Each partner has its own unique role:

Enclude manages the overall program and provides technical support to BAC Nicaragua; Agora provides enterprise growth services to loan recipients in Nicaragua, assists BAC Nicaragua with pipeline development, and helps bridge the communication between the bank and the borrowers; the Miller Center for Social Entrepreneurship developed the initial variable payment loan product and consults on product design; and BAC Nicaragua serves as the local bank partner that lends to the entrepreneurs. USAID's grant, alongside investment from the Argidius Foundation, a philanthropic organization, supports enterprise growth services and co-funds the project.

Traditional financial institutions often view USAID's involvement as a stamp of assurance. USAID has credibility as a government agency and a brand that is respected globally, making partners like BAC Nicaragua more likely to engage in investments they might otherwise deem too risky. As the VPO Program has begun exploring opportunities in Latin America and has engaged potential new bank partners, the value of USAID's support and ability to facilitate connections in new markets has become more apparent and grown in importance to the VPO Program.

EMERGING RESULTS

The VPO Program aims to disburse cash-flow-based loans to qualified women-led SGBs in Nicaragua in the initial pilot phase. Current borrowers are using their VPO loans both for working capital and for capital investments. For example, Fátima Carazo, the owner of Rosquerillería Alondra — a company producing corn biscuits typical to Nicaragua called rosquillas — used her VPO loan to upgrade her traditional oven to a new industrial oven and has since been able to increase her monthly sales to meet demand. After a year of participating in the VPO Program, she was able to obtain a car loan that allowed her to distribute her products more easily and diversify her client base. Adalinda Blandón, the owner of Mamá Gollita, a company that produces pickled onions and similar products, used the VPO loan to improve her production facility and expand her production capacity by 25%, allowing her to match her 2017 sales numbers in just the first six months of 2018. Despite the crisis in Nicaragua and the resulting economic slowdown, all VPO borrowers have continued to make payments on their loans and are honoring their obligations to the bank and to their employees. BAC Nicaragua has also demonstrated flexibility and willingness to work with the VPO borrowers and Agora to accommodate loan restructuring requests as borrowers consider their options, explore new markets, and work to stabilize their businesses in the face of considerable uncertainty.

The VPO Program has seen success, and the partners are actively exploring organic growth opportunities through the BAC network, with BAC Nicaragua facilitating introductions and sharing its positive experience with VPO, as well as potential partnership opportunities with banks in Colombia and elsewhere in Latin America in support of SGBs in need of growth capital



OUR PARTNERS

Enclude

Agora Partnerships

Miller Center for Social Entrepreneurship at Santa Clara University

Banco de América Central (BAC) Nicaragua

Argidius Foundation

FOR MORE INFORMATION

To learn more about the PACE Initiative, visit [usaid.gov/pace](https://www.usaid.gov/pace) or contact: pace@usaid.gov.

About the United States Agency for International Development

USAID is the world's premier international development agency and a catalytic actor driving development results. USAID's work advances U.S. national security and economic prosperity, demonstrates American generosity, and promotes a path to recipient self-reliance and resilience.

*This captures the funding commitments, in-kind contributions, and cost share (from the public and private sectors and individuals).