

SOCIAL ENTREPRENEURSHIP PROGRAM

PROJECT SUMMARY

1. **Country:** Panama
2. **Project N°:** PN-L1168
3. **Name of Project:** Circular Tires – Cauchos Renovables
4. **Borrower:** Cauchos Renovables S.A. (CARESA)
5. **IDB División:** Multilateral Investment Fund (MIF) – IDB Lab

6. Financing amounts

	<u>IDB US\$</u>	<u>LOCAL US\$</u>	<u>Total US\$</u>
Reimbursable Financing:	<u>1.000.000</u>	<u>1.000.000</u>	<u>2.000.000</u>
Total:	<u>1.000.000</u>	<u>1.000.000</u>	<u>2.000.000</u>

7. Objective and purpose of the project:

The projects expected impact is to help to reduce the environmental impact and unhealthful conditions created by the mishandling of worn-out tires by promoting the more appropriate management of this material and greener business opportunities. Its specific objective is to support the expansion of a business model that involves the appropriate handling of used tires and converts them into value added by permitting their re-use as part of a cleaner, circular economy.

8. Project Components:

- ***Reimbursable Financing***

The reimbursable financing component will cover the purchase of new equipment and machinery that CARESA needs to expand and modernize the plant it uses to convert used tires into value-added products and provide it with working capital. The uses to be made of these funds during the first two years of the project include: funds for the purchase and start-up of a number of new machines and equipment for processing tires, along with the corresponding freight charges for their importation, insurance, custom duties, and installation; trucks for picking up and hauling the tires; for other smaller pieces of equipment for the plant, electrical installations, and adjustments; and for working capital for the expansion of the firm's operations. The increase in the plant's production capacity and efficiency achieved through the use of project funds will enable CARESA to take in more tires, boost its sales, and create 25 new gender-inclusive jobs at its plant, thereby generating additional income to amortize the IDB Lab loan.

This financing will enable CARESA to expand and modernize its tire processing plant, increase its collection capacity, and bring in new technologies for breaking down the used tires used in order to produce TDF and the crumb rubber that is primarily employed as an energy source for TDF and as a raw material for asphalt mixes and synthetic turf for soccer

pitches. The expanded plant could process and recycle approximately 1,500 tons/month for a capacity of 18,000 metric tons/year, as compared to its current capacity of 180 tons/month and 2,000 tons/year.

9. **Project Beneficiaries:** The project will have a number of direct beneficiaries: (i) thousands of vulnerable, low-income households located near the sites where used tires are dumped or burned, creating unhealthful conditions and promoting disease. These households would benefit from a significant reduction in the number of tires that are deposited in these sites contributing to these conditions; (ii) the dozens of firms that give their used tires to CARESA for sustainable recycling rather than dumping them; (iii) 25 new CARESA employees, who will have decent, long-term jobs and receive fair pay for their work; and (iv) the environment, which will be improved by reductions in the release of greenhouse gases, in the amount of microplastics and other chemicals in the water supply, and in the number of tires piling up in dumps and landfills.
10. **Expected results and capture of benefits:** The more healthful conditions and improvement in the environment made possible by the Bank's financing will directly benefit the vulnerable, low-income communities located near the Cerro Patacón landfill and near unauthorized dumping sites, along with Panama's population at large and especially the inhabitants of the marginal urban zones within the metropolitan area. Businesses that have CARESA dispose of their waste tires will benefit by having an environmentally sustainable way of recycling them. In terms of quantitative results, it is projected that over the six years of the project: (i) a cumulative total of 54,494 tons of CO₂e emissions will be avoided; (ii) a cumulative total of 85,148 tons of tires will not be dumped that otherwise would be; (iii) 25 new jobs will be created, with 30% of those jobs being held by women who will be performing administrative and technical tasks; (iv) the number of businesses using appropriate tire collection and disposal services will increase by 270% to a total of 280 firms; (v) a total of 85,148 tons of tires will be collected, of which 75,343 tons (88%) will be converted into marketable subproducts; and (vi) two new tire-based recycled product lines will be introduced into the local market (TDF and molded products).

The proposed investment will create value for CARESA, the Panamanian population, the Central American region, and processing enterprises that use this raw material as a fuel to reduce their impact and carbon footprint. The project loan will permit CARESA to introduce innovations in its business model with the help of new production technologies that do not currently exist in Panama and that can help it to leverage its positive impact on the population's health and on the environment. CARESA could reach the point where it is manufacturing new products for the market out of recycled rubber, thus turning today's waste into products used on a daily basis by Panamanians. This business model could become an example for the region of the sustainable use of discarded tires and could contribute to the consolidation of innovative initiatives in the region's circular economy such as those being promoted by the IDB Group through the Regional Initiative for Inclusive Recycling, now known as Latitud R.