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MULTILATERAL INVESTMENT FUND

REGIONAL

**Women's Economic Empowerment (WEE)-driven productivity and sustainability  
in Agrobusiness**

**(RG-T3715)**

**DONORS MEMORANDUM**

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## **PROJECT SUMMARY**

### **REGIONAL**

#### **Women's Economic Empowerment (WEE)-driven productivity and sustainability in Agrobusiness**

##### **(RG-T3715)**

Many small farmers in agri-food supply chains in LAC suffer from low yields and productivity due to a range of factors ranging from climate change to poor logistics, infrastructure and access to inputs and finance. And women small farmers suffer even worse disadvantages due to gender-specific obstacles such as lack of access to land, financing, markets, agricultural training and education, suitable working conditions, traditional stereotypes while balancing competing time demands and equal treatment. These barriers put women at a significant disadvantage in agriculture and related businesses. In addition, this gender gap in agriculture has a strong impact in production: in some developing countries, women make up almost half of the agricultural labor force. According to the FAO, closing the gender gap could increase yields on women-run farms by 20-30% and raise total agricultural output in developing countries by 2.5-4%.

The main problem that this project will seek to address is the low level of participation of women in the production process, decision making and management of the farms and the general biased perception that women do not contribute to the success of the farms and are thus to a large extent excluded from the main activities of the production process in agriculture supply chains.

This project will test the hypotheses that women's economic empowerment (WEE) can increase productivity and profitability of low performing farms. This will be done through innovative pilot projects working with women farm workers in PepsiCo's potato value chains and surrounding communities in the Dominican Republic, Guatemala and Ecuador with a sample of beneficiaries large and diverse enough to generate actionable evidence. The pilots will be derived from open innovation challenges and partnerships, and will test whether increasing women's empowerment and the inclusion of women in the production process and decision making enhances the adoption of selected innovative and sustainable farming practices, which would result in improved farm yields and productivity so that gender-informed policies are mainstreamed across agricultural supply chains. In addition to empowering women and strengthening supplier performance through WEE, this project provides the opportunity to use the results to demonstrate how deploying innovative technologies and business partners in investing in women's empowerment and removing barriers to gender inclusion makes business sense. This evidence will propel the uptake of WEE strategies across PepsiCo's business units and make a compelling argument for other large international companies in the industry to follow suit.

As the project generates evidence that gender-transformative approaches can achieve both business and social positive outcomes and address common challenges within supply chains, other companies can scale these approaches for their own supply chains, as well as with other industry peers because of the obvious benefits of doing it. Scaling these results would thus be a viable and profitable business strategy in other global supply chains.

**ANNEXES**

ANNEX I	Results Matrix
ANNEX II	Budget Summary
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**APPENDICES**

Draft Resolution

**AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF MIF PROJECT INFORMATION SYSTEM**

ANNEX IV	Detailed Budget
ANNEX V	DICI [includes Integrity Due Diligence Analysis]
ANNEX VI	Reporting Requirements and Compliance with Milestones and Fiduciary Arrangements
ANNEX VII	Procurement Plan
ANNEX VIII	Operative Regulations for Innovation

## **ACRONYMS AND ABBREVIATIONS**

<b>CSR</b>	Corporate Social Responsibility
<b>COF</b>	Country Office
<b>DICI</b>	Institutional Integrity and Capacity Assessment
<b>IDB</b>	Inter-American Development Bank
<b>IDB Invest</b>	Inter-American Investment Corporation
<b>KPI</b>	Key Performance Indicator
<b>LAC</b>	Latin America and the Caribbean
<b>LSP</b>	Local Solutions Providers
<b>MIF</b>	Multilateral Investment Fund
<b>MOU</b>	Memorandum of Understanding
<b>NGO</b>	Non-Governmental Organization
<b>PA</b>	Project Assistant
<b>PES</b>	Social Entrepreneurship Program
<b>PM</b>	Project Manager
<b>SDG</b>	Sustainable Development Goals
<b>SFP</b>	Sustainable Farming Practices or Programs
<b>SME</b>	Small and Medium Enterprise
<b>UN</b>	United Nations
<b>WEE</b>	Women's Economic Empowerment

## PROJECT INFORMATION

### REGIONAL

#### Women's Economic Empowerment (WEE)-driven productivity and sustainability in Agrobusiness

(RG-T3715)

<b>Country and Geographic Location:</b>	Regional: The Dominican Republic, Ecuador, Guatemala		
<b>Executing Agency:</b>	Control Union Guatemala S.A.		
<b>Focus Area:</b>	Climate Smart Agriculture		
<b>Coordination with Other Bank Operations:</b>	The project will coordinate with the following projects currently under execution GU-T1268, GU-M1059, GU-T1280, DR-T1158.		
<b>Project Beneficiaries:</b>	40 small or medium sized farms, 355 women farm workers and 500 women temporary farm workers. Indirect beneficiaries are 900 in the households of the women farm workers and 1,500 in the households of temporary workers.		
<b>Financing:</b>	Technical Cooperation:	USD 1,000,000	50%
	Equity:	-	-
	Loan:	-	-
	Other (explain):	-	-
	<b>TOTAL IDB Lab FUNDING:</b>	USD 1,000,000	-
	Counterpart (PepsiCo):	USD 1,000,000	50%
	Co-financing:	-	-
	<b>TOTAL PROJECT BUDGET:</b>	US\$ 2,000,000 <sup>1</sup>	100%
<b>Execution and Disbursement Period:</b>	36 months of execution and 42 months of disbursement.		
<b>Special Contractual Conditions:</b>	Special conditions precedent to first disbursement will be: A project manager contracted by the executing agency.		
<b>Environmental and Social Impact Review</b>	This operation was screened and classified as required by the IDB's safeguard policy (OP-703) on August 21, 2020. Given the limited impacts and risks, the proposed category for the project is C.		
<b>Unit responsible for disbursements</b>	Guatemala (COF/CGU)		

<sup>1</sup> The budget does not include the USD 1,3m in-kind contribution in farm practices training and equipment that the beneficiaries will receive from PepsiCo.

## I. THE PROBLEM

### A. Problem description

- 1.1. In general, many small farmers in agri-food supply chains in LAC suffer from low yields and productivity mainly due to poor nutrients, irrigation, and fertigation management, related to farmers' lack of access to finance and new technologies. Recently new diseases and pest infestations have become more prevalent as well as other climate related challenges such as soil erosion, unpredictable precipitation and weather patterns, more pronounced droughts, and intense heatwaves. Other external issues such as poor logistics, high transportation costs, crops price volatility and poor waste management practices also negatively affect the performance of these farms.
- 1.2. Exacerbating the above situation is the fact that obstacles disproportionately affecting women such as lack of access to land, financing, markets, agricultural training and education, suitable working conditions, traditional stereotypes while balancing competing time demands and equal treatment put women at a significant disadvantage in agriculture and related businesses<sup>2</sup>. As women often have more limited rights, time, mobility and less access to resources, information, and decision-making authority than men, they are significantly more vulnerable to the impacts of poor farm management and climate change and have fewer capacities to adapt and diversify their livelihood options<sup>3</sup>. Food insecurity that causes the migration of men to urban areas or cross borders also leaves women even more responsible for agricultural production yet their limited access to technical knowledge and other resources results in continued poor production levels.
- 1.3. In addition, this gender gap in agriculture has a strong impact in production due to that women make up almost half of the agricultural labor force in some developing countries. Thus, closing the gender gap could increase yields on women-run farms by 20-30% and raise total agricultural output in developing countries by 2.5-4%<sup>4</sup>. Large buyers<sup>5</sup> in the agricultural market, such as multinational agri-food corporations, have tried to address this gap by implementing gender-blind supply-chain policies<sup>6</sup>. However, these policies have not been effective in terms of including women since the primary objective has been to avoid discriminatory practices rather than to enhance business performance. Those projects that do focus on empowerment tend to be CSR or philanthropic related functions and do not appear in the operating budgets and measurement indicators of the business units.
- 1.4. Many companies recognize the opportunity that women's economic empowerment (WEE) represents within supply chains but face the challenge of how best to: i) operationalize these opportunities; ii) change behavior and norms across business units that are traditionally designed to consistently mitigate risks while securing raw materials at the right price and quality, and; iii) provide equal access to new solutions and technologies. Managing practices are thus unlikely to change unless business units are convinced with objective data that the proposed changes are consistent with their business goals. This project will provide an opportunity to address these bottlenecks through an open

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<sup>2</sup> <http://www.fao.org/3/a-i7916s.pdf>

<sup>3</sup> FAO 2012

<sup>4</sup> <http://www.fao.org/3/i2050e/i2050e.pdf>

<sup>5</sup> Such as e.g. PepsiCo, Unilever, Nestlé etc.

<sup>6</sup> Policies that ignore socially determined roles, responsibilities, and capabilities of men and women.

innovation<sup>7</sup> call for proposal challenge with a network of connections to induce women's empowerment for improved business performance indicators such as sales or profits by implementing activities specifically designed to include women as active participants and contributors to the success of farming communities and the companies that source products from those regions.

- 1.5. The main problem that the project will address is the low level of participation of women in the agricultural production process, decision making and farm management and the general biased perception that women do not contribute to the success of the farms and are thus excluded from the main activities of the production process in the agriculture supply chains. In addition, large international companies like PepsiCo do not fully recognize the value of gender-balanced supply chain programs with the objective of improving the sustainability and resilience of their agriculture raw material supply chains. This project can give proof to the concept that if large companies actively engage women in their supply chain, they will see more and faster yield improvement than what one would expect in traditional development projects.
- 1.6. The main beneficiaries of the project will be women working in small or medium sized farms and their families in the Dominican Republic, Ecuador, and Guatemala. In the Dominican Republic, the project will be implemented along potato supply chains in and around the municipality of Constanza. There, the project will work with at least 215 women working in 15 small and mid-sized farms, their families, and surrounding communities as well as around 750 temporary workers in the farms<sup>8</sup>. In Guatemala, the project will work with at least 85 women farm workers in 15 small farms producing potatoes in the Esquipulas region in the department of Chiquimula. In Ecuador, the project will work with 55 women farm workers in 10 small potato farms around the areas of Carchi, Cotopaxi, and Tungurahua. In total the project's direct beneficiaries will be 355 women working in 40 farms, of which about 50% of farms are women owned, plus the more than 500 women temporary workers on these farms. In terms of poverty, the largest proportion of beneficiaries are the temporary workers and it is estimated that they live generally at or just above the poverty line in all three countries. In the Dominican Republic there are 3,000 farmers and 11,000 migrant laborers in the Valle de Constanza and their economic situation has been especially precarious during the COVID pandemic. The region is considered as being at a low to medium poverty level according to national statistics<sup>9</sup>. In Guatemala, the project will be implemented in a traditional cattle and subsistence farming region with higher than average poverty levels and it can be expected that most farm workers are making around or just above the national poverty line<sup>10</sup>. In Ecuador, the areas of implementation are traditional farmlands and the average communities' inhabitants are at or around the national poverty line with clusters showing extreme rates of poverty<sup>11</sup>.

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<sup>7</sup> Open innovation is a decentralized and distributed innovation process based on purposively managed knowledge flows across organizational boundaries. It is not solely firm-centric: it also includes creative consumers and communities of user innovators. The boundaries between a firm and its environment have become more permeable; innovations can easily transfer inward and outward between firms and other firms and between firms and creative consumers, resulting in impacts at the level of the consumer, the firm, an industry, and society. (Wikipedia)

<sup>8</sup> In the Dominican Republic, about 15-20% of the national official workforce is female.

<sup>9</sup> El mapa de la pobreza en la república Dominicana. Antonio Morillo Perez. Ministerio de Economía, Planificación y Desarrollo. 2014. World Bank databank 2020. <https://www.statista.com/statistics/790763/poverty-rate-dominican-republic/>

<sup>10</sup> <https://www.worldbank.org/en/country/guatemala/overview>

<sup>11</sup> Poverty Traps in the Municipalities of Ecuador: Empirical Evidence. Sustainability. MDPI. 2018. [https://www.researchgate.net/figure/Regional-Poverty-Rates-For-Ecuador\\_tbl4\\_31504052](https://www.researchgate.net/figure/Regional-Poverty-Rates-For-Ecuador_tbl4_31504052)



## II. THE INNOVATION PROPOSAL

### A. Project Description

- 2.1. The main objective is to detect gender-related challenges within PepsiCo's potato supply chains in three Latin American and Caribbean countries and design and implement possible solutions that lead to a greater inclusion of vulnerable women in the agricultural production process. The implemented solutions will be evaluated to assess their impact on farm productivity and management, yields, adoption of sustainable and climate resilient farming practices, and economic inclusion<sup>12</sup>. This **project's main hypothesis** is that by using gender-informed solutions PepsiCo's business performance will improve above the performance of its current set of supply chain strengthening models.
- 2.2. The **theory of change** of the project is built on the assumption that if barriers limiting women's participation in agricultural activities and decision-making are reduced, and women are empowered via innovative solutions and tools, and agronomic and technical training, then these suppliers - be they women-led, co-led or have women as employees - will perform better, which will be manifested in more profitable supply chains. It is expected that robust data collected over the course of the project will show how a gender-informed supply chain development approach improves the overall performance of the supply chain. This proven "delta" in supplier performance is expected to help create a business imperative for PepsiCo's other operations as well as other food producing companies to invest independently in adopting and scaling practices that empower women in their supply chains and operations. The innovative solutions and technologies will be derived from an open innovation process. In addition, it is expected that by investing in WEE, risk management will improve, and climate resilience of the farmers and their supply chain partners will strengthen.
- 2.3. Given the FAO estimate that closing the gender equality gap in agriculture could increase yields on women-run farms by an estimated 25%<sup>13</sup>, applying a gender-transformative approach to engaging smallholder suppliers or having women as employees or on-farm family workers could significantly improve corporate supply chain performance. The assumption is that leading companies in the sector will implement these changes to their supply chains if the data makes the business case.
- 2.4. In addition to empowering women and strengthening supplier performance through WEE, this project provides the opportunity to use the results to demonstrate how gender-informed capacity building efforts and the deployment innovative technologies<sup>14</sup> and business practices can lead to overcoming cultural and physical barriers to gender inclusion. Indeed, the partnership aims to prove how this makes business sense, which would propel the uptake of WEE strategies across PepsiCo's business units and make a compelling argument for other large international companies with suppliers in the agricultural sector to follow suit.
- 2.5. WEE-informed investments within agricultural supply chains (and other supply chains) should accrue social and business dividends in the form of tangible improvements in productivity and yields and thereby quality of life in the engaged communities and support more resilient livelihoods. While the project will directly benefit at least 40 small and medium sized farms that partner with PepsiCo, the regular and temporary people working on these farms and their surrounding communities in the three countries stand at over 500.

<sup>12</sup> These are the primary KPIs used by PepsiCo's Agro teams

<sup>13</sup> <http://www.fao.org/news/story/en/item/52011/icode/#:~:text=Closing%20yield%20gaps%20reaps%20gains,by%2020%20to%2030%20percent.>

<sup>14</sup> Internet of Things devices, access to market information, and digital payment and billing services, are all key aspects of ag tech that will differentiate and digitize smallholder farming.

The long-term impact resides in the partnership's potential to showcase the power and influence of the private sector to tackle persistent barriers to WEE and gender equality. As the project uses its evidence to generate the uptake and mainstreaming across PepsiCo and its peers, the shift in business practices would be transformative, achieving impact not possible via traditional supply chain strengthening methods.

- 2.6. Modifying supply chain access to innovation and practices to enhance the full productive potential of women in agri-food systems, providing them with technical skills, and removing barriers to their participation and perceptions of them leads to increases in quality and yields, which in turn improves supply chain performance. Potential intervention areas include ensuring equal access of female farmers to productive resources and services, introducing climate-smart and labor-saving technologies and practices, increasing access to higher-value, more remunerative markets, preparing them to respond to shocks and crises; ensuring asset accumulation; and protecting members of very vulnerable populations.<sup>15</sup>
- 2.7. Studies<sup>16</sup> show that small farms run by women farmers are many times the users of new digital tools (as men tend to labor the land) and are more open-minded about adopting them. This also brings the additional benefit of the spillover effects that using new technologies have on children, especially the education and technology awareness among girls. New ag-tech and digital technological innovations, (e.g. precision drip irrigation, fog-catching, greenhouses, micro-tunnels, and vertical gardens), will thus complement and strengthen the increased involvement of women in the production and supply chain for increased agricultural productivity.
- 2.8. PepsiCo has strong gender equality and climate change policies; the PepsiCo Foundation has also invested in several programs to empower women across the world<sup>17</sup>. PepsiCo is also about to launch an updated sustainability agenda and WEE will play a significant role in the global goals it sets. This partnership of PepsiCo providing co-financing to this project with IDB Lab is poised to become one of the company's flagship efforts to drive food system change at scale using WEE and climate smart methodologies. PepsiCo is committed to working on climate resilience for the rural communities where they source raw materials, and where climate change has been identified as a major risk to their farmers and farming regions. The company wants to work on both climate change mitigation and adaptation of farming communities, with a focus on resilient and climate smart farming. PepsiCo is conducting a climate resilience study along its potato supply chains in southeast Asia and expects to develop a set of recommendations in the last quarter of 2020. Many of the results from that exercise can inform the design of the gender supply chain analyses and open innovation challenges to ensure alignment between this gender-focused partnership and those climate smart agriculture-focused activities, given the connection between gender-smart and climate-smart agriculture<sup>18</sup>. This exercise will provide a list of recommended climate resilience practices that can be used in the gender supply chain analyses, thereby improving the gender-climate connection. Additionally, this project will inform and influence the design of other gender related projects PepsiCo is planning with USAID in Colombia and some Asian economies.
- 2.9. The project will conduct a gender supply chain analysis in each country that will look at the roles of women in the potato value chains (particularly those along PepsiCo's supply chain), market-access opportunities for men and women, and what gender-based constraints and opportunities exist. These studies will focus on understanding farmer dynamics in PepsiCo supply chains, with an emphasis on women's roles, and how they

<sup>15</sup> FAO: Empowering rural women, powering agriculture.

<sup>16</sup> <http://www.fao.org/3/am307e/am307e00.pdf>

<sup>17</sup> CARE's "She Feeds the World" program and PepsiCo have a partnership with USAID in India involving gender-informed supply chain development activities

<sup>18</sup> <http://www.fao.org/3/a-i5546e.pdf>. Gender in Climate smart agriculture World Bank Group, FAO and IFAD 2015

- interact with business performance and women's economic empowerment indicators. The analyses will be practical and field-focused to highlight the realities and nuances of farmers and their relationship with PepsiCo. They will build from desk-based research of gender constraints and opportunities into specific findings relevant to PepsiCo that it can act on through its *Sustainable Farming Program (SFP)*<sup>19</sup>, strategic planning process, and agronomy support programs. Findings from the analyses will be used to develop and launch the open innovation call for proposals challenges as well as the criteria for selecting the solutions. The analysis will also provide the project with a baseline study and the indicators for the final evaluation of the results.
- 2.10. An open innovation crowdsourcing methodology will be used to source and acquire expertise and innovative ideas from the local communities and organizations surrounding the project implementation area and scan the external environment for new information to identify, select, utilize and internalize ideas for solutions. The open innovation call for proposals methodology will permit the project to scout local solution providers to submit ideas and use the project stakeholders to mutually comment on and evaluate their proposals. It will also allow the IDB Lab to leverage its entrepreneurial network to identify relevant innovations and players. The results from the gender supply chain analysis will be used to inform the open innovation process.
  - 2.11. Direct beneficiaries will be at least 550 women (permanent and temporary workers) working in 40 small or mid-sized farms and their families and the communities around the farms in the three countries. The project will also involve men in project activities as appropriate, to avoid adverse effects and negative reactions which has in some cases been shown to produce backlash and increased gender-based violence<sup>20</sup>.
  - 2.12. **Component I: Gender Supply Chain analysis** (IDB Lab contribution: USD 158,700, counterpart: USD 171,300). The objective of this component is to contract an expert consultant to conduct a gender supply chain analysis to identify specific gender constraints and how those constraints affect the productivity of both farms and PepsiCo's operations. The analysis would be expected to also provide the business rationale for making specific changes and to serve as the foundation for the solution from the open innovation calls.<sup>21</sup> The executing agency will conduct a rigorous procurement process and will, together with PepsiCo and IDB Lab, select the best firm to conduct the analysis.
  - 2.13. Gender Supply Chain Analyses will focus on understanding farmer dynamics in PepsiCo supply chains, with an emphasis on perception and women's roles, and how they interact with business performance and women's economic empowerment indicators. The analyses will be practical, and field-focused to determine a baseline for the project and highlight the realities and nuances of women in farming activities and their relationship with the supply chain and its anchor company. The analysis will include surveys of women and farms beneficiaries to collect the quantitative baseline data needed for the outcome indicators that will be monitored during the life of the project. The contracted expert consultant will build on desk-based research and in-country field observations (using surveys and interviews) of gender constraints and opportunities into specific findings that will be used to develop country action plans and inform partnership implementation.
  - 2.14. A consulting company specialized in gender analysis in agriculture supply chains will be contracted by the executing agency for this activity. The expected results are three (one in each country) comprehensive gender supply chain analysis that outline the make-up of the

<sup>19</sup> The Sustainable Farming Program (SFP) - formerly the Sustainable Farming Initiative (SFI) - was created as the primary vehicle to help deliver against these aspirations. It is a means for engaging with growers to build capability, address relevant risks and encourage continuous improvement through fundamental agricultural practices that span the broad aspects of sustainability.

<sup>20</sup> [https://www.who.int/violence\\_injury\\_prevention/violence/gender.pdf](https://www.who.int/violence_injury_prevention/violence/gender.pdf)

<sup>21</sup> The WEPs Gender Gap Analysis Tool 2018 Report, a diagnostic tool used by 2500+ companies across the globe shows that 12% of the companies that used the tool include gender equality criteria in supply chain management tools.

- supply chain, articulate the various challenges facing farmers in growing sustainably with PepsiCo, and the gender-specific nature of how these challenges affect farmers as well as PepsiCo. These analyses will also provide a clearer picture of where it may be possible to improve short- and long-term performance and supply chain resilience and sustainability through innovative solutions that include women as key contributors and decision-makers. The later project interventions will be heavily dependent on the results of these three analyses.
- 2.15. **Component II: Open Innovation for WEE in agriculture supply chains.** (IDB Lab contribution: USD 51,500, counterpart: USD 33,500) The objective of this component is to conduct calls for proposals in each country using an open innovation methodology implemented by the executing agency which enables a more diverse sourcing of ideas and partnerships to create more innovative solutions<sup>22</sup>. The goal of each call is to find many opportunities from various partners and merge them into the most innovative and effective. This exercise will provide a *sandbox* for experimenting in terms of agriculture and gender while leveraging IDB Lab network for scouting and curating relevant partners to customize or co-create scalable solutions<sup>23</sup>. The selected partners are also expected to leverage co-financing from local partners for the implementation of the solutions. The project will nurture connections and knowledge exchange and gain firsthand access to the agriculture, sustainability, and technology practices of a global key actor in the food agroindustry, which could leverage to scale innovative inclusive solutions within other corporate value chains. The activities will be implemented by those local solution providers whose innovation better fit the open innovation calls jointly agreed by the project partners. The local partners in these open innovation challenges can be local universities, NGOs, financial institutions, private enterprises, and agriculture business organizations.
  - 2.16. The results from the Gender Supply Chain Analyses in the first component will be used to inform and design the open innovation challenges. Findings from the gender analyses will be translated into actionable recommendations showing the link between possible actions and positive changes in business, in this case PepsiCo's KPIs (e.g. yield and productivity and product consistency and quality, and timeliness of delivery). Identified gaps and recommendations will be used to inform the design of the proposed open innovation derived solutions and identify additional local partners if applicable. Findings and recommendations will inform gender-sensitive trainings for workers and managers, changes to farmer interaction, training materials, and demo farm protocols if applicable.
  - 2.17. Due to the ongoing COVID-19 pandemic and to better prepare for possible future external shocks the selection of the solutions will also take into consideration additional actions such as: i) Business contingency planning to women farmers to help them map out a response to known (and unknown) risks to build resilience; ii) safety and health protocols; iii) efforts to diversify distribution channels and markets in case of external shocks to the business or value chain; iv) improved financial management, business operations, financial literacy training to help women farmers/communities prepare for 'force majeure' events, and; v) introduce innovations such as digital technologies<sup>24</sup> that improve farmer resiliency and efficiency and positively impact women in the areas of technical know-how, time management, and farm management.
  - 2.18. The expected results are at least one selected solution per country developed by participants in the open innovation challenges, supervised by the executing agency, linking project indicators, farmers' realities, project plans to close gender equality gaps in ways

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<sup>22</sup> Open innovation call for proposals or challenges are used to access more diverse source of ideas and talent with little investment to create value that would not necessarily be able to identify or create otherwise. The goal is to find opportunities to solve unmet problems and needs through what is considered the best solutions and partnerships which will be selected through the open innovation process.

<sup>23</sup> E.g. Ag-tech, digital technologies, financial services and FinTech

<sup>24</sup> E.g. IoT, smart irrigation systems, traceability systems, weather apps etc.

that contribute to improved business and farm outcomes. The solutions will be selected by the project partners (PepsiCo, IDB Lab and the executing agency) using predetermined criteria in a rigorous and transparent selection process. Once selected by the executing agency, in coordination with PepsiCo and IDB Lab, the solution providers will be contracted to execute the individual solutions derived from the open innovation call for proposals challenges and the results of the gender supply chain analyses.

- 2.19. **Component III: Implementation of innovative gender inclusive supply chain solutions.** (IDB Lab contribution: USD 613,500; counterpart: USD 619,500). The objective of this component is for the executing agency to manage the implementation, monitoring, and evaluation of the most innovative and effective solutions presented by the solution providers and selected from the open innovation call for proposals challenges. The solution providers will aim to align activities around the potato value chains, which will determine the type of activities undertaken with the individual farms over time (e.g. group trainings, in-field workshops, hands-on mentorship, and one-on-one support).
- 2.20. The selected solution providers will plan and execute activities under the supervision of the executing agency. These solutions will target the women farm workers and include the women as key contributors and be based on the women supply chain analyses in each country. The solutions will focus on capacity building, technical training on new technology and farming methods, behavior change methodologies, leadership training and business administration. In all cases, the solution providers will submit project plans to the executing agency who will review and approve them in coordination with IDB Lab and PepsiCo, thus ensuring alignment between project activities, gender supply chain analyses, and the project objectives and results and the subsequent learning agenda for the scaling of the impact.
- 2.21. The expected results of this component are three (3) innovative solutions implemented and evaluated.

## **B. Project Results, Measurement, Monitoring and Evaluation**

- 2.22. The consultant company to be contracted for the three gender supply chain analyses will conduct a baseline survey that will determine the baseline levels for all outcome indicators in the results matrix. The key outcome indicators of the project are: i) Percent increase of women in decision-making positions in participating suppliers/farms, ii) Percent increase in productivity of participating farms/suppliers; iii) Percent increase in participating female farmer/family earnings; iv) Percent increase of women in the workforce of participating farms, and; v) Percent increase of participating farms' production sold to PepsiCo.
- 2.23. A final evaluation will be designed and contracted to the expert consultant by the executing agency to enable the proof of concept. In addition to comparing actual results with targets in the results matrix, the evaluation will answer the following questions: i) How effective was the project at integrating WEE approaches into PepsiCo's target supply chains? ii) To what extent did integrating WEE approaches into PepsiCo's target supply chains result in improved supply chain performance? iii) To what extent did integrating WEE approaches into PepsiCo's target supply chains result in changes to how the company engages farmers and suppliers and the women along its supply chains outside of those in the project? iv) How does engaging women in the supply chains lead to increased production, productivity, or production efficiency (unit output per unit input)? v) What techniques, approaches, strategies, and activities piloted were most effective to change gender norms, empower women, and increase gender equality? vi) How has the intervention affected the family income and quality of life of the beneficiaries?

### III. ALIGNMENT WITH IDB GROUP, SCALABILITY, AND RISKS

#### A. Alignment with IDB Group

- 3.1. This project is aligned with the IDBG Institutional Strategy (2010-2020) policy objective of accelerating economic and social development in a sustainable way, through increasing productivity and innovation. The project relates directly with the objective to support expansion of new and better performing SMEs - through the facilitation of enhanced use of technology, with the goal to stabilize climate change. It is also designed to improve factors related to climate change and environmental sustainability; a cross-cutting issue defined in the Update to the Institutional Strategy 2016-2019. The project hopes to contribute to two of the three major development challenges in the region: (i) social exclusion and inequality; and (ii) low levels of productivity and innovation. The project is also aligned with the IDB Group's cross-cutting themes of promoting gender equality and diversity with the IDB Gender Action Plan and supporting small and vulnerable countries. The project is aligned with the IDB Lab climate smart agriculture thematic area, since it seeks to "increase incomes, sustainability and climate resilience of smallholders" and the IDB Lab gender action plan as it aims to empower women in business and harness their ability to lead, innovate and grow businesses. Where relevant, and especially in the case of Guatemala and Ecuador, the project will ensure to include the specific interests and cultural aspects of indigenous populations.
- 3.2. The project is aligned with the IDB Climate Change Action Plan, approved in December 2017, which calls for the development of innovative financial models and promotion of new technologies to address climate change in the private sector.
- 3.3. The project is also aligned with the IDB Country Strategies for the three participating countries, including the IDB Country Strategy for Guatemala 2017-2020, specifically with the private sector development priority area, through the strategic objective of facilitating SME access to financing, the IDB Country Strategy for Dominican Republic 2017-2020, and the IDB Country Strategy for Ecuador 2018-2021, which among the strategic objectives include to promote Gender Inclusion, reduce the poverty rate of the rural population dedicated to farming and climate change adaptation and the use of environmentally sustainable agricultural practices. The project is also in alignment with the current IDB-PepsiCo MoU, as it expands the partnership between the two organizations.
- 3.4. The project complements the UN SDGs, centered on achieving economic resilience, while ensuring environmental sustainability and sustaining strong social services and basic rights. In addition, the project supports the goal of Gender Equality especially in enhancing the use of innovative technology, information, and communications technology, to promote the empowerment of women.

#### B. Scalability

- 3.5. **Scaling as a viable business strategy in other global supply chains.** As the project generates evidence that gender-transformative approaches can achieve both business and social outcomes and address common challenges within supply chains, both PepsiCo and other companies can scale these approaches in their supply chains, as well as with other industry peers because they not only see the business value of doing so but they also see their peer or competitor moving in this direction. Therefore, a reasonable approximation of the scaling rate that can be accomplished in 5 years is around tenfold the number of direct beneficiaries in this project.
- 3.6. PepsiCo considers this partnership with the IDB lab as their flagship initiative that they will roll out with their updated sustainable business agenda to be launched in 2021, and to be used as an example for how they can build more thriving rural communities and corporate

resilience through WEE-informed supply chain development programs in the LAC region and beyond. The lessons and experiences drawn from this project will enable the development of more WEE-informed supply chains, targets and KPIs going forward. PepsiCo's Sustainable Agriculture and Corporate Affairs teams see these lessons as a critical component of all future supply chain development programming and this partnership provides opportunities to prove that case to the rest of the company and its competitors. This ties into the project's long-term sustainability, as PepsiCo sees the potential scalability of both analysis and context-specific solution as ways to prepare the business for the future as they face numerous challenges related to climate change, rural community livelihoods and sustainability, depopulation of rural areas and 'black swan'-type events like pandemics. This partnership provides PepsiCo with several opportunities to prove the business value of gender informed and sustainable solutions, including those in which it actively engages women as key contributors to the success of the supply chain and the company itself and as a key enabler of sustainable development.

- 3.7. **The potential for private sector-led scaling is significant.** The largest food and beverage corporations in the world source from thousands of smallholder farmers globally. While supply chains in the proposed countries for the partnership involve approximately 40 farms, a commitment from these larger companies to move from gender-blind to gender-informed approaches in their supply chains could change how they source several billions of dollars of agricultural products per year<sup>25</sup>. If this example leads other industry players to follow, the project's potential for changing supply chains and networks of farmers around WEE could lead to significant market shifts in creating new, equitable high-quality opportunities for women in agriculture.
- 3.8. The project will be sharing learnings with multiple stakeholders, including food industry companies and suppliers. The lessons will be made public and shared across the food industry through various communication channels. Many companies are grappling with supply chain resilience and sustainability challenges and if this partnership can prove how women's economic empowerment is a solution to these challenges, others in the industry will follow.

### C. Project and Institutional Risks

- 3.9. **Project External Risks:** Potential external risks outside of the control of the project are natural disasters such as hurricanes, earthquakes, invasive pests and crop diseases, droughts, and floods. All these risk factors affect both the quantity and quality of products produced. The project will include disaster risk management and building climate resilience in the open innovation challenge to be included in the solutions to be implemented.
- 3.10. PepsiCo's Sustainable Farming Program (SFP) addresses many of these risks (for the potato crop) by working with farmers to implement climate smart/regenerative agriculture practices and using demonstration farms to showcase world-class practices that reduce costs and increase yields. This project will take advantage of PepsiCo's 5-8 years of work with these farming communities through the SFP, as these practices have been proven to mitigate many of the abovementioned risks.
- 3.11. **Institutional Risks:** Price fluctuations of agriculture products, commodities or other inputs are potential risks to the business performance of the participating farms. These risks will be mitigated by improving and stabilizing the quality and productivity of the farms by including women in productive activities and decision making.
- 3.12. PepsiCo also uses a Cost-Plus model to structure its forward contracts with farmers, which reduces a large amount of variability in the production of potatoes for processing. In the

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<sup>25</sup> PepsiCo's annual agricultural raw material purchase is close to USD10 billion

case of this project, the IDB Lab and PepsiCo would collaborate to partner with inputs providers (multi-national and/or local) and agriculture solutions providers (e.g. irrigation systems) to improve farmer access to these inputs/solutions, thereby reducing risks and costs associated with negotiating with these companies individually. In addition, PepsiCo expects to deploy USD 1,3m in in-kind resources, not included in this project's budget, in direct support of the beneficiary farmers (mentoring, farming inputs, training, etc.).

- 3.13. PepsiCo's SFP provides a consistent level of interaction with farmers through trainings, workshops, and hands-on/in-the-field consultations. Part of the theory of change for this project is that once PepsiCo (or any large off-taker) begins to consciously and actively engage all members of the supply chain (including women), it will drive behavior change within the target farming communities through the 'pull' mechanism of the market. This will be a significant risk mitigation factor as PepsiCo would collaborate with its partners around the appropriate interventions and engagement models that demonstrate PepsiCo's commitment to gender equality and empowerment along its supply chains. By communicating the importance of women to PepsiCo (and backing it up with the SFP and PepsiCo's purchasing standards) and highlighting the areas in which farming families would improve their own livelihoods through a shift in behavior, this should address some of the main risks associated with this approach.
- 3.14. There are other potential social risks associated with this project, like for instance increased incidence of gender-based and domestic violence related to women's empowerment. This is an area in which all the project partners have expressed a significant attention and will use all available internal and external expertise to put in place preventive risk mitigating activities to avoid such unintended but devastating side-effects. In addition, and as in any agriculture-related project, weather patterns during the implementation period could directly impact, both positively and negatively, this project.

#### IV. INSTRUMENT AND BUDGET PROPOSAL

- 4.1. The project has a total cost of USD 2,000,000 of which USD 1,000,000 (50%) will be provided by the IDB Lab, and USD 1,000,000 (50%) by PepsiCo. The financial instrument will be a non-reimbursable technical cooperation.

Project Categories	IDB lab	PepsiCo	Total
Component 1: Country Gender Supply Chain analyses	\$158,700	\$171,300	\$330,000
Component 2: Open innovation platform	\$51,500	\$33,500	\$85,000
Component 3: Implementation of innovative gender inclusive supply chain solutions	\$ 613,500	\$619,500	\$1,233,000
Project Administration (Executing Unit costs)	\$153,000	\$153,000	\$306,000
Evaluation	\$18,300	\$17,700	\$36,000
Audited Financial Statements	\$ 5,000	\$5,000	\$10,000
<b>Grand Total</b>	<b>\$1,000,000</b>	<b>\$1,000,000</b>	<b>\$2,000,000</b>
<b>% of Financing</b>	<b>50%</b>	<b>50%</b>	<b>100%</b>



## **V. EXECUTING AGENCY (EA) AND IMPLEMENTATION STRUCTURE**

### **A. Executing Agency Description**

- 5.1. Control Union Guatemala S.A. is the main executing agency of the project. Control Union has extensive experience in developing and executing Sustainable Farming Practices (SFP) as well as gender supply chain analysis and has built strong relationships with local and international agriculture companies and organizations in the region. Control Union Guatemala S.A. is well-suited to coordinate and manage the project and ensure that it aligns with partners' priorities as well as integrating the learnings and the model across Latin America and the Caribbean. The selected solutions from the open innovation challenges will be implemented by local solution providers selected and contracted by Control Union Guatemala S.A. according to procurement rules and regulations and complying with local and national laws and regulations.
- 5.2. In each of the three countries selected for this project, Control Union has a local presence. The teams consist of auditors, consultants, project managers and local management. They are involved in different consultancy programs for clients such as Nestlé, Unilever, PepsiCo, and Olam. In those programs, the local Control Union team is responsible for coordinating the projects with farmers, traders, end-buyers, government organizations, NGOs, and other stakeholders. These projects consist of different activities such as setting up sustainability programs, training of farmers and technicians, setting up demo farms, and monitoring and evaluation. In addition, the teams are involved in implementing traceability programs and sustainability reporting. For this proposed project, Control Union Guatemala S.A. is responsible for aligning the activities between the different countries, which includes quality management, project management and adjusting materials and programs to the local context.

### **B. Implementation Structure and Mechanism**

- 5.3. Control Union Guatemala S.A. will establish an executing unit and the necessary structure to execute project activities and manage project resources effectively and efficiently. Control Union Guatemala S.A. will also be responsible for providing progress reports on project implementation. Details on the structure of the execution unit and reporting requirements are in Annex V in the project technical files.
- 5.4. Control Union Guatemala S.A. will hire a project manager who will oversee the activities and results from each country. Control union will also hire project assistants in all three countries that will oversee the specifics of each country context and progress. The local offices will report and coordinate via their country project assistant who in turn will report and coordinate with the project manager. Each country will coordinate and implement the project guidelines while adhering to the local situation and regulations.

## **VI. COMPLIANCE WITH MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS.**

- 6.1. The Executing Agency will commit to the IDB Lab's standard arrangements regarding disbursements for results, procurement policies and financial management applicable to the private sector, consistent with the provisions of the Financial Management Guide for Projects Financed by the IDB ( OP-273-12) version 12 June 2019 and what is specified in the "Management Guide for Milestones and Financial Supervision for IDB Lab and PES Technical Cooperation". The risk level as a result of the Institutional Integrity and Capacity Assessment (DICI) was low, showing that Control Union has an acceptable financial management system for the IDB Lab and has a monitoring and accountability structure for the presentation of its Institutional Financial Statements before the Bank. Project disbursements will be conditional on verification of compliance with the milestones, according to the means of verification agreed between the executing agency and the IDB

Lab. Compliance with the milestones does not exempt the executing agency from responsibility for achieving the agreed results.

- 6.3. Unless the Bank determines otherwise during execution, the executor's policies will be used to carry out the procurement and contracting. An annual planning of the necessary procurements for the execution of the Project and fulfillment of the milestones will be presented, along with the Annual Operational Plan. IDB Lab will review the technical aspects of procurements that, in its opinion, require ex ante modalities, particularly those considered critical.
- 6.4. The executing agency must prepare and provide to the Bank its annual financial statements. With resources from the Contribution, the Bank may review the financial statements and make reviews of the use of the resources applied to the Project, verifying financial practices and procurement.

## **VII. INFORMATION DISCLOSURE AND INTELLECTUAL PROPERTY**

- 7.1. **Information Disclosure.** This document contains confidential information related to one or more of the ten exceptions to Access to Information Policy and will be initially treated as confidential and made available only to Bank employees.
- 7.2. **Intellectual Property.** All work financed by the IDB Lab and the results obtained under the Project will be the intellectual property of PepsiCo or the Executing Agency, which will grant a non-exclusive and free license to the IDB, including the rights of dissemination, reproduction, and publication in any medium of any product. These rights will be worldwide, perpetual, irrevocable and the Bank may sublicense without requiring new authorizations. Products of this project, its analysis, and solutions (which are not confidential in nature) will be made public via an open source.