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Argidius Foundation

promotes the strengthening of entrepreneurship ecosystems

Argidius Foundation supports small and medium-sized enterprises to improve the quality of life of the population living in poverty by promoting entrepreneurship ecosystems that involve strategic partners. To this end, Argidius has supported Thriive (in Guatemala), an organization that provides institutional strengthening and equipment acquisition services to small and medium-sized enterprises, under a “repay the community” model.

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LOCATION:

Argidius Foundation: Offices in Switzerland.

Impacted organizations:

Guatemala, mainly in the Quetzaltenango Department.



MAIN PARTNERS:

- Thrive Guatemala
- Alterna



SECTOR:

Entrepreneurship and employability



TYPE OF FINANCING:

Donation



TYPE OF INVESTOR/SILO:

Foundation



FINAL BENEFICIARIES:

Small and medium-sized enterprises (SMEs) in vulnerable communities.



DURATION:

2016

- now



MOTIVATION/ PROBLEM TO TACKLE:

Support SMEs in order to improve the life of the people living in poverty by generating income and jobs.



NON-FINANCIAL SUPPORT OFFERED:

Impact management and measurement



SDGS ADDRESSED:

IMPACT:

Thrive Guatemala has reported the following:

Between the 2015 and 2019 phases (cohorts), due to the growth of the

70 enterprises

supported by Thrive Guatemala, new jobs were created, and the selected enterprises attained a significant growth in their sales (**95% on average**).

During this period, and thanks to the repayment model (**85% compliance**),

90 people



found a job, after receiving some sort of training or donation through repayment plans.

60 %

60% of the enterprises that make repayments have kept on contributing, to a greater or lesser extent, to communities with some type of donation or training, even after the end of the contractual relationship. And **5% implemented social responsibility** within their business model.



In **2019** more than **50 %**

In 2019, 50% of selected Guatemalan businesses are **led by women**.





BACKGROUND AND CONTEXT

Poverty, inequality, and lack of job opportunities affect most of the Guatemalan population.¹ By 2014, the last year when the National Survey on Living Conditions was conducted, poverty amounted to 59.3% of the population. In 2014, the Gini coefficient was 0.53 nationwide and 0.58 in the Quetzaltenango Department.² According to the World Bank, “in essence there are two Guatemalas, one well-off, and one poor, one urban and one rural, one Ladino and one Indigenous with large gaps in both social and economic outcomes.”³

These gaps particularly affect women, as they have less access to paid employment; in particular, only 43.5%⁴ of women have a paid job in the non-agricultural sector.

One of the great problems faced by SMEs in Guatemala is the lack of access to credit and financing lines, as they do not meet the demands of the main banking institutions. In the context of COVID-19, it is estimated that only 20% of them can meet the requirements to access credits,⁵ which usually have a very high interest rate. According to the Executive Director of the Guatemalan Entrepreneurs Association (Asegua)⁶ “the next steps are not simple, and better guidance and advice is needed to be able to guide SMEs in this process so that they can be taken into account.”⁷

¹ World Bank, (2020). Guatemala Panorama General. Available at: <https://www.bancomundial.org/es/country/guatemala/overview>

² Instituto Nacional de Estadística Guatemala, INE, (2015). República de Guatemala: Encuesta Nacional de Condiciones de Vida 2014 Principales de resultados. Instituto Nacional de Estadística Guatemala. Available at: <https://www.ine.gob.gt/sistema/uploads/2015/12/11/vjNVdb4lZsw0j0ZtuivPlcaAXet8LZqZ.pdf>

³ World Bank, (2020). Op cit.

⁴ INE, (2015). Op cit.

⁵ Data based on approval by the Guatemalan government of a 52 million USD fund to grant credits to SMEs. Ministerio de Economía Gobierno de Guatemala, (2020). Aprueban reglamento de crédito para mipymes afectadas por COVID-19. Available at: <https://www.guatemala.gob.gt/aprueban-reglamento-de-credito-para-mipymes-afectadas-por-coronavirus-covid-19>

⁶ Aceleramos Guate, (2019). ASEGUA. Available at: <https://aceleremosguate.com/asegua>

⁷ Prensa Libre, (2020). Coronavirus: Solo dos de cada diez mipymes califican para préstamos que anunció el CHN. Available at: <https://www.prensalibre.com/economia/coronavirus-asi-pueden-optar-pymes-a-un-prestamo-hasta-por-q1-millon-pero-solo-el-20-llena-los-requisitos>

The Argidius Foundation was created in 1956 and, as of 1992, its focus was on business development. This focus, based on the idea that sustainable employment gives people the opportunity to build a better life for them and their families, became the foundation for Argidius.

Thriive is a US-based organization that operates in several countries. It concentrates on supporting SMEs through institutional strengthening and machinery and equipment financing strategies in order to increase their productivity.



DESCRIPTION

Argidius started supporting Thriive Guatemala in 2016 due to its innovative character and its affinity with the foundation's vision. Thriive's innovative character lies in its return methodology, a social repayment to the community by beneficiary entrepreneurs, as reimbursement for financing granted by donors such as Argidius.

Under this repayment methodology, the enterprise benefited by Thriive gives back 10% of the investment in cash, with no interests, in order to sponsor other enterprises. The remaining 90% is given to the community by donating products or services and/or training.

"On top of job creation, Thriive's most important impact is that, by giving participants the opportunity to repay their communities, it allows them to see the effect of their actions on their environment. This experience helps them become active citizens, empowers them, and teaches them that they can change things themselves." Irene Garcia, Argidius Foundation Program Manager.

The focus of Argidius is to provide capacity building support for the organizations that it works with.

Entrepreneurs go through a training process to be able to develop their social repayment plan. Also, Thriive has connections with several local organizations, which allows entrepreneurs to work in partnership with them to design and follow up on their repayment plan.

Thriive prioritizes four important characteristics in its repayment plans.

- 1 Product donation for their sale. The beneficiary enterprise donates products to a vulnerable community, so that the latter can sell them and raise their own capital.
- 2 Service donation. The beneficiary enterprise offers its services free of charge to a community.
- 3 Training for work. The beneficiary enterprise trains new staff, thanks to expanded activity due to machinery acquisition.
- 4 Community training. The enterprise holds workshops with the community on the product or service it offers.

Argidius has supported Thrive's implantation in Guatemala by bringing it closer to its local partners. For that purpose, Alterna, a leading social innovation platform in the country, has been a key actor. The objective of this organization is "to promote the development of responsible entrepreneurs and enterprises as a path towards a sustainable region."⁸ Alterna provides workspace and advice for the selection of Thrive program participants, which has allowed for cost reduction.



IMPLEMENTATION

The focus of Argidius is to provide capacity building support for the organizations that it works with. Its work is based on three strategic lines: geographical focus, strategic partnerships, and promotion of learning.

⁸ Alterna, (2020). Inicio. Available at: <https://alterna.pro/#>

Graph 1: Argidius Foundation Strategic Practices.



Source: Prepared by the authors based on Argidius Foundation information, (2019).

Also, Argidius selects partners to support job-creating SMEs with high growth potential. In order to identify the characteristic elements of the supported enterprises, Argidius has defined three categories: i) small enterprises formalizing processes; ii) more robust dynamic enterprises still growing, and iii) venture enterprises, whose growth curve is more accelerated.

Thriive selects yearly a new business group, equivalent to a “generation” (phase or cohort). The application process starts in June, promoted on social networks, briefing sessions, and word of mouth. Applications are analyzed, sometimes along with Alterna, and the pre-selected initiatives are called on and assessed by the Thriive team.

The goal is that at least 50% of selected businesses are led by women. Financial support lasts two years and is granted commencing from the following year after the start date. For this purpose, an agreement between Thriive and the enterprises that will be supported is drafted and signed. Thriive buys the equipment directly to deliver it to the SMEs.



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⁹ For example, the first generation, called phase 2015, was selected in 2015 and supported in 2016 and 2017. The 2016 generation (phase 2016) got the support in 2017 and 2018, and so on. So far there are five generations (2015, 2016, 2017, 2018, and 2019). The first three have already graduated; that of 2018 is in its second support year; and that of 2019 is in its first year.



Tailored Finance

In order to grant financing, the Argidius Program Manager conducts a prior review of the proposals and submits them to the Investment Committee, comprising Foundation relatives and experts on financial and social issues. The Committee issues a recommendation on organizations to be selected, then the Argidius Board confirms the applications recommended by the Committee.

One of the essential elements in the decision is the creation of a work plan by the applicant organization, where it states the goals and indicators it wants to achieve with support from Argidius.

The donation made to Thriive has a duration of three years with multi-annual planning. Argidius set this period because it is essential for it to visualize progress and learn alongside them. The amount granted is not exclusively for activities directly related to the project's goal –i.e., training and equipment acquisition– but it is also open to finance personnel and office expenses in the organization. Thanks to Thriive's good performance, Argidius has supported it with multiple grants.

For the Foundation, it is important to have co-financers for its investments. To this end, they look for partnerships with other actors to work together on the projects they support. In turn, Thriive is supported by enterprises and other donors, which allows them to not rely on a single source of financing.

Thriive provides entrepreneurs with financing for up to USD 10 000 for machinery and equipment acquisition, without the need for a guarantor or mortgage.

Thriive expects a 10% financial return on the investment made, which has to be paid in cash in twelve interest-free installments¹⁰ during the first year of the investment.

One of the essential elements in the decision is the creation of a work plan by the applicant organization.

¹⁰ Thriive Guatemala, (2018). ¿Cuál es el fin de Thriive? Available at: <https://alterna.pro/thriive/?fbclid=IwAR0EmqEaSzcVl26SWND6-ZEEAWOK0ch5cwvCnn9TgAQErVA60UHgXNAUc4M>



Non-financial support

Non-financial support provided by Argidius is reflected on the work plan, which can evolve and be amended according to the supported enterprise's needs. And it is done with the participation of its strategic partners and experts on relevant topics. Argidius also finances training –for example on financing matters– and offers advice, in the case of Thriive to produce monitoring and evaluation reports. It also finances mentorships and consultancy, on top of providing personalized monitoring, close follow-up.

Another part of the non-financial support provided by Argidius is systematizing Thriive's experience to draw good practices. This strategy to constantly learn from and analyze its partners is the basis for Argidius to continuously adjust and improve its support, rigorously assessing what works and what can be improved.

Thriive also provides non-financial support to the enterprises it finances by means of business advice provided by Alterna and access to workshops and training with a business approach.



RESULTS

In order to measure partner organizations' results, Argidius takes into account two key indicators: increased income and job creation. This data is submitted twice a year, first in a biannual report and, at the end of the year, on a final report. Additionally, at least two on-site meetings are organized every year to check the progress of indicators on the field.

From the work plan, a comparison is made with actual advance, so as to assess progress and plan for future activities. Thriive follows up on entrepreneurs by means of field visits and regular contact through a repayment supervisor and their community manager. It also arranges meetings among supported entrepreneurs, by sector or topic, to foster feedback among participants.

Some outstanding results achieved since Thriive launched operations in Guatemala are:¹¹

- ... A total of 70 enterprises supported.
- ... Average growth of 81% for all of them.

The results of phase 2017 (which include measurement data for 2018 and 2019)¹² are:

- ... All supported businesses (14) met their repayment.
- ... 71 new jobs were created.
- ... 800 people benefited from the repayment model.

In phase 2019, over 50% of selected businesses were led by women, this achieving the goal of increased gender inclusion.

The repayment model has shown 85% compliance, which results in significant benefits for communities; it has also served as a driver for change. Some enterprises have kept on contributing and providing training even after the end of the contractual relationship, allowing the program to go beyond the credit and encouraging greater solidarity and more active citizen engagement.



LEARNINGS AND PERSPECTIVES

For Argidius, Thriive's main challenge is that potential donors and philanthropic investors do not understand the unique social return model. Its hybrid job creation model through capacity building for entrepreneurs, along with donations to the community, makes it not fully compatible with traditional philanthropy or impact investment. This is key because they depend on donations received to survive

¹¹ These results take into account the five generations of businesses supported by Thriive Guatemala so far.

¹² Phase or generation 2017 included 14 enterprises. These results are as of the last quarter of 2019, the last year when they received support.

in the long run. Argidius considers that philanthropic investors should be more flexible and open to new models. One of their greatest lessons lies in the need to listen to supported organizations and keep an open relationship with them.

For Thriive, the main challenge has been to introduce the idea of repayment among Guatemalan entrepreneurs, who are used to non-refundable funding. Their main learning is the importance of being consistent in following up supported enterprises. Thriive has realized the importance of listening to entrepreneurs to understand their needs and maintaining excellent communication with them so that they understand the program's functioning and logic. This is important to maximize, evaluate, and measure their impact, and to share and divulge success stories and thus attract more donors.

Donation to Thriive Guatemala is close to an end; however, Argidius's work continues in other regions. Additionally, their priority is to keep on institutionally strengthening organizations with a social purpose so that they raise more funds and become less dependent on their support.

Argidius communicated to all the organizations it works with that it is open to the possibility to reallocate previously allocated funds or make available additional funds to meet the needs created by the pandemic crisis. At the same time, it finance mentoring programs for those that required it.

Thriive Guatemala made five new investments in September 2020. It also decided to fund for the second time 10 enterprises from past generations to minimize the effects of the crisis.

One of their greatest lessons lies in the need to listen to supported organizations and keep an open relationship with them.