

**PROJECT SUMMARY**  
**P2P AGROFINTECH FOR UNBANKED SMALL FARMERS**  
**(ME-G1016)**

In Chiapas, where 77% of the rural population is poor, the low-income population earns its income from small-scale agriculture, livestock, and forestry activities, with strong family involvement. The majority of these small farmers and their farms are characterized by low productivity, exclusion from the financial and banking system, and limited access to markets to sell their products under favorable conditions. This hinders their ability to generate income, save, and accumulate productive assets.

Meanwhile, as rural producers contend with these conditions, the development of new technologies in recent years has given rise to an information and communications revolution. One phenomenon of increasing importance is the rapid penetration of the internet and digital technology. A growing number of Mexicans use the internet and mobile phones for their daily activities, such as financial services, purchases, and communication. In this new era of technology and innovation, groups of entrepreneurs are seeking to revolutionize banking in Mexico by offering alternative services through a combination of technology and financial solutions (fintech). Among these is peer-to-peer lending (P2P lending or P2P), a practice in which people become investors by using an internet platform that matches them with borrowers.

EthicHub is a company that is pioneering the use of crowdlending platforms with blockchain technology in Mexico. By combining technology, information, and blockchain, it connects credit seekers in rural communities with investors. In doing so, it makes financial services more accessible and brings them within the reach of new markets. EthicHub is taking advantage of the opportunity to conduct financial arbitrage between the interest rates offered in the liquid economies of the first world and in regions with scarce access to financing, in order to meet the needs of both types of user through blockchain. The company aims to implement a service that is at the forefront of the region's evolving financial intermediation industry. As part of its strategy to target low-income rural communities in developing countries and agents with surplus savings and investment needs in developed countries, EthicHub has identified an opportunity to expand its market and advance its business model by providing working capital financing and connecting farmers with direct buyers in rural communities in Chiapas.

The expected impact of this project is that it will help boost the financial inclusion and incomes of small farmers in Mexico (and eventually elsewhere in Latin America and the Caribbean) by channeling funds from global investors through an innovative digital crowdlending tool (alternative financing) and providing these farmers with a more profitable way to market their products.

IDB Lab will contribute up to US\$600,000 in contingency recovery grant funds to help EthicHub finance the development and implementation of new modules and capabilities for its digital platform, expand its services to new areas and crops, and finance working capital for onlending to groups of small farmers, starting in Chiapas, Mexico.

The main beneficiaries will be around 45,000 small farmers in Mexico (and eventually other countries in the Latin American and Caribbean region) who grow coffee, cocoa, and other major crops on farms of between 2 and 10 hectares. They will gain access to: (i) streamlined production loans under terms and conditions appropriate to their production cycles, at lower interest rates; (ii) new direct marketing mechanisms for their products

("contract farming"), allowing them to command higher prices; and (iii) a digital identity with their credit history so they can get easier access to the financial system. This will help them boost their productivity and incomes. Over the first two years, the beneficiaries will be Mexican small coffee farmers. As from year three, the plan is to replicate the model for other crops and in other regions or countries in Latin America and the Caribbean.