

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK  
MULTILATERAL INVESTMENT FUND

**PERU**

**NEW DISTRIBUTION CHANNELS FOR PERUVIAN COMPANIES**

**(PE-M1063)**

**DONORS MEMORANDUM**

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## ABBREVIATIONS

APEC	Asia Pacific Economic Cooperation
AWP	Annual work plan
B2B	Business-to-business
B2C	Business-to-consumer
COMEXPERU	Sociedad de Comercio Exterior del Perú [Foreign Trade Association of Peru]
ICT	Information and communication technologies
MIF	Multilateral Investment Fund
MSMEs	Micro, small, and medium-sized enterprises
PRODUCE	Ministry of Production of Peru
PROMPERU	Comisión de Promoción del Perú para la Exportación y el Turismo [Commission for the Promotion of Exports and Tourism in Peru]
PSR	Project status report
SME	Small and medium-sized enterprise

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## I. EXECUTIVE SUMMARY

<b>Beneficiary country:</b>	Peru										
<b>Executing agency:</b>	Sociedad de Comercio Exterior del Perú [Foreign Trade Association of Peru] (COMEXPERU)										
<b>Beneficiaries:</b>	The project will directly benefit micro, small, and medium-sized enterprises (MSMEs) in Peru whose sales will increase through greater exposure to and presence in international markets.										
<b>Financing:</b>	<table> <tr> <td>Modality</td><td>Nonreimbursable</td></tr> <tr> <td>MIF</td><td>US\$897,867<sup>1</sup></td></tr> <tr> <td>Local</td><td>US\$685,600</td></tr> <tr> <td>Alibaba.com</td><td>US\$915,000</td></tr> <tr> <td><b>Total</b></td><td><b>US\$2,498,467</b></td></tr> </table>	Modality	Nonreimbursable	MIF	US\$897,867 <sup>1</sup>	Local	US\$685,600	Alibaba.com	US\$915,000	<b>Total</b>	<b>US\$2,498,467</b>
Modality	Nonreimbursable										
MIF	US\$897,867 <sup>1</sup>										
Local	US\$685,600										
Alibaba.com	US\$915,000										
<b>Total</b>	<b>US\$2,498,467</b>										
<b>Objectives:</b>	The project's <b>general objective</b> is to expand the growth opportunities for Peruvian MSMEs in national and international markets. The <b>specific objective</b> is to develop and implement a model to help Peruvian MSMEs gain access to new markets through electronic commerce.										
<b>Execution timetable:</b>	Execution period: 36 months. Disbursement period: 42 months.										
<b>Special contractual clauses:</b>	Conditions precedent to the first disbursement: (i) project execution agreement between COMEXPERU and Alibaba; and (ii) selection of the project coordinator.										
<b>Exceptions to Bank policy:</b>	As an exception to Bank policies governing audits, approval is requested for the Bank to hire auditors to perform the final audit and the ex post reviews of disbursements and procurements (see paragraph 6.3).										
<b>Environmental and social review:</b>	The project was reviewed without comment by the Committee on Environment and Social Impact at its meeting on 6 March 2009 (ESR 09-09).										

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<sup>1</sup> This includes US\$4,467 to be credited to the impact evaluation account. Those funds will be administered by the Office of the MIF.

## II. BACKGROUND

- 2.1 **International trade in Peru.** Peruvian micro, small, and medium-sized enterprises (MSMEs) account for 62% of jobs in the country, employing some 8.9 million workers. Only 27% of the 3.2 million Peruvian MSMEs, however, are formally established businesses. Peruvian MSMEs primarily participate in international trade as a link in the value chain of large exporters of nontraditional goods and services, such as textiles or agrifood. Although the direct presence of Peruvian MSMEs in international markets is gaining ground rapidly, it remains at a very low level, accounting for less than 0.5% of the country's exports, which amounted to US\$200 million in 2005.
- 2.2 The United States is Peru's main trading partner with trade volume reaching US\$11.2 billion in 2008. China is the second largest partner, with just under \$8 billion in 2008—up 43% over the previous year. Recently, Peru has accorded priority to establishing preferential trade relations with its main partners by renewing the free trade agreement with the United States and signing a trade agreement with China.
- 2.3 One of the chief obstacles Peruvian MSMEs must overcome to gain access to international markets is the need to comply with international regulations and associated product quality standards and certification requirements. Compliance with these regulations imposes additional investment and production costs on companies that often choose not to export merely to avoid incurring these extra costs. Another element constraining exports by Peruvian MSMEs is their lack of knowledge about the distribution processes and logistics associated with international markets. A third hurdle for Peruvian MSMEs are promotion and marketing mechanisms—products and services must be adapted for international marketing, tailored to clients' specific customs and culture.
- 2.4 **New distribution channels.** The rapid development of information and communication technologies (ICTs) and household and professional Internet penetration have caused deep changes in business models, distribution and sales strategies, and the organization of the productive sector, enabling small producers to promote and sell their products directly to a larger customer base.
- 2.5 Electronic commerce (purchasing and selling goods and services over the Internet, also known as e-commerce) offers the following advantages: (i) a larger potential customer base; (ii) lower promotion and distribution costs; (iii) more effective production and delivery; and (iv) more information, resulting in more competitive prices. In addition, increased use of ICTs by MSMEs generates additional benefits such as enhanced competitiveness, improved internal and external communication, increased productivity, and operating cost reductions.
- 2.6 Electronic commerce is generally classified by type of customer, differentiating trade with individual consumers or retail trade (known as business-to-consumer trade, or B2C), from trade with businesses or wholesale trade (known as business-to-business, or B2B). In general, the fundamental difference between B2C and B2B

- electronic commerce lies in the volume of orders (greater for B2B), payment method (usually pre-established in the case of B2C, more flexible for B2B), and the associated logistics (courier or postal delivery for B2C, whereas B2B tends to have more complex logistics).
- 2.7 Telefónica del Perú reported that the country experienced the most accelerated growth in broadband Internet connections in Latin America in 2005, rising 129% to 400,000 subscribers. However, it is estimated that 70% of users access the Internet from telecenters, and MSMEs only account for 10% of broadband users. In terms of Peruvian business presence on the Internet, the number of “.pe” domains grew 238% in 2004 to 65,868—the fastest growth rate in the world that year. Internet access in Peru is highly concentrated in Lima, which accounts for 70% of the country’s broadband users. Rural areas have very limited coverage.
- 2.8 **Alibaba.** Alibaba is the world’s largest B2B electronic commerce portal, with a 64% market share. It began as an e-commerce portal for China’s domestic market, and today boasts more than 24 million registered users in China alone. Alibaba launched its international activities through a global e-commerce portal that today has 3.6 million users. The Alibaba business model is based on membership levels ranging from free use of the platform, to “TrustPass” certified providers and “Gold Member” providers who enjoy greater product visibility and receive marketing support.
- 2.9 Alibaba became very successful in China thanks to its strategy of supporting MSMEs by generating demand. An extremely large number of businesses quickly signed up as members of the portal. Enhanced visibility brought new orders for the members, who then become more competitive and adapted their processes to meet demand. This strategy is in contrast with the traditional method of promoting e-commerce and exports by identifying businesses with growth potential and helping them go out into the market. Compared to the traditional select and push strategy, Alibaba achieved success by spurring demand and judiciously supporting the MSMEs so they could meet the increased demand.
- 2.10 **Promoting e-commerce and exports in Peru.** At present, there are two government-sponsored initiatives to support e-commerce in Peru. One is the *Cómprale al Perú* (Buy Peruvian) portal launched by the Ministry of Production (PRODUCE), posting an online catalog of over 10,000 products and services offered by 3,000 Peruvian companies. PRODUCE provides training and business support to enhance the competitiveness of Peruvian small and medium-sized enterprises (SMEs), and help them offer their products via e-commerce. The other is the export support service provided by the Commission for the Promotion of Exports and Tourism in Peru (PROMPERU), to help potential exporters. PROMPERU launched the “Perumarketplaces” portal showcasing the export supply of 500 Peruvian companies, with emphasis on B2B e-commerce.
- 2.11 The Foreign Trade Association of Peru (COMEXPERU) represents exporters, importers, and companies providing international trade support services. One of its



objectives is to increase Peruvian SME participation in international trade. With this objective in mind, COMEXPERU has assumed a leadership role in the Asia Pacific Economic Cooperation (APEC) Business Advisory Council. In 2008, it hosted the Second APEC SME Summit during the APEC Summit in Lima. Following a weak start at the APEC annual gathering in Australia in 2007, the SME Summit has become a major meeting place for Asia Pacific economies and a venue for sharing experiences. In addition to these activities, COMEXPERU offers consulting, training, and union support services in export-related issues, and works to build a business climate that will encourage MSMEs to become involved in international trade.

- 2.12 **The problem.** In addition to the above-mentioned barriers to exports (international regulations, lack of knowledge about distribution processes, and difficulties in designing and promoting products for new markets), Peruvian MSMEs face many barriers to accessing international markets via e-commerce. These include very low Internet visibility for Peruvian companies and goods, low capacity to respond to large purchase orders, especially by microenterprises and small businesses, low use of ICTs by Peruvian MSMEs, and general lack of knowledge about the opportunities and benefits associated with e-commerce.
- 2.13 This project will support the efforts undertaken by COMEXPERU to expand use of e-commerce to promote international trade among Peruvian MSMEs. The project will be supported by Alibaba.com whose contribution will consist in the transfer of the export and e-commerce promotion model successfully deployed in China. The project will also receive support from PRODUCE and PROMPERU in order to maximize its impact and assure its sustainability.
- 2.14 The project will start with an awareness-raising and training effort targeting the large universe of Peruvian MSMEs. Next, it will encourage businesses to join several B2B or B2C e-commerce platforms, including Alibaba.com and the PRODUCE and PROMPERU portals, and will launch an online promotion campaign for the participating businesses, in an effort to significantly increase the visibility of the Peruvian goods and services offered. This enhanced visibility is expected to generate a considerable increase in demand. Support mechanisms will be put in place to help companies meet the growth in demand, helping them cope with foreign purchase orders. In particular, training and business support will focus on:
  - a. Compliance with international regulations and standards.
  - b. Logistics and distribution.
  - c. Adjusting the design, marketing and sales strategies for exportable goods.
  - d. Introducing ICTs in the day-to-day operations of MSMEs to encourage use of e-commerce, and improve the productivity and efficiency of processes.
  - e. Encouraging partnering to satisfy growing demand.

- 2.15 **Additionality and rationale.** The project's additionality comes from capitalizing on the opportunities offered by ICTs and the Internet as new distribution channels available to any business regardless of size or location. The project proposes to use a model to support exports and e-commerce that was successfully implemented in other countries, particularly China—instead of selecting businesses with export potential, it assumes that all the companies in the country could potentially become exporters. Under this premise, the project aims to create significant demand for Peruvian goods and services, supporting any company, not based on its potential, but in response to real commercial purchase orders. Alibaba's participation in the project represents a very valuable contribution, as it will transfer the Chinese experience and help promote Peruvian goods and services on its own platform with over 16 million registered buyers.
- 2.16 **Relationship with other Bank initiatives.** The project complements other MIF projects in Peru, such as ATN/ME-9078-PE with the National Chamber of Commerce of Peru to help Peruvian companies participate in e-government and public procurement processes; ATN/ME-10479-PE with ENTORNO, aiming to develop a technological platform to integrate the Puno textile cluster; ATN/ME-10052-PE with ADEX to help agricultural and textile enterprises take advantage of the free trade agreement with the United States. The project also benefits from lessons learned from other e-commerce initiatives targeting B2C, such as ATN/ME-11370-EC carried out to strengthen Ecuadorian telecenters so as to help local entrepreneurs market their products over the Internet.
- 2.17 This is the first project in the framework of the strategic partnership between the IDB and Alibaba, a partnership that will be further advanced through other Integration and Trade Sector (INT) operations to promote SME exports.

### III. OBJECTIVES AND COMPONENTS

- 3.1 The project's **general objective** is to expand the growth opportunities for Peruvian MSMEs in national and international markets. The **specific objective** is to develop and implement a model to help Peruvian MSMEs gain access to new markets through electronic commerce.
- 3.2 Four components will be carried out to achieve these objectives: (i) design and test the support model; (ii) awareness-raising and training; (iii) scaling up and business support; and (iv) sustainability and replication strategy.
- Component I. Design and test the support model (MIF: US\$95,200; Local: US\$40,800; Alibaba: US\$35,000)**
- 3.3 The objective of this component is to conduct a pilot of the support methodology with an initial group of companies, to identify the weaknesses and needs of Peruvian MSMEs that need strengthening before they can take on the challenge of marketing their products internationally via e-commerce. The group of enterprises will be selected from the COMEXPERU, PRODUCE and PROMPERU databases.

A catalog of their products and services will be posted on the Alibaba portal and the PROMPERU and PRODUCE websites, mindful of applicable data protection policies and obtaining the necessary authorizations. The demand generated by this initiative for the participating MSMEs, and the requests for support made by these companies, will serve as input to develop support tools for scaling up the initiative nationwide. The activities planned for this component include: (i) integrate the current COMEXPERU, PROMPERU, and PRODUCE data; and (ii) help record and meet demand.

- 3.4 This component is expected to promote the products and services of 8,000 Peruvian MSMEs, and provide support to help them satisfy the demand generated by their Internet presence. The lessons learned from the pilot will be used to determine size and details of later project activities with a far larger pool of companies.

**Component II. Awareness-raising and training (MIF: US\$238,000; Local: US\$324,200; Alibaba: US\$220,000)**

- 3.5 This component will make a large proportion of the 3.2 million Peruvian MSMEs aware of the opportunity to promote their products and services over the Internet. On the assumption that any enterprise may potentially market its products or services via e-commerce, both nationally and internationally, the project will publish notices in the mass media, in coordination with the ministries cooperating with the project, to invite the largest possible number of enterprises to promote and market their products and services through the project. With this in mind, a system to help record demand will be put into operation to facilitate the work of the companies that decide to participate.
- 3.6 The project will be launched at the APEC SME Summit in Lima, where training and registration workshops will be offered. The next step will be to offer training at other events organized by COMEXPERU, in keeping with the needs identified in paragraph 2.14 and any new ones identified during project execution. Existing efforts to promote partnering and the establishment of subsectoral consortia to meet a growth in demand will be further supported with assistance from Alibaba. As part of this component, a competition will be held during the SME Summit, supported by Alibaba, to recognize companies or consortia in the region that achieved a significant market expansion through e-commerce. This competition will have a demonstration effect.
- 3.7 The following activities will be carried out under this component: (i) publicize and promote the project; (ii) launch the project at the APEC SME Summit; (iii) training; (iv) learning communities and support for partnering; (v) Entrepreneur of the Americas competition.
- 3.8 This component is expected to convince at least 100,000 companies to register with the program and start marketing their products and services to the international market over the Internet. At least 2,000 entrepreneurs are expected to attend the training workshops, and find answers to their concerns about what e-commerce entails for their companies.

**Component III. Scaling up and business support (MIF: US\$182,000; Local: US\$144,000; Alibaba: US\$250,000)**

- 3.9 The objective of this component is to extend the business support service to all the companies participating in the project, enabling them to satisfy the additional demand generated by the project, overcoming the challenges or difficulties associated with e-commerce marketing activities. An online promotion campaign for Peruvian products and services will be coordinated and financed by Alibaba, and COMEXPERU, working in coordination with PRODUCE and PROMPERU, will implement a business support system. This system will build upon and strengthen existing support services offered by PROMPERU and PRODUCE. Since the project targets a very large number of beneficiaries, the business support system will be complemented by a business care center accessible through a call center or the regional offices of the project partners. The following activities will be carried out: (i) design and implement the intervention methodology; and (ii) provide business support.
- 3.10 This component aims to promote the goods and products of Peruvian companies to 16 million buyers registered with Alibaba. A sustainable support system for companies using e-commerce to market their products on the domestic and international markets will be implemented to meet the new demand arising from the promotion activities.

**Component IV. Sustainability and replication strategy (MIF: US\$103,000; Local: US\$104,000; Alibaba: US\$410,000)**

- 3.11 The international community is keenly interested in following the evolution and real impact of this initiative given the project's innovative nature and potential to impact the economic development, digital inclusion and commercial expansion of Peruvian MSMEs. This component will therefore pay special attention to the evaluation and dissemination of lessons learned, working towards project replicability. The purpose is to evaluate and publicize activities carried out under the project and its outcomes, with a view to giving them greater visibility and contributing to the development of similar initiatives elsewhere in the region. Accordingly, a rigorous evaluation will be performed, and an effective communication strategy implemented with the various stakeholders, focusing on the impact on direct beneficiaries. With Alibaba's assistance, special emphasis will be given to publicizing outcomes and sharing experiences with other countries. The following activities will be implemented in pursuit of these objectives: (i) development of a project monitoring and evaluation system; (ii) dissemination of project outcomes; and (iii) international replication.
- 3.12 Upon completion, the project is expected to offer a better understanding of potential trade expansion deriving from mass use of e-commerce. The lessons learned will be made available to five other countries in the region, where a presentation of the outcomes and the experience will be given.

## IV. COST AND FINANCING

- 4.1 The total cost of the project is US\$2,498,467 broken down as follows: US\$897,867 in nonreimbursable funding from the MIF, and US\$685,600 in counterpart contributions from the executing agency, with at least 50% of that amount in cash. The project will also receive support from Alibaba Inc., valued at some US\$915,000. The estimated budget is shown in the table below:

BUDGET ITEMS		MIF US\$	Local US\$	Alibaba US\$	TOTAL US\$	%
Component 1	Design and test the support model	\$95,200	\$40,800	\$35,000	\$171,000	7%
Component 2	Awareness-raising and training	\$238,000	\$324,200	\$220,000	\$782,200	31%
Component 3	Scaling up and business support	\$182,000	\$144,000	\$250,000	\$576,000	23%
Component 4	Sustainability and replication strategy	\$103,000	\$104,000	\$410,000	\$617,000	25%
Project administration		\$195,200	\$52,600	\$-	\$247,800	10%
Midterm and final evaluations		\$40,000	\$-	\$-	\$40,000	2%
Audit <sup>2</sup>		\$20,000	\$-	\$-	\$20,000	1%
Contingencies		\$20,000	\$20,000	\$-	\$40,000	2%
SUBTOTAL		\$893,400	\$685,600	\$915,000	\$2,494,000	
Impact evaluation fund		\$4,467	\$-	\$-	\$4,467	
TOTAL		\$897,867	\$685,600	\$915,000	\$2,498,467	100%

- 4.2 Project **sustainability** will be assured by the continued ability, after project completion, to operate all the tools made available to the MSMEs, thanks to the capacity-building actions undertaken at COMEXPERU, PRODUCE and PROMPERU, enabling the system to continue growing on its own. A sustainability workshop will be scheduled at least one year before the end of project execution, with representatives from the MIF, the executing agency, and other project partners, to evaluate the progress achieved and identify measures and actions needed to ensure the continuity of actions once project funding has ended.

## V. EXECUTING AGENCY AND EXECUTION MECHANISM

- 5.1 **Executing agency.** The project will be executed by the Foreign Trade Association of Peru (COMEXPERU), a private non-profit association of the large Peruvian exporters. The COMEXPERU policy and strategies revolve around promoting foreign trade development and encouraging private investment.

<sup>2</sup> Includes the ex post review of procurement processes and documents supporting disbursement requests (in accordance with policies OA-310 and GS-105).

- 5.2 COMEXPERU will receive support for project execution from the Ministry of Production of Peru, and the Commission for the Promotion of Exports and Tourism in Peru (PROMPERU), which currently provide advisory and training services to companies in matters relating to e-commerce and exports.
- 5.3 The project will also be supported by Alibaba, which will allow participating Peruvian companies to use its platform free of charge, will transfer the know-how gained from its experience in the Chinese market, and will finance and directly execute project activities in coordination with the executing agency. Because of this direct involvement in project activities, Alibaba will not transfer funds to the executing agency.
- 5.4 **Execution mechanism.** The project will have a 36-month execution period, and will be administered by COMEXPERU through an execution unit to be created for this purpose. The unit will be responsible for coordinating and monitoring all activities relating to project development, and attaining the planned targets and objectives. It will consist of a project manager, a technical and administrative assistant, and a financial and accounting associate. The project manager will be hired for the duration of project execution.
- 5.5 The execution unit will be in charge of hiring the required specialists to carry out the project components, preparing disbursement requests and execution reports, in addition to providing essential technical support to ensure proper execution. It will:
  - (i) prepare and execute the project execution plan and the annual work plan (AWP);
  - (ii) coordinate project activities;
  - (iii) perform contracting in accordance with Bank policies and supervise the procurement of goods and services;
  - (iv) process the requests for disbursement of contribution funds;
  - (v) remit project status reports to the Bank;
  - (vi) monitor the indicators and means of verification for the achievement of project milestones;
  - (vii) monitor the performance indicators established in the logical framework; and
  - (viii) coordinate the interaction between all the collaborating institutions.
- 5.6 An Executive Board will be created to ensure participation by all project actors. It will consist of the execution unit, the Ministry of Production, PROMPERU and Alibaba. The basic duties of the Executive Board are described in the project Operating Regulations.
- 5.7 **Disbursement by results.** Project disbursements will be contingent upon the achievement of milestones, which will be agreed on between the executing agency and the MIF, using the agreed means of verification. Achievement of milestones does not exempt the executing agency from the responsibility to reach the project's targets.
- 5.8 A revolving fund for up to 15% of the contribution will be established to process disbursements. The first disbursement will be contingent upon fulfillment of the conditions precedent. Funds will be disbursed as required to meet project spending needs based on the activities and costs programmed in the annual work plan. Two

months after the first disbursement COMEXPERU will submit to the Bank's satisfaction the AWP for the first year.

- 5.9 **Procurement.** The executing agency will procure goods and consulting services in accordance with Bank policies (documents GN-2349-7 and GN-2350-7), and the MIF guidelines issued in the framework of said policies. Before proceeding with project procurements, the executing agency will submit for consideration by the Bank a procurement plan that will be reviewed and updated annually. Since the executing agency's institutional risk level is low, the procurement of goods and services amounting to less than US\$30,000 will be subject to annual, ex post review. Procurements in excess of that amount will be subject to ex ante review.

## VI. MONITORING AND EVALUATION

- 6.1 **Project status reports.** The executing agency will be responsible for presenting project status reports (PSRs) to the MIF within 30 days after the end of each six-month period. These reports will follow a format previously agreed on with the MIF and will contain information on project execution, achievement of milestones, outcomes, and their contribution to achievement of project objectives as stated in the logical framework and other work planning instruments. The PSR will also describe problems encountered during execution and outline possible solutions. Within 90 days after the end of the execution period, the executing agency will submit a final PSR to the MIF, highlighting results achieved, the sustainability plan, and lessons learned.
- 6.2 **Financial monitoring.** The executing agency will establish and assume responsibility for keeping adequate financial accounts, internal control mechanisms, and filing systems for the project, in keeping with Bank/MIF accounting and auditing rules and policies. The risk analysis of the executing agency's administrative-financial-accounting management yielded a low risk rating. Accordingly, the project's financial statements will be audited at the end of the execution period. Supporting documents for disbursements will be reviewed annually on an ex post basis.
- 6.3 Use of ex post review of procurement processes and supporting documents for disbursement requests can be modified by the MIF based on the results of reviews and/or subsequent institutional evaluations performed by the MIF during project execution. The Bank/MIF will hire independent auditors to perform the audit of financial statements, as well as the ex post reviews of procurement processes and supporting documents for disbursements. The cost will be covered by the MIF contribution, in accordance with Bank procedures.
- 6.4 **Evaluations.** Two evaluations will be conducted during project execution. A midterm evaluation will be conducted after 50% of the contribution has been disbursed or half the execution period has elapsed, whichever occurs first. This evaluation will serve as the basis for the sustainability workshop to be held one year before the end of project execution. A final evaluation will be conducted after 90%

of contribution funds have been disbursed, or after achieving the last set of milestones. It will include an analysis of outcomes achieved in comparison to the baseline and the objectives established in the logical framework. The evaluations will verify whether there are any significant variations in the execution of activities, recommending corrective measures, if required, and highlighting lessons learned and how to share them with other projects.

## VII. BENEFITS AND RISKS

- 7.1 **Benefits.** The project will directly benefit micro, small, and medium-sized enterprises in Peru, whose sales will increase through greater exposure to and presence in international markets. The beneficiaries are: (i) at least 100,000 entrepreneurs who register with the program to promote and market their products and services via e-commerce; (ii) at least 2,000 entrepreneurs who will attend the training workshops, and find answers to their concerns about what e-commerce entails for their companies; (iii) 75,000 entrepreneurs who will receive support to fulfill international purchase orders; and (iv) many Latin American and Caribbean countries will directly benefit from the lessons learned, as well as from the content and support mechanisms developed during execution.
- 7.2 **Risks.** A first risk is the potential for problems arising between the participating entities when coordinating project activities, especially the Ministry of Production and PROMPERU, and the need for all parties to align their efforts to support exports and e-commerce. This risk is mitigated by the fact that Alibaba and COMEXPERU have sufficient technical and economic resources to conduct the pilot on their own, and a cost recovery mechanism will be put in place to guarantee project sustainability in the scaling-up phase. Furthermore, the signing of an agreement with the Ministry of Production and PROMPERU is a project execution milestone, and the project execution agreement signed between COMEXPERU and Alibaba is a condition precedent. In addition, the Executive Board will ensure that open channels of communication and coordination are maintained between the participating entities. A second risk is that the response by Peruvian MSMEs may not be in keeping with project expectations. This risk is mitigated by emphasizing the most important components of the project—awareness-raising and training—ensuring they are commensurate with the ambitious objectives established for MSME participation. A third possible risk would be the appearance during project execution of any regulatory hurdles that could hurt exports. This appears to be an unlikely scenario given the efforts Peru is making to further enhance trade relations with its principal international partners.

## VIII. SOCIAL AND ENVIRONMENTAL IMPACT

- 8.1 This project was classified as category “C” based on the Safeguard Policy Filter toolkit. The mass use of e-commerce by Peruvian MSMEs is not expected to have any negative social or environmental impact. Quite on the contrary, this initiative is



expected to generate positive social impacts, since the opportunities for trade expansion derived from e-commerce will spur economic development, digital inclusion, and social mobility for the smallest enterprises in the country. The project will establish mechanisms to select participating companies in a manner so as to avoid the marketing of illegal goods and services.

**NEW DISTRIBUTION CHANNELS FOR PERUVIAN COMPANIES**  
**PE-M1063**  
**LOGICAL FRAMEWORK**

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p><b>GOAL.</b> Expand the growth opportunities for Peruvian MSMEs in national and international markets.</p>	<p>Three years after project completion:</p> <ul style="list-style-type: none"> <li>• Demonstrable increase in use of e-commerce by Peruvian MSMEs</li> <li>• Export growth for Peruvian MSMEs is 15% higher than the trend in the three years preceding the project</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Production, and Ministry of Foreign Trade and Tourism statistics</li> <li>• Customs statistics</li> </ul>	<ul style="list-style-type: none"> <li>• There is a stable macroeconomic environment.</li> <li>• There is a stable or improved regulatory framework governing Peruvian exports.</li> </ul>
<p><b>PURPOSE.</b> Develop and implement a model to help Peruvian MSMEs gain access to new markets by means of electronic commerce.</p>	<p>Upon project completion:</p> <ul style="list-style-type: none"> <li>• Peruvian MSMEs have a system to support e-commerce-based exports that addresses their concerns and prepares them to meet international demand</li> <li>• 100,000 Peruvian MSMEs use e-commerce to gain visibility for their products and services</li> </ul>	<ul style="list-style-type: none"> <li>• Baseline and indicator monitoring system</li> <li>• Semiannual and final project status reports</li> <li>• Midterm and final project evaluations</li> <li>• List of beneficiary enterprises and record of their sales before and after joining the project</li> <li>• Records from Alibaba and the Ministry of Production and PROMPERU portals</li> </ul>	<ul style="list-style-type: none"> <li>• The Government maintains its policy to support MSMEs.</li> <li>• Project partners, especially Alibaba, PROMPERU and PRODUCE, uphold their commitment to cooperate.</li> <li>• Access to telecommunications in Peru, especially broadband, continues to grow at the same pace.</li> </ul>

COMPONENTS			
<b>COMPONENT 1:</b> Design and test the support model	<p>12 months into execution:</p> <ul style="list-style-type: none"> <li>• The e-commerce platforms serving Peruvian MSMEs are integrated</li> <li>• At least 8,000 enterprises promote their products over the Internet</li> <li>• The pilot has been evaluated and the critical parameters to scale up the project are known</li> </ul>	<p><b>For all components:</b></p> <ul style="list-style-type: none"> <li>• Semiannual and final project status reports</li> <li>• Midterm and final evaluations</li> <li>• Technical and financial inspections</li> <li>• Project communications plan report</li> </ul> <p>For Component 1:</p> <ul style="list-style-type: none"> <li>• E-commerce platform records</li> <li>• Pilot project evaluation document</li> </ul>	<ul style="list-style-type: none"> <li>• PROMPERU, PRODUCE, COMEXPERU and Alibaba make their databases available to companies interested in participating in the pilot.</li> </ul>
<b>COMPONENT 2:</b> Awareness-raising and training	<p>18 months into execution:</p> <ul style="list-style-type: none"> <li>• At least 500,000 Peruvian entrepreneurs know about the program</li> <li>• At least 100,000 MSMEs register for the program</li> </ul>	<ul style="list-style-type: none"> <li>• Awareness-raising campaign reports</li> <li>• List of attendees at the awareness-raising events and business workshops</li> <li>• Minutes of the workshops</li> </ul>	<ul style="list-style-type: none"> <li>• Peruvian MSMEs, aware of the value of e-commerce as a tool to open out to new markets, are interested in the awareness-raising and training activities.</li> </ul>
<b>COMPONENT 3:</b> Scaling up and business support	<p>9 months into execution:</p> <ul style="list-style-type: none"> <li>• The business support method is developed</li> </ul> <p>Upon project completion:</p> <ul style="list-style-type: none"> <li>• Peruvian MSMEs can contact a support service for e-commerce exports to receive guidance and help to overcome any hurdles they may have encountered when fulfilling orders</li> <li>• At least 100,000 Peruvian MSMEs market their goods and services over the Internet</li> </ul>	<ul style="list-style-type: none"> <li>• A document detailing the intervention methodology</li> <li>• Business intervention contracts</li> <li>• Statistics concerning the online transactions through the single window system</li> </ul>	<ul style="list-style-type: none"> <li>• Peruvian MSMEs, aware of the value of e-commerce as a tool to open out to new markets, participate in the program and promote their goods and services over the Internet.</li> </ul>

<b>COMPONENT 4:</b> Sustainability and replication strategy	Upon project completion <ul style="list-style-type: none"><li>• A method to standardize the experience has been developed</li><li>• The immediate effect has been evaluated</li><li>• Lessons learned and the experience gained through the project have been shared with at least five countries in the region</li></ul>	<ul style="list-style-type: none"><li>• Project sustainability plan</li><li>• Deployment documentation</li><li>• Dissemination event reports</li></ul>	<ul style="list-style-type: none"><li>• The international community remains interested in the potential of e-commerce as a mass distribution channel for MSMEs.</li></ul>
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ACTIVITIES			
<i>Component 1: Design and test the support model</i>			
Activity 1.1: Integration of existing data	9 months into execution: <ul style="list-style-type: none"> <li>Integration of data from the PROMPERU, PRODUCE, and Alibaba e-commerce portals</li> <li>The products of the first group of 8,000 enterprises are available online</li> </ul>	<u><b>For all activities:</b></u> <ul style="list-style-type: none"> <li>Semiannual and final project status reports</li> <li>Midterm and final evaluations</li> <li>Technical and financial inspections</li> </ul> For Activity 1.1: <ul style="list-style-type: none"> <li>E-commerce portal statistics</li> </ul>	<u><b>For all activities:</b></u> <ul style="list-style-type: none"> <li>Entrepreneurs are motivated and participate in the project.</li> <li>The cooperating institutions honor their commitment and integrate project activities with their own activities to promote e-commerce and exports.</li> </ul>
Activity 1.2: Support for recording and meeting demand	9 months into execution: <ul style="list-style-type: none"> <li>The registration and support processes are operational</li> </ul> 12 months into execution: <ul style="list-style-type: none"> <li>The evaluation of pilot and scaling-up recommendations are completed</li> </ul>	<ul style="list-style-type: none"> <li>Support and registration process documents</li> <li>Registration and support team report</li> </ul>	
<i>Component 2: Awareness-raising and training</i>			
Activity 2.1: Publicize and promote the project	12 months into execution: <ul style="list-style-type: none"> <li>The project's institutional identity has been designed</li> <li>The plan to publicize the project has been designed and is being implemented</li> </ul>	<ul style="list-style-type: none"> <li>Document with the plan for publicizing the project</li> <li>Promotional material</li> </ul> Upon project completion <ul style="list-style-type: none"> <li>Report on the means and materials used to promote the project</li> </ul>	

Activity 2.2: Project launch at the APEC SME Summit	<p>12 months into execution:</p> <ul style="list-style-type: none"> <li>• Event to present the project at the APEC SME Summit, and six replications in 10 localities outside the capital</li> </ul>	<ul style="list-style-type: none"> <li>• List of attendees</li> </ul>	
Activity 2.3: Training	<p>18 months into execution:</p> <ul style="list-style-type: none"> <li>• The workshop agendas are developed</li> <li>• Support materials developed and printed or available online</li> </ul> <p>Upon project completion</p> <ul style="list-style-type: none"> <li>• 30 workshops were held in cooperation with other institutions</li> <li>• One meeting was held for at least 1,000 enterprises participating in the project</li> </ul>	<ul style="list-style-type: none"> <li>• Training workshops attendance lists</li> <li>• Workshop minutes</li> <li>• Meeting minutes</li> </ul>	
Activity 2.4: Learning communities and partnering support	<p>12 months into execution:</p> <ul style="list-style-type: none"> <li>• Method to support existing partnering programs has been developed</li> </ul> <p>Upon project completion</p> <ul style="list-style-type: none"> <li>• At least 10 consortia or productive associations created to meet the greater volume of demand</li> <li>• Online promotion of the products and services offered by the consortia</li> </ul>	<ul style="list-style-type: none"> <li>• Document describing the methodology</li> <li>• Promotion material</li> <li>• Alibaba, PRODUCE, and PROMPERU statistics</li> </ul>	
Activity 2.5: Entrepreneur of the Americas competition	<p>12 months into execution:</p> <ul style="list-style-type: none"> <li>• The Entrepreneur of the Americas competition is announced</li> <li>• Five companies are awarded the Entrepreneur of the Americas prize for their successful international marketing of goods and services using e-commerce</li> </ul>	<ul style="list-style-type: none"> <li>• Statistics on the Entrepreneur of the Americas award</li> </ul>	

<b>Component 3: Scaling up and business support</b>			
Activity 3.1: Design and implement the intervention methodology	<p>9 months into execution:</p> <ul style="list-style-type: none"> <li>The business intervention method is designed</li> </ul> <p>15 months into execution:</p> <ul style="list-style-type: none"> <li>The intervention method is operational, serving Peruvian entrepreneurs</li> </ul>	<ul style="list-style-type: none"> <li>Document describing the intervention methodology</li> <li>Project team reports</li> </ul>	
Activity 3.2: Business support	<p>24 months into execution:</p> <ul style="list-style-type: none"> <li>The concerns about exports and e-commerce of 25,000 entrepreneurs are addressed</li> </ul> <p>Upon project completion:</p> <ul style="list-style-type: none"> <li>The concerns about exports and e-commerce of 75,000 entrepreneurs are addressed</li> <li>The products of 100,000 Peruvian entrepreneurs are promoted through a campaign targeting 16 million potential international buyers</li> </ul>	<ul style="list-style-type: none"> <li>Statistics on the use of the business support system</li> <li>Statistics on the online promotion tools contributed by Alibaba</li> </ul>	
<b>Component 4: Sustainability and replication strategy</b>			
Activity 4.1: Project evaluation	<p>12 months into execution:</p> <ul style="list-style-type: none"> <li>Baseline established</li> <li>Monitoring and evaluation system operational</li> </ul> <p>Upon project completion:</p> <ul style="list-style-type: none"> <li>Studies on the immediate effects are finalized and presented</li> </ul>	<ul style="list-style-type: none"> <li>File containing the baseline data</li> <li>Documents on the standardization of project activities</li> <li>Immediate effect evaluation report</li> <li>Sustainability plan</li> </ul>	

Activity 4.2: Dissemination of outcomes	<p>Upon project completion</p> <ul style="list-style-type: none"> <li>• Project dissemination event in Lima</li> <li>• Ten replications of the event held in places outside the capital</li> </ul>	<ul style="list-style-type: none"> <li>• Event reports</li> <li>• Multimedia dissemination materials published</li> </ul>	
Activity 4.3: International replication	<p>Upon project completion</p> <ul style="list-style-type: none"> <li>• Similar initiatives launched in five countries in the region</li> <li>• 5,000 entrepreneurs in the region are informed about the project outcomes in Peru</li> </ul>	<ul style="list-style-type: none"> <li>• Report on the events presenting the project</li> </ul>	



**NEW DISTRIBUTION CHANNELS FOR PERUVIAN COMPANIES PE-M1063  
BUDGET**

<b>BUDGET ITEMS</b>	<b>MIF US\$</b>	<b>Local US\$</b>	<b>Alibaba US\$</b>	<b>TOTAL US\$</b>
<b>Project administration</b>	<b>\$ 195,200.00</b>	<b>\$ 52,600.00</b>	<b>\$ -</b>	<b>\$ 247,800.00</b>
Administration	\$ 187,200.00	\$ 12,000.00	\$ -	\$ 199,200.00
Logistics, equipment, and main office	\$ 8,000.00	\$ 40,600.00	\$ -	\$ 48,600.00
<b>Component 1 Design and test the support model</b>	<b>\$ 95,200.00</b>	<b>\$ 40,800.00</b>	<b>\$ 35,000.00</b>	<b>\$ 171,000.00</b>
Activity 1.1 Integration of existing data	\$ -	\$ -	\$ 35,000.00	\$ 35,000.00
Activity 1.2 Support for recording and meeting demand	\$ 95,200.00	\$ 40,800.00	\$ -	\$ 136,000.00
<b>Component 2 Awareness-raising and training</b>	<b>\$ 238,000.00</b>	<b>\$ 324,200.00</b>	<b>\$ 220,000.00</b>	<b>\$ 782,200.00</b>
Activity 2.1 Publicize and promote the project	\$ 74,000.00	\$ 52,200.00	\$ -	\$ 126,200.00
Activity 2.2 Project launch at APEC SME Summit	\$ 78,000.00	\$ 158,000.00	\$ 10,000.00	\$ 246,000.00
Activity 2.3 Training	\$ 66,000.00	\$ 96,000.00	\$ 10,000.00	\$ 172,000.00
Activity 2.4 Learning communities and partnering support	\$ 20,000.00	\$ 18,000.00	\$ 100,000.00	\$ 138,000.00
Activity 2.5 Entrepreneur of the Americas competition	\$ -	\$ -	\$ 100,000.00	\$ 100,000.00
<b>Component 3 Scaling up and business support</b>	<b>\$ 182,000.00</b>	<b>\$ 144,000.00</b>	<b>\$ 250,000.00</b>	<b>\$ 576,000.00</b>
Activity 3.1 Design and implement the intervention methodology	\$ 26,000.00	\$ -	\$ -	\$ 26,000.00
Activity 3.2 Business support	\$ 156,000.00	\$ 144,000.00	\$ 250,000.00	\$ 550,000.00
<b>Component 4 Sustainability and replication strategy</b>	<b>\$ 103,000.00</b>	<b>\$ 104,000.00</b>	<b>\$ 410,000.00</b>	<b>\$ 617,000.00</b>
Activity 4.1 Project evaluation	\$ 45,000.00	\$ -	\$ -	\$ 45,000.00
Activity 4.2 Dissemination of outcomes	\$ 58,000.00	\$ 89,000.00	\$ 10,000.00	\$ 157,000.00
Activity 4.3 International replication	\$ -	\$ 15,000.00	\$ 400,000.00	\$ 415,000.00
<b>SUBTOTAL</b>	<b>\$ 813,400.00</b>	<b>\$ 665,600.00</b>	<b>\$ 915,000.00</b>	<b>\$ 2,394,000.00</b>
<b>Midterm and final evaluations</b>	<b>\$ 40,000.00</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 40,000.00</b>
<b>Audit and review of disbursements and procurement</b>	<b>\$ 20,000.00</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,000.00</b>
<b>Contingencies</b>	<b>\$ 20,000.00</b>	<b>\$ 20,000.00</b>	<b>\$ -</b>	<b>\$ 40,000.00</b>
<b>TOTAL</b>	<b>\$ 893,400.00</b>	<b>\$ 685,600.00</b>	<b>\$ 915,000.00</b>	<b>\$ 2,494,000.00</b>
Ex post evaluation contribution (0.5% of budget)	\$ 4,467.00			\$ 4,467.00
<b>GRAND TOTAL</b>	<b>\$ 897,867.00</b>	<b>\$ 685,600.00</b>	<b>\$ 915,000.00</b>	<b>\$ 2,498,467.00</b>

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK  
MULTILATERAL INVESTMENT FUND

PROPOSED RESOLUTION MIF/DE-\_\_\_/09

Peru. Nonreimbursable Technical Cooperation ATN\_\_\_-\_\_\_-RG  
New Distribution Channels for Peruvian Companies

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank or such representative as he shall designate is authorized, in the name and on behalf of the Bank, as Administrator of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Sociedad de Comercio Exterior Del Perú (COMEXPERU), and to take such additional measures as may be pertinent for the execution of the project proposal contained in document MIF/AT-\_\_\_ with respect to a technical cooperation for new distribution channels for Peruvian companies.
2. That up to the amount of US\$897,867 or its equivalent in other convertible currencies shall be authorized for the purpose of this resolution, chargeable to the resources of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.

(Approved \_\_ \_\_\_\_ 2009)

LEG/SGO/CAN – 1959724-09  
PE-M1063