



Nacional Monte de Piedad

supports employability among vulnerable sectors in Mexico

Nacional Monte de Piedad works with organizations that seek to improve working conditions for vulnerable groups. Since 2018, it has supported Alternativas de Vida Solidaria para el Desarrollo y la Paz in the Horizontes Creativos (Creative Horizons) initiative, which addresses job insecurity in the state of Tabasco by supporting and strengthening microbusinesses, collectives, and cooperatives.

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LOCATION:

Promoter:

National - Mexico

Impact on:

Comalcalco and Nacajuca municipalities in the state of Tabasco.



MAIN PARTNERS:

SPO:

- Alternativas de Vida Solidaria para el Desarrollo y la Paz

Other partners:

- Dignidad y Solidaridad de A.C.
- Instituto Mexicano de Formación Interdisciplinaria y Asistencia Social A.C.
- Manos Unidas (Spain)

- United States Conference of Catholic Bishops
- Adveniat (Germany)
- Laboratorio de Innovación Económica y Social Universidad Iberoamericana de Puebla
- Instituto Nacional de Economía Social (INAES)
- Other donors



MOTIVATION/PROBLEM TO TACKLE:

Improving and bringing together microbusinesses and collectives/cooperatives from Comalcalco and Nacajuca for the formalization of employment, better income, and improved working conditions that enable the region's economic recovery.



TYPE OF INVESTOR/SILO:

Foundations



NON-FINANCIAL SUPPORT OFFERED:

- Results monitoring and evaluation
- Follow-up and feedback
- Collaboration with peers around community work



SECTOR:

Employability



DURATION:

2018

-now



FINAL BENEFICIARIES:

Indigenous population (70% women and 60% from rural areas).

SDGS ADDRESSED:



TYPE OF FINANCING:

Donation

RESOURCES INVESTED OR DONATED:

USD 90,000

IMPACT:

150 beneficiaries

from microbusinesses, collectives, or cooperatives saw their monthly income increase. They left informality and can exercise their labor rights.

Creation of a **business model** for self-financing through coffee shops.



Creation of

16 legally established social economy enterprises.

Signature of

3 commercial

collaboration agreements for the promotion of products in new markets.





BACKGROUND AND CONTEXT

In Mexico, the unemployment rate is 3.5% (2020). This relatively low percentage hides worrying information about the quality of employment. In 2019, 7.8%¹ of the population was underemployed, while 56.6% worked in the informal sector, which is equivalent to 30.9 million people.² Regarding formal employment, many jobs are unstable with low-wage, with few or no social benefits. These indicators put Mexico on a level similar to that of countries with less developed economies.³

This explains why 41.9% of the population was living in poverty in 2018^{4,5}. Most households do not have access to social security services, and even less to pensions or unemployment insurance. Their vulnerable condition reduces their ability to respond to crises without becoming undercapitalized or compromising their children's education, as is becoming evident due to the COVID-19 crisis. The lack of decent employment is an essential characteristic of the Mexican labor sector.

Tabasco is one of the states that are more affected by labor informality and shortage. Despite its great natural wealth and cultural diversity, the economy of this state has been historically linked to petroleum extraction. This has led to the abandonment of other productive and economic activities, which prevented the economic diversification of the State. For this reason, Tabasco has the highest unemployment rate of the country (6.4%) and a high percentage of labor informality (60.3%), above the national average.⁶

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¹ INEGI, (2020). Empleo y Ocupación. Instituto Nacional de Estadística y Geografía. México, 2020. Accessed at: <https://www.inegi.org.mx/temas/empleo/>

² INEGI, (2019). Resultados de la Encuesta Nacional de Ocupación y Empleo. Instituto Nacional de Estadística y Geografía. México, 2019. Downloaded from: https://www.inegi.org.mx/contenidos/saladeprensa/boletines/2019/enoe_ie/enoe_ie2019_08.pdf

³ CONEVAL, (2018). Estudio Diagnóstico del Derecho al Trabajo 2018. Consejo Nacional de Evaluación de la Política de Desarrollo Social. México, 2018. Downloaded from: https://www.coneval.org.mx/Evaluacion/IEPSM/Documents/Derechos_Sociales/Estudio_Diag_Trabajo_2018.pdf

⁴ CONEVAL, (2019). Pobreza en México. Consejo Nacional de Evaluación de la Política de Desarrollo Social. México, 2019. Accessed at: <https://www.coneval.org.mx/Medicion/Paginas/Pobrezainicio.aspx>

⁵ Due to the COVID-19 health emergency, INEGI cancelled the ENOE information collection for the second quarter of 2020. For this reason, more recent figures are not available.

⁶ CONEVAL, (2019). Op cit.

In this context, Nacional Monte de Piedad decided to support Alternativas de Vida Solidaria para el Desarrollo y la Paz—and its Horizontes Creativos project—an organization that promotes an innovative local entrepreneurship model based on collectives and cooperative businesses.



DESCRIPTION

Nacional Monte de Piedad is a private assistance institution created 245 years ago, which works to help those in need by means of secured loans, financial services, and social investment. Its business activities have an altruistic element, as pawning for a loan is a way to help vulnerable groups excluded from the formal financial system.

In turn, this activity allows to earn income that supports the institution’s purely philanthropic work. The social investment strategy stems from the “Círculo Virtuoso de Ayuda” (Virtuous Circle of Help) model, in the framework of which entrepreneurial and philanthropic activities work in synergy and reinforce each other.

Originally, Nacional Monte de Piedad was characterized by a charitable, welfare-oriented vision that has moved towards an increasingly modern, progressive philanthropy. In 2017, it decided to focus one of its lines of action on initiatives that contributed to improving working conditions and access to social security. To this end, it created the “Formación para el Trabajo Digno” (Training for Decent Work) initiative, which focuses on supporting organizations that serve vulnerable groups—particularly self-employed persons—in order to improve their self-employment conditions.

For this reason, it decided to support Alternativas de Vida Solidaria, an organization that defines itself as an incubator for social innovation experiences. This organization’s proposal is to promote new forms of organization that lead to innovative creation processes, implementation and dissemination of ideas, products, services, or practices that tackle social issues. It prioritizes youth, indigenous peoples, and women. Also, its interventions are based on the principles of social and solidarity-based economy.⁷



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⁷ Social and solidarity-based economy is a set of alternative economy practices that try to achieve social transformation by means of economic activity. (Universidad Iberoamericana de Puebla, n.d.) <https://www.iberopuebla.mx/site-laines/index.php?r=site%2Feconomia>

Its Horizontes Creativos project intervenes in two disenfranchised municipalities in the state of Tabasco (Comalcalco and Nacajuca), characterized by being rural and having a high percentage of indigenous population (21%),⁸ mainly from the Maya-Chontal-speaking ethnic group. The initiative strives to address job insecurity in the region by supporting and strengthening microbusinesses, collectives, and cooperative businesses in building skills and capacities for business formalization.

Alternativas de Vida Solidaria has convened a series of national and international actors so that they can join the project. For example, Universidad Iberoamericana de Puebla (Ibero Puebla) participated in the training process, and Instituto Nacional de Economía Social (INAES) provided in-kind support.



IMPLEMENTATION

The Nacional Monte de Piedad social investment model is based on the aid effectiveness principle, so as to be able to bring about substantive change. Said model sets forth two strategies: a strengthening strategy and a leverage strategy. The former seeks to build organizational capacity and consolidate the Alternativas de Vida Solidaria intervention models. The latter aims at fueling collaborative efforts among different actors to share knowledge and consolidate partnerships.

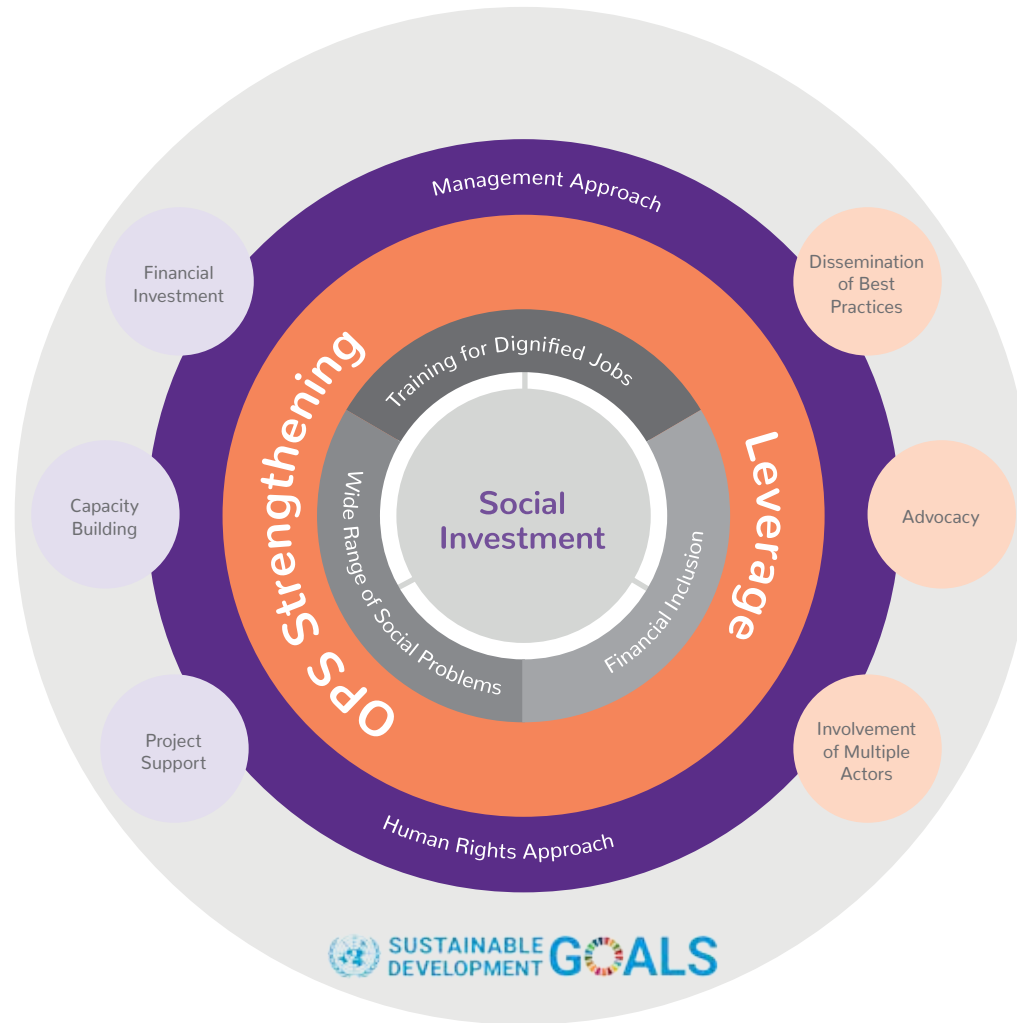
Besides these two lines of action, the model sets forth two cross-cutting approaches: a Development Results Management approach—which promotes planning and evaluation processes for the continuous improvement of interventions—and a Human Rights-based approach—whose goal is the restoration and exercise of people’s rights that could be violated.

In the case of Alternativas de Vida Solidaria, the model got involved in the communities since the design stage for the creation of strategic plans. First of all, a diagnosis was made to understand the situation and the needs of microbusinesses, collectives, and cooperatives from Comalcalco and Nacajuca. Then, some actions were prioritized for the intervention, particularly capacity building for business formalization.

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⁸ Secretaría de Desarrollo Social Tabasco, (2015). Programa especial para la atención de los pueblos indígenas 2013-2018. Secretaría de Desarrollo Social. Gobierno de Tabasco, 2015. Downloaded from: <https://tabasco.gob.mx/sites/default/files/users/setabasco/12-PROGRAMAESPECIALPARALAAATENCIONDELOSPUEBLOSINDIGENAS.pdf>

Graph 1: Nacional Monte de Piedad Social Investment Model



Source: Nacional Monte de Piedad

 **Tailored Finance**

As part of the process to access a donation, the applicant organization submits a concept note and a technical and economic proposal for its initiative. Nacional Monte de Piedad analyzes the proposals based on the five evaluation criteria laid out by the Organization for Economic Co-operation and Development (OECD): relevance, effectiveness, efficacy, impact, and sustainability. This review includes comments, clarifications, and feedback. In some cases, a part of the donation is conditional on the achievement of certain results, promoting greater effectiveness in the use of resources.

Alternativas de Vida Solidaria has worked with Nacional Monte de Piedad for two years. It has received a total donation of USD 90,000 during those two periods, which has been invested in the project's general expenses (salaries, teaching material, food, maintenance, service payment, start-up expenses, and property).

This is a significant amount for areas that traditionally receive little finance from the philanthropic sector, as they are considered "bureaucratic expenses", not very attractive for donors.

"This financial support was enough for the size of the project and has helped its sustainability over time." Gerardo Gordillo, Director of Alternativas de Vida Solidaria para el Desarrollo y la Paz.

The SPO also managed co-investments for the initiative on behalf of Manos Unidas, the United States Conference of Catholic Bishops (USCCB), Adveniat Dignidad y Solidaridad de A.C., Instituto Mexicano de Formación Interdisciplinaria y Asistencia Social A.C. (IMFIAS), among other donors.

 **Non-financial Support**

Nacional Monte de Piedad follows up on the projects that it finances and provides them with constant feedback. This feedback is provided by means of its diagnosis, planning, monitoring, and evaluation tools. Nacional Monte de Piedad also makes frequent field visits in order to ensure close guidance.



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The Horizontes Creativos diagnosis showed that microbusinesses, collectives, and cooperatives from the municipalities of the intervention face significant barriers to grow. This led to the development of the following lines of action.

- 1...Bringing about positive attitudes and behaviors related to self-esteem, innovation, creativity, and leadership, among members of the microbusinesses, collectives, and cooperatives.
- 2...Providing participants with new administrative and legal knowledge to improve decision-making in their business structures.
- 3...Articulating and formalizing related economic activities to establish partnerships among entrepreneurs.
- 4...Promoting partnerships with other types of institutions to close commercial deals, for example.

For Alternativas de Vida Solidaria, the most important element of this strengthening process has been the possibility to engage in a close dialogue with Nacional Monte de Piedad.

“The visit was very stimulating for microbusinesses. This close presence makes the relationship fraternal and formal, as well as a boosting relationship.” Eduardo Martínez, Coordinator, Alternativas de Vida Solidaria para el Desarrollo y la Paz.

Nacional Monte de Piedad also serves as an articulator of efforts to strengthen the intervention, bringing together several partners and players from different sectors (public, academic, and microfinance institutions, among others). Thus, the exchange of experiences is promoted, mainly through the creation of regional gathering spaces.



RESULTS

Nacional Monte de Piedad has a series of standardized indicators for coverage, management, and results, which are selected and adapted according to the organization and the supported project. The initiative is assessed based on a scale from 1 to 7, where 1 refers to welfare aid and 7 to interventions that fuel systemic change. Alternativas de Vida Solidaria is on level 5. This means that its interventions focus on developing individuals' skills, capacities, and behaviors, so that they build life alternatives that allow them to exercise their rights and meet their needs sustainably.

Alternativas de Vida Solidaria complements the assessment made by Nacional Monte de Piedad with its own quantitative and qualitative indicators, which deliver results such as the personal and global rates of return per invested unit.

In order to conduct these evaluations, semi-annual reports are prepared. Besides presenting results, these reports include issues faced by the intervention, as well as its achievements, findings, and lessons learned.

These are the results attained by Horizontes Creativos in 2018-2019:

- 1... The initiative impacted 150 people, which now belong to a microbusiness, collective, or cooperative. This means that they have seen an increase in their monthly income.
- 2... Out of the people who enrolled in the initiative, 0% deserted.
- 3... 100% of participants improved their soft skills, measured by means of diagnostic tests before and after the training process.
- 4... 100% of participants increased their knowledge on accounting, marketing, process flow, business ideas, and social economy legal figures. This indicator was measured by means of a series of tests.
- 5... 16 enterprises (microbusinesses, collectives, and cooperative businesses) were legally established. Some of these new social businesses are a chocolate factory, chicken farms, and an artisanal sewing factory.

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- 6 Three commercial collaboration agreements for the promotion of products in new markets were signed.

The Horizontes Creativos project has been selected by Instituto Nacional de Economía Social (INAES) to be part of Nodos de Impulso a la Economía Social y Solidaria (NODESS), a government initiative to create social and solidarity-based economy ecosystems.⁹



LEARNINGS AND PERSPECTIVES

The close follow-up provided by Nacional Monte de Piedad is supported by a reflection process and an internal critique of the improvement areas of the support it provides to SPOs. In the case of Alternativas de Vida Solidaria, the Horizontes Creativos project contributed important inputs to review some of its intervention criteria and schemes with SPOs that work on employability.

Additionally—based on the years of experience supporting organizations that promote employment—Nacional Monte de Piedad has identified several weaknesses within this ecosystem, as well as possible solutions to address these weaknesses.

On the one hand, the agencies that support this type of businesses lack a deep understanding of the issue, which results in the development of superficial solutions. Nacional Monte de Piedad ascertains that an appropriate reading of the social issue is to be sought, with an initial diagnosis that helps to develop relevant, long-lasting proposals. On the other hand, attention is drawn to a general lack of trust of people in civil society organizations. This situation implies intensifying even more the type of support offered to communities and communicating initiatives clearly before, during, and after the intervention. It is also desirable to join efforts and thus avoid the marginal nature of the intervention.

⁹ Instituto Nacional de Economía Social, (2020). Nodos de impulso a la Economía Social y Solidaria (NODESS). Instituto Nacional de Economía Social. México, 2020. Accessed at: <https://www.gob.mx/inaes/documentos/nodos-de-impulso-a-la-economia-social-y-solidaria-nodess>

Alternativas de Vida has also learned important lessons based on guidance and support from Nacional Monte de Piedad. The terms of the project have been a major challenge, as the configuration and formalization of microbusinesses, collectives, and cooperatives were slower than expected. However, all the goals set at the beginning of the intervention were achieved. Moreover, it could be verified that microbusinesses are a valid tool to fuel social and solidarity-based economy among communities.