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PERU

**EMPOWERMENT OF WOMEN MICROENTREPRENEURS IN POOR
COMMUNITIES IN PERU THROUGH CONSOLIDATION OF THE “CHAKIPI”
MULTISUPPLIER INCLUSIVE DISTRIBUTION NETWORK**

(PE-M1107)

DONORS MEMORANDUM

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PROJECT SUMMARY

EMPOWERMENT OF WOMEN MICROENTREPRENEURS IN POOR COMMUNITIES IN PERU THROUGH CONSOLIDATION OF THE “CHAKIPI” MULTISUPPLIER INCLUSIVE DISTRIBUTION NETWORK

PE-M1107

One of the dimensions of poverty associated with remote areas in both rural and periurban communities is the lack of access to products and services that can satisfy the needs and help improve the quality of life of the local population. Local inhabitants live in isolated conditions and have to travel great distances to find sources of work and purchase goods and services that are not available in their communities. This lack of access to products and services has led the Clinton Foundation Peru Branch to develop Chakipi (which means “To your home” in Quechua), a model that socially and economically empowers mostly indigenous women by integrating them into a multisupplier door-to-door distribution network involving a wide range of products that foster progress in the communities by improving hygiene, nutrition, and health habits.

Chakipi puts forward a value proposal for all stakeholders involved: (i) empowering women in the communities by generating local work that enables them to earn a stable and growing income by distributing products; (ii) contributing to the welfare of poor population groups by providing them with access to a stable supply of quality products at affordable prices; and (iii) offering supplier companies a low-cost, shared last-mile¹ distribution channel to deliver their products to rural and periurban areas. This proposal has been validated through a pilot phase that has resulted in a consolidated network of 80 microdistributors, 90% of whom are indigenous women in the departments of Apurímac and Cusco, who in addition to having raised the income of their nuclear family have also improved their reading and writing skills and gained self-confidence and self-esteem. The interest of supplier companies (confirmed by partnerships with Procter & Gamble, Santa Natura, Nestlé, and Claro), the growing sales, and the conclusions of a demand analysis verify that an opportunity exists to scale up the model.

This project supports scaling the model by assembling a network of 2,000 women microdistributors who will offer products to families in rural and periurban communities in Peru. It is the second project under the facility “Promoting the Economic Empowerment of Low-Income Populations through Microenterprise Distribution Networks” - SCALA (RG-M1234). For the facility, this project is an opportunity to experience the process of consolidating and scaling a last-mile multisupplier inclusive distribution model, while helping to close knowledge gaps regarding the viability of consignment as a means of financing the product inventories of microdistributors and the relative effectiveness (compared to other models) of a multisupplier inclusive distribution model managed by a social enterprise, in terms of revenue generation and sustainability potential.

¹ The last link in a distribution chain that actually delivers the products and services to the customer.

ANNEXES

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Annex II	“Chakipi” Budget
Annex III	Quality for Effectiveness in Development (QED) Matrix

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Proposed resolution

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

Annex IV	Itemized budget
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ABBREVIATIONS

CGEP	Clinton Giustra Enterprise Partnership
CRF	Corporate Results Framework
EAP	Economically active population
INEI	National Statistics and Information Technology Institute
MIF	Multilateral Investment Fund
OMJ	Opportunities for the Majority Sector
ORP	Office of Outreach and Partnerships

EXECUTIVE SUMMARY

PERU

EMPOWERMENT OF WOMEN MICROENTREPRENEURS IN POOR COMMUNITIES IN PERU THROUGH CONSOLIDATION OF THE “CHAKIPI” MULTISUPPLIER INCLUSIVE DISTRIBUTION NETWORK (PE-M1107)

Country and geographic location:	The project will be carried out in remote rural and periurban areas in the departments of Cusco, Puno, Apurímac, Lima, Ica, and Arequipa in Peru.		
Proponent organization:	Clinton Foundation Peru Branch.		
Direct beneficiaries:	2,000 low-income women in rural and periurban areas of Peru who will be linked with the country's productive labor force through an entrepreneurial activity that will provide them with a stable income, contributing to the welfare of their families.		
Indirect beneficiaries:	<p>- 10,000 individuals who comprise the nuclear family (children, parents, spouses) of the women who are part of the distribution network.</p> <p>- 120,000 families in rural and periurban areas of Peru who will have access to a stable and varied supply of products that will help improve their hygiene, health, and nutritional habits and enhance their other productive activities.</p>		
Financing:	MIF contribution	US\$ 500,000 ²	33%
	Counterpart	US\$ 1,000,000	67%
	Cofinancing (if available)		
	Total project cost	US\$ 1,500,000	100%
Execution and disbursement period:	The execution period will be 30 months. The disbursement period will be 36 months.		
Special contractual conditions:	The following will be conditions precedent to the first disbursement: (i) signing of the agreement between the Clinton Foundation and Chakipi Acceso governing project execution; (ii) hiring of the general project coordinator; (iii) approval by the Bank of the project Operating Regulations; and (iv) approval by the Bank of the annual work plan.		

² Project Specific Grant RG-X1191.

**Environmental and social
impact review:**

This operation has been screened and classified as required under the Bank's Environment and Safeguards Compliance Policy (Operational Policy OP-703). Given the limited impacts and risks, it has been proposed as a category "C" operation.

**Unit with disbursement
responsibility:**

MIF/CPE.

I. BACKGROUND AND RATIONALE

A. Diagnostic assessment of the problem to be addressed by the project

- 1.1 Peru has a population of approximately 30.8 million people. The country is recognized for its ethno-racial diversity, including 6.5 million indigenous inhabitants, of whom 40% live in urban areas and 60% in rural areas.³ According to the National Statistics and Information Technology Institute (INEI), 23.9% of the total population lived below the poverty line in 2013 despite the country's significant strides in reducing poverty over the last decade.⁴ The rural poverty indices remain at a considerably high 48% in comparison to the 29% urban poverty index. In addition, there is evidence that poverty affects the indigenous population disproportionately: 35% of indigenous people are poor (9% extreme poverty, 26.9% nonextreme poverty), almost twice the poverty figure for the nonindigenous population.⁵
- 1.2 The incidence of poverty also varies by gender and ethnic group. Multiple studies⁶ confirm that the number of poor women is greater than that of poor men, the female poverty level is more acute, and there is a trend toward a more pronounced growth in female poverty, particularly among indigenous women living in remote areas. These differences are primarily due to the fact that women face greater constraints on access to education and remunerative work. In the specific case of Peru, there are strong gender inequities: (i) the economic activity rate is 82.3% for men, while it is 64.8% for women; (ii) the average income of the female economically active population (EAP) was S/. 826.8 in 2010, equivalent to 65% of the average income of the male EAP (S/. 1,323.3);⁷ and (iii) 67% of women work in the informal sector, compared to 53% of men. In addition, women in rural areas, especially indigenous women, are the country's largest illiterate group, with an average illiteracy rate of 14.4%. In some departments, as much as a quarter of the female population above 15 years of age is illiterate.⁸
- 1.3 There is evidence that women with access to education experience cognitive changes that allow them to question, examine, and act on their living conditions. Moreover, they are likely to be more concerned about their own and their family's welfare and to experience changes in power relationships both within and outside the household.⁹ When women have remunerative work, they use their income for the family's livelihood, are less likely to be victims of domestic violence, and exert

³ Social and demographic diagnostic assessment of the indigenous population, ECLAC – Ford Foundation, 2010.

⁴ As reported by the INEI, the country's poverty rate has gone from 54.7% in 2001 to 23.9% in 2013.

⁵ Informe Técnico: Evolución de la Pobreza Monetaria 2009-2013 [Technical Report: Trends in Monetary Poverty 2009-2013], INEI.

⁶ Godoy, L. (2004). Entender la pobreza desde la perspectiva de género [Understanding poverty from a gender perspective]. Women and Development Unit – ECLAC.

⁷ National Gender Equality Plan 2012-2017. Ministry of Women and Vulnerable Populations. Lima, Peru. p. 23.

⁸ Ibid.

⁹ Kabeer, N (2005). Gender Equality and Women's Empowerment: A critical analysis of the third millennium development goal, *Gender and Development*, 9:1. p. 16.

greater influence on the decisions as to how the money is to be spent in the household.¹⁰

- 1.4 To contribute to the reduction of poverty, the Government of Peru has implemented conditional cash transfers.¹¹ However, while these transfers have undoubtedly driven consumption among low-income individuals, they have failed to create sufficient demand in rural and periurban areas to make it attractive and profitable to incur the high costs involved in developing distribution channels and the logistics required to distribute products in and serve these markets. There are some cases of social enterprises¹² that have developed innovative last-mile distribution models¹³ to meet the needs of these population groups, but they face great financial and logistical challenges for achieving continuity and scale in the supply of their products on a sustainable basis.
- 1.5 Reflecting on the absence of a stable supply of products that can help to improve the quality of life in poor rural and periurban communities, the Clinton Foundation in Peru identified an opportunity to empower women in those communities by providing them access to income-producing work distributing products in their communities. As a result, it has developed Chakipi (which means “To your home” in Quechua), a multisupplier inclusive distribution model for distributing a wide range of products that can help improve local habits, including in hygiene, nutrition, and health, in remote localities. Chakipi’s value proposal is based on creating benefits for all those involved: (i) *female heads of households*, by enabling them to have stable work and generate income that contributes to the welfare of their nuclear family; (ii) *remote communities*, by giving them access to a stable supply of useful quality products at affordable prices; and (iii) *supplier companies*, by offering a low-cost alternative for delivering their products to rural and periurban areas through a shared last-mile distribution channel.
- 1.6 The Chakipi model is comprised of the following processes: (i) market analysis of the target areas to identify needs and determine the product mix for each community; (ii) negotiations with potential supplier companies and creation of partnerships, the primary criteria being the level of discounts offered to ensure fair margins for the microdistributors and their contribution for the benefit of the communities; (iii) logistics, relating to the setup of the distribution centers (infrastructure, equipment, processes) to manage the transportation, receipt, and storage of products and their delivery to the microdistributors; (iv) selection and training of microdistributors in various aspects of the work, including knowledge about the products, sales techniques, customer management, and basic finance, taking into consideration the social, cultural, geographic, and economic differences among microdistributors and the communities they serve; (v) operation and sales, through which the microdistributors receive the products on consignment at the distribution centers and carry out their sales using various business strategies,

¹⁰ Kabeer, N (2005). Gender Equality and Women’s Empowerment: A critical analysis of the third millennium development goal, *Gender and Development*, 9:1. p. 19.

¹¹ On average, a family living in poverty receives \$100 soles per month. Jones, Nicola. 2014. Conditional cash transfers in Peru: Tackling the multi-dimensionality of poverty and vulnerability. UNICEF.

¹² Example: ACCIONA Microenergía Perú, a social enterprise implementing the MIF project Rural Electrification through Renewable Energy in Isolated Communities in Peru, PE-M1087.

¹³ The last link in a distribution chain that actually delivers the products and services to the customer.

- including door-to-door sales, participation in fairs, local markets, or showrooms in their own homes; and (vi) outcome and monitoring reports, allowing the microdistributors to present the results of their sales efforts to the administrative team and receive the income they have earned.
- 1.7 Operating the model in pilot phase since 2012 has made it possible to validate its feasibility, identify the ideal profile of women entrepreneurs, develop relationships with key supplier companies, and test and perfect the product portfolio. Outcomes include consolidation of a network of 80 microdistributors, 90% of whom are indigenous women in the departments of Apurímac and Cusco, who by working four hours a day four times a week earned an average monthly income of 260 soles (approximately US\$85), equivalent to one third the minimum wage in Peru (750 soles/month for a 40-hour workweek). In addition, partnerships created with P&G, Santa Natura, Nestlé, and Claro have made it possible to assemble a portfolio of more than 80 new food, personal hygiene, and household cleaning products, over-the-counter medications (vitamins, analgesics, antipyretics, reading glasses), and products that address community needs (for example, solar lamps) and generate viable margins for both the microdistributors and the supplier companies. Given the great distances to be covered and the microdistributors' inability to carry all the products that comprise the portfolio, the sales process is supplemented through a catalogue that allows microdistributors to offer products to their customers and deliver them on a subsequent visit. In addition to the benefit of income generation, the results of direct interviews, observation visits, and surveys have yielded evidence of the pilot's positive effects in terms of improving the reading and writing skills of microdistributors, raising their self-confidence and self-esteem, and providing them with the sense of community and belonging that comes from being part of a network.
- 1.8 The results of the pilot prompted the Clinton Foundation to consider expanding the model to other remote areas of Peru. To this end, the foundation has conducted a demand analysis,¹⁴ delineated a regionalization strategy,¹⁵ and developed a sales plan the results of which have led the foundation to design an expansion strategy and action plan that ensure margins consistent with microdistributor and supplier expectations while covering the model's operating costs and assuring its economic and social sustainability. The studies performed confirm, among other results, an increase in consumption capacity in rural areas¹⁶ and the existence of an estimated 2,000,000 families in remote areas throughout the country demanding personal care, food, and cleaning products, electric items, clothing, medications/first-aid items, products to improve other productive activities (cattle farming, crafts), and quality of life (solar lamps, water purifiers, etc.).
- 1.9 In late 2013, MIF approved the facility "Promoting the Economic Empowerment of Low-Income Populations through Microenterprise Distribution Networks" - SCALA (RG-M1234) to support projects aimed at consolidating and scaling innovative models that integrate low-income individuals into the distribution networks that deliver products and services to underserved communities at affordable prices.

¹⁴ Demand analysis report prepared by Arellano Marketing (Peru).

¹⁵ Regionalization strategy. 2013. Clinton Foundation – Peru.

¹⁶ In the 2007-2012 period, average monthly consumption in the rural population in Peru rose from US\$77 to US\$103, a growth rate of 34%.

The projects to be supported by SCALA are selected by a Selection Committee, comprised of representatives of the Citi Foundation, OMJ, ORP, and MIF (DEU and AMC), based on criteria which include: the model's foundations and innovations that make it technically, financially, and institutionally viable; impact on the beneficiary population (microdistributors and consumers); proposed actions for model scalability; and alignment of the proposed knowledge management with the facility's knowledge objective. The Selection Committee has recommended supporting this project. The committee considers that the project will provide SCALA with an opportunity to experiment with, learn from, and disseminate the process for consolidating and scaling an innovative last-mile multisupplier inclusive distribution model, which due to its low cost, represents a business opportunity for supplier companies to distribute their products in low-income communities. Thus, it would make it possible to multiply and accelerate the supply of products and services in these communities at better prices, in turn generating income for microdistributors using consignment as a means of financing their product inventory.

B. Project beneficiaries

- 1.10 The direct project beneficiaries will be 2,000 low-income, mostly indigenous women residing in rural and periurban areas of the departments of Cusco, Puno, Apurímac, Lima, Ica, and Arequipa. These women will be linked to the country's productive labor force through an entrepreneurial activity that will allow them to earn a decent and stable income, contributing to the welfare of their families. According to the outcomes of the pilot, these women are on average 37 years of age, have low levels of schooling, communicate in a native language (Quechua, Aimara), and have low self-esteem and a limited share in household decisions. Their nuclear family, with an income of approximately US\$5.75 per day, consists for the most part of five persons, and they are responsible for caring for children and elderly family members.
- 1.11 In addition, 120,000 families in rural and periurban communities in Peru will have access to a stable and varied supply of products that will help to improve their hygiene and nutrition habits, their health, and the performance of other productive activities in which they engage.

C. Contribution to the MIF mandate and the IDB strategy

- 1.12 This project will support the scaling of an innovative social business model that helps remote populations close their access gap to quality products at a lower price. Scaling the model will generate jobs and income for the women entrepreneurs involved and will promote the well-being of their communities by leveraging the enterprises as development catalysts in line with the MIF mandate on poverty reduction. In addition, the project will make it possible to resolve SCALA's knowledge gaps regarding the viability of using consignment as a means of financing microdistributors' product inventories and the effectiveness (compared to other models) of a multisupplier inclusive distribution model managed by a social enterprise in terms of income generation and sustainability potential. The project is also aligned with the IDB Country Strategy with Peru 2012-2016 by helping to close urban and rural gaps, concentrating on interventions aimed at poverty reduction and social inclusion, with a focus on excluded and highly rural areas. The project will help to reduce these gaps by allowing families located in remote areas

to be able to improve their access to products that contribute to their health and well-being.

II. PROJECT OBJECTIVES AND COMPONENTS

A. Objectives

- 2.1 In terms of impact, the objective of the project is to help increase women's income in remote rural and periurban communities in Peru. In terms of outcome, the objective is to scale a last-mile multisupplier inclusive distribution network that creates business opportunities for low-income women through the distribution of products that help improve the quality of life in rural and periurban communities in the departments of Cusco, Puno, Apurímac, Lima, Ica, and Arequipa in Peru.

B. Description of the model/solution/intervention

- 2.2 The project will scale Chakipi, an innovative last-mile¹⁷ multisupplier distribution model that will allow female heads of households to generate income to help improve their own and their families' quality of life. These women will have access to business opportunities based on the distribution and advice on the use of products that help improve the quality of life in poor communities. Chakipi's proposal is to contribute to the well-being of these communities by using training and support to transform women microdistributors into well-being ambassadors who, in addition to products, offer information and advice to improve hygiene and nutrition habits, health, and the performance of productive activities.
- 2.3 To move forward on the scaling, the model will be adapted with a view to overcoming the challenges identified during the pilot, which essentially relate to the need to reduce the women's dropout rate, make the model more efficient, and ensure that a win-win ratio is maintained for all those involved by gradually improving the model's economic and social benefits under a viable cost structure. These adaptations include: (i) expanding the sources for identifying potential women microdistributors by creating partnerships with microfinance institutions whose village banking members have the appropriate profile, with indigenous organizations, and with government programs; (ii) implementing the concept of microdistributor "leaders" to support the training and coaching processes and thereby reduce the associated costs; (iii) creating partnerships with suppliers who can ensure the availability of products that are aligned with Chakipi's concept of well-being, have a high turnover rate, and can guarantee margins that will meet the income expectations of the microdistributors and cover operating costs; and (iv) reducing operating costs by making the logistical processes more efficient, considering inventory financing alternatives for microdistributors in addition to consignment, and incorporating information technologies in the areas of network monitoring/support, sales, and market intelligence processes.
- 2.4 In order to meet the income expectations of the microdistributors, estimated at 300 soles according to the demand analysis,¹⁸ each microdistributor will be assigned an area of action containing approximately 300 families. This will allow her to achieve the estimated incremental sales targets for an average of

¹⁷ The last link in a distribution chain that actually delivers the products and services to the customer.

¹⁸ Demand analysis report prepared by Arellano Marketing (Peru).

- S/. 2,250 per month (approximately US\$750) one year after joining the network. This sales figure amounts to a monthly income of S/. 336 (US\$110, 15% margin), equivalent to half the monthly minimum wage in Peru but earned while working only 4 hours a day 4 days a week. Chakipi also considers incentive programs for microdistributors to help them attain their expected income levels and achieve personal development. They include savings programs, community healthcare services, family education, support for the microdistributors' other productive activities, and career development programs that can enable them to become leaders of their own microdistributor group or even provide support and coaching services to other microdistributors, thereby earning additional income. Furthermore, to the extent that the channel is shown to be effective and is made more efficient, negotiations with suppliers under the model are expected to result in a product portfolio with a more favorable margin structure that can translate into higher income for the microdistributors.
- 2.5 Initially, expansion of the model will focus on Cusco, Apurímac, and Puno, the departments where the pilot was carried out. Subsequently, the model will be taken to other regions in accordance with the defined expansion strategy.¹⁹ This strategy considers specific actions aimed at preventing market saturation, particularly in the case of periurban contexts, while also taking outcomes and lessons learned into account on a rolling basis. The entire country is expected to be covered within a period of five years, and success will be measured on the basis of the number of microdistributors that are part of the network, their income levels, and the number of communities and families with access to new products.
- 2.6 In line with its strategy of creating impact enterprises, the Clinton Foundation, acting through the Clinton Giustra Enterprise Partnership (CGEP), has created Chakipi Acceso, a commercially viable social distribution enterprise that will be responsible for the current operation, scaling the model in Peru, and ensuring its long-term social impact. Chakipi Acceso has an initial capital of US\$2.3 million, provided by Acceso Fund LLC, a fund created by CGEP and the Fundación Carlos Slim and launched in December 2009. The management structure of Chakipi Acceso is comprised of a general manager, a financial manager, and an operations manager with broad experience managing consumer goods channels. Operations are supervised directly by CGEP to ensure its expected social impact and financial sustainability. The functions of Chakipi Acceso include: (i) management of national operations; (ii) negotiations, formalization of partnerships, and relations with the various suppliers and financial institutions; (iii) search, selection, training, and management of the microdistributor network; and (iv) management of inventories and coordination of logistics.
- 2.7 The project will systematize and disseminate the outcomes of a new experience for SCALA, in which a social enterprise sustainably scales an inclusive distribution network model that, because of its multisupplier nature, offers a varied product portfolio through a single channel, thus enhancing the ability of women in poor

¹⁹ The regionalization strategy proposes dividing the country into six regions: **Region I:** Tumbes, Piura, Lambayeque, and Cajamarca; **Region II:** Amazonas, Loreto, San Martín, and Ucayali; **Region III:** La Libertad, Ancash, Huánuco, Lima, and Callao; **Region IV:** Pasco, Junín, Huancaavelica, and Ayacucho; **Region V:** Madre de Dios, Cusco, Apurímac, and Puno; and **Region VI:** Ica, Arequipa, Moquegua, and Tacna.

communities to generate a stable and growing income and expanding the supply of products in the communities at affordable prices. In addition to creating job, income, and well-being opportunities for the women involved, Chakipi helps to close the gap for companies that sell products that are important for these communities but either do not deliver them or do so very expensively because of distribution challenges. At the same time, Chakipi allows these companies to perform an important role as catalysts for development.

C. Components

Component I: Adaptation of the model for expansion (MIF: US\$73,500; counterpart: US\$191,200)

- 2.8 The objective of this component is to adjust the model as needed to achieve expansion while maintaining the income level, empowerment, and potential for growth of the beneficiaries. The opportunities for improvement and challenges identified in the pilot (see paragraph 2.3) and the results of the demand analysis, regionalization strategy, and sales plan will be considered for this purpose. The component calls for creating partnerships with public- and private-sector institutions and otherwise taking action to consolidate Chakipi Acceso as a social enterprise that sustainably scales and manages an inclusive distribution model.
- 2.9 The activities to be carried out under this component include: (i) reviewing and adjusting business model processes to guarantee the income expectations of the microentrepreneurs; (ii) performing a (qualitative and quantitative) demand analysis to identify the basket of products, prices, and requirements for each region; (iii) creating partnerships with product supplier companies; (iv) generating documentation for the model and operating manuals for Chakipi Acceso; and (v) providing training in the model and its operating processes for Chakipi Acceso staff.

Component II: Economic and social empowerment²⁰ of the microdistributors (MIF: US\$173,760; counterpart: US\$296,600)

- 2.10 The objective of this component is to transform the women entrepreneurs who are part of the Chakipi network into microdistributors ready to manage their businesses on a profitable basis, empowering them socially and economically and allowing them and their families to grow and improve their circumstances. This transformation requires not only a comprehensive capacity-building process but a set of incentives to keep the involved women motivated, promote their productivity, and prevent them from dropping out. Potential incentives will include personal development programs that can enable them to become leaders or supervisors of their own microdistributor groups or even work in positions supporting the operations of Chakipi Acceso. Given the ethnic diversity of the entrepreneurs, these processes and incentives need to be adapted to reflect the cultural, social, geographic, and economic characteristics of each group.
- 2.11 The activities considered for this component include: (i) performing an ethnographic study to produce guidelines for tailoring the model's processes to

²⁰ The *Diccionario Panhispánico de Dudas* [Pan-Hispanic Dictionary of Doubts] defines "to empower" as "to grant power to a socioeconomically disadvantaged group so that it may improve its living conditions through self-management."

Peru's diverse ethnic groups and regions; (ii) reviewing and adjusting the processes for selecting women entrepreneurs (refining the profile, identifying candidates through partnerships, and mechanisms to ensure that recruitment is properly targeted); (iii) defining and implementing a training and coaching strategy; (iv) evaluating alternatives to encourage savings and finance microdistributor operations; (v) promoting support/collaboration/teamwork initiatives that generate additional benefits for microdistributors, their families, and their communities; and (vi) defining personal development plans/job promotion options and other aspects that contribute to the progress of microdistributors (healthcare services in the communities, family education, and support in their other productive activities).

Component III: Geographic expansion of the model (MIF: US\$54,000; counterpart: US\$432,000)

- 2.12 The objective of this component is to deliver the benefits of the Chakipi multisupplier distribution model to a larger number of women and their communities. The expansion will be done gradually by regions (see paragraph 2.5), considering their respective specificities and context and using a continuous improvement approach in order to incorporate best practices and lessons learned from the model's implementation in each region. The geographic, ethnic, and economic diversity of the various regions requires differentiated expansion strategies in each case, particularly regarding the profile of the microdistributors, the basket of products, and the logistical processes.
- 2.13 The activities considered for this component include: (i) reviewing and adjusting the regionalization strategy; (ii) defining and implementing a marketing strategy to position Chakipi and facilitate sales; (iii) implementing the infrastructure required to operate in the targeted regions (distribution centers, staff, equipment, processes, systems, etc.); (iv) consolidating partnerships at the national level to expand the model; (v) evaluating outcomes and making adjustments to the model and the expansion strategy once expansion into each region is completed; and (vi) preparing a plan for continuing to expand the model into regions of Peru beyond the scope of this project and potentially replicating it in other Latin American, African, and Asian countries in which the Clinton Foundation has a presence.

Component IV: Knowledge management and defining a strategy for promoting and adopting similar models in the region (MIF: US\$46,800; counterpart: US\$17,200)

- 2.14 The objective of this component is to systematize, document, and disseminate the experience that allows Chakipi Acceso, a social enterprise, to attain self-sustainability as well as the effects of the multisupplier inclusive distribution model on poverty reduction and quality-of-life improvement in remote communities. Thus, the project helps to close SCALA's knowledge gaps regarding the viability of consignment as a means of financing the product inventories of microdistributors and the relative effectiveness (compared to other models) of a multisupplier inclusive distribution model managed by a social enterprise in terms of revenue generation and sustainability potential.
- 2.15 The component will also define a dissemination strategy aimed at key audiences, including social and private enterprises interested in delivering their

products/services to poor communities, other civil society organizations with an interest in carrying out similar initiatives within or outside the region, and multilateral organizations interested in supporting models that contribute to poverty reduction. The main channels for reaching these audiences will include international events, SCALA'S network of contacts/audiences, social networks, print media, and partners' websites. This approach will be implemented using resources from the organization and from SCALA and by contracting specialized consulting services. In view of its recognized support for global poverty reduction initiatives, the Clinton Foundation will play a role in disseminating and promoting the replication of this type of model.

- 2.16 The activities to be performed under this component include: (i) preparing knowledge products (systematization of the experience of scaling an inclusive distribution model by a social enterprise – Chakipi Acceso; regional case studies; infographics on the project's execution process, outcomes, and lessons learned); (ii) implementing a dissemination strategy, including participation in SCALA knowledge laboratories,²¹ social media campaigns, presentations in international events/conferences, etc. On a yearly basis, the Clinton Foundation will update the Project Fact Sheet (standard form made available by MIF), which contains information on the project, its challenges, intervention strategy, and outcomes achieved.

D. Project governance and execution arrangements

- 2.17 The project's executing agency will be the Clinton Foundation-Peru Branch, which will receive and manage the resources, certify the counterpart contributions, and verify advances in terms of fulfillment of the indicators defined for the project. To this end, it will establish an agreement with Chakipi Acceso, the social enterprise created by the Foundation to expand the model, specifying the roles, responsibilities, commitments, and mechanisms of both parties for the financial and technical management and supervision of the project.
- 2.18 For project execution, Chakipi Acceso will establish an executing unit responsible for managing, coordinating, and monitoring the project outcomes. This unit will consist of a project coordinator and an administrative assistant. The work of the executing unit will be supervised by the enterprise's general manager and will be carried out in coordination with the finance-logistics and sales departments.

E. Sustainability

- 2.19 The project's sustainability is predicated on financial yields that make Chakipi Acceso economically viable. Thus, the expansion process's success largely depends on the following factors: (i) the proper mix of products and proper marketing to ensure growing demand; (ii) the win-win business model that, in addition to meeting the income expectations of suppliers and microdistributors, generates sufficient funds to cover the operating costs of Chakipi Acceso; and (iii) the efficient management of the network of microdistributors to ensure their economic and social empowerment. Under the most conservative scenario, the Chakipi Acceso model would achieve its breakeven point after three years of

²¹ Laboratories aimed at identifying best practices to overcome the challenges faced by inclusive distribution networks.

operation and with 1,500 microdistributors in the network, with annual sales of US\$5.1 million.

F. Lessons learned from the MIF and other institutions on the project's design

- 2.20 MIF has been working for three years on initiatives aimed at boosting the income of base-of-the-pyramid population groups through inclusive distribution projects in Mexico, Guatemala, Bolivia, Paraguay, Suriname, and the Dominican Republic. In addition, the SCALA community of practice has made it possible to identify lessons from the experience of project initiatives by other institutions that have also been useful for the design of this project. These lessons include: (i) adopting a microconsignment arrangement to finance the product inventory to be sold by the microdistributors can lead to high costs and affect the viability of expanding/scaling the model; (ii) the lack of job/income producing opportunities in rural contexts results in lower microdistributor turnover rates than found in urban contexts; and (iii) implementing marketing campaigns to promote the products facilitates the microdistributors' sales and attainment of their targets. Furthermore, the pilot conducted by the Clinton Foundation yielded the following lessons: (i) supporting/coaching the microdistributors in the field as a supplement to sales training has proven to be an effective way of ensuring that they achieve their sales targets; (ii) the basket of products needs to be tailored to customer demand. The demand analysis has been crucial for identifying the categories/products to be added to meet this demand; and (iii) the dispersion of homes in a rural context requires the entrepreneurs to cover large distances. This has led to including physical health among the characteristics of an entrepreneur's profile.

G. MIF additionality

- 2.21 **Nonfinancial additionality.** MIF's recognition as a stakeholder-coordinating institution provides added value and credibility since the project is based on creating strategic partnerships among the various parties involved. The lessons and experiences of MIF in projects based on partnerships with anchor companies, microfinance institutions, and government agencies are real reference points for the project that will help to overcome the challenges faced in taking inclusive distribution models to scale.
- 2.22 **Financial additionality.** One of the great challenges faced by social enterprises in scaling their models is access to financing, due to the difficulty of showing that their business plan is viable. This is particularly the case when the objective largely involves a social impact in target markets comprised of low-income indigenous communities. MIF resources will be used to finance activities aimed at expanding the model into rural and periurban communities where identified demand already exists as indicated in the demand analysis,²² and to lay the foundations for Chakipi Acceso to show that its business model is socially and economically sustainable and thus subsequently obtain the financing it requires for expanding into all of Peru and other countries in the region.

H. Project outcomes

- 2.23 Some of the proposed outcome indicators are the following:

²² Demand analysis report prepared by Arellano Marketing (Peru).

- a. 2,000 microdistribution businesses created by the women who join the Chakipi last-mile distribution network (CRF 230300).
- b. 120,000 families in remote areas in six departments of Peru with access to products currently unavailable to them or available only at high prices due to the high costs of traditional distribution networks.
- c. 400 microdistributors with access to credit or other financial products (CRF 230500).

I. Project impact

2.24 The impact of the project will be measured using the following indicators:

- a. Number of microdistributors who continue to be part of the Chakipi network two years after starting to operate their microbusinesses (CRF 310201).
- b. Number of microdistributors who raise their annual income by 15% or more after their first year in operation (CRF 330100).

J. Systemic impact

- 2.25 The project contemplates reviewing and adjusting the plan for expansion into other regions of the country not included in the project's scope, on the expectation that the outcomes demonstrating the advantages of the multisupplier channel will motivate other companies to use it to position their products in rural and periurban communities. In addition, consolidating Chakipi Acceso as a sustainable social enterprise constitutes a best practice with high potential for replication in the region.
- 2.26 The Clinton Foundation is considering replicating the Chakipi Acceso model in other countries where the foundation operates, including El Salvador and Haiti. This outcome is aligned with the indicator "number of MIF-introduced models scaled" (CRF 450100).

III. MONITORING AND EVALUATION STRATEGY

- 3.1 **Baseline.** A baseline will be established for the project considering the indicators set out in the logical framework for measurement of project outcomes and impacts. To this end, the new microdistributors will participate in a survey covering economic as well as social issues and based on the survey used by the Clinton Foundation-Peru Branch during the pilot phase. This survey will be repeated every six months and its results will be supplemented by the reports produced by the sales support system, which include information on the microdistributors' sales and income. This will make it possible to maintain periodic oversight of changes in the indicators and the effectiveness of the model.
- 3.2 **Evaluation.** Two project evaluations, one midterm and one final, will be conducted through consultants to be hired by the MIF. The midterm evaluation will be conducted when 50% of the contribution has been disbursed or half the execution period has elapsed (whichever occurs first) The midterm evaluation will: (i) identify the difficulties, risks, and challenges in executing the project; (ii) identify alternatives and strategies that help to improve execution and therefore increase the likelihood of achieving the expected project outcomes within the required

timeframes; (iii) make specific recommendations on how to enhance the project's potential impact and sustainability. The questions to be answered in the midterm evaluation include the following: How effective have the measures to reduce the microdistributors' dropout rate been? Have the microdistributors succeeded in achieving their expected income levels? What has been the degree of compliance with/deviation from the financial model for making Chakipi Acceso sustainable? If this evaluation is satisfactory to the Bank, the Bank will authorize the Clinton Foundation to continue to commit resources. Otherwise, the Foundation will have to make the necessary adjustments in order for the Bank to authorize the resumption of disbursements.

- 3.3 The final evaluation will be performed when 90% of the contribution has been disbursed or three months prior to the final disbursement, and will include: (i) an analysis of the outcomes achieved with regard to the objectives set out in the Logical Framework; (ii) an analysis of the systematization of the model scaling process; (iii) level of beneficiary satisfaction with the intervention; (iv) lessons learned during execution; (v) compilation of knowledge products generated and transferable to similar projects. Questions to be included in this evaluation would include the following: Did the discount margins negotiated with the suppliers make it possible to meet the microdistributors' stable income expectations? To what extent did consignment turn out to be viable during the expansion as a means of financing the microdistributors' product inventories? What is the level of satisfaction/achievement in the personal lives of the microdistributors and their families as a result of the intervention (personal development, financial inclusion, etc.)? What benefits did the multisupplier model bring to each of the stakeholders involved (Chakipi Acceso, the supplier companies, the microdistributors, and the communities)? Were the financial projections for the sustainability of Chakipi Acceso met?
- 3.4 **Closing workshop.** A closing workshop will be organized in order to jointly evaluate with other entities involved the outcomes achieved, identify additional tasks to ensure sustainability of the actions initiated by the project, and identify and disseminate lessons learned and best practices.

IV. COST AND FINANCING

- 4.1 The total cost of the project is US\$1,500,000, of which US\$500,000 (34%) will be contributed by MIF²³ and US\$1,000,000 (66%) by the Clinton Foundation. The execution period will be 24 months and the disbursement period will be 30 months.

²³ Project Specific Grant RG-X1191.

Component	MIF	Clinton Foundation	TOTAL
Component 1. Adaptation of the model for expansion	73,500	191,200	264,700
Component 2. Economic and social empowerment of the microdistributors	173,760	296,600	470,360
Component 3. Expansion of the model	54,000	432,000	486,000
Component 4. Knowledge management and defining a strategy for promoting and adopting similar models in the region	46,800	17,200	64,000
Contingencies	9,900	20,100	30,000
Administration	77,040	42,900	119,940
SUBTOTAL	435,000	1,000,000	1,435,000
<i>Baseline and monitoring system</i>	20,000		20,000
<i>Midterm evaluation</i>	15,000		15,000
<i>Final evaluation</i>	15,000		15,000
<i>Ex post review</i>	15,000		15,000
SUBTOTAL	65,000		65,000
% financing	34%	66%	
TOTAL	500,000	1,000,000	1,500,000

V. EXECUTING AGENCY

- 5.1 The Clinton Foundation is an international not-for-profit organization created in 2002 by President Bill Clinton with the mission of building the capacity of disadvantaged individuals worldwide to face the challenges of global interdependence. The Clinton Foundation is currently implementing 11 initiatives that work on various issues in areas such as health, climate change, and social and economic development.
- 5.2 The Clinton Foundation-Peru Branch has been operating in Peru since 2008. It has independent legal status in the country and has vast experience in economic development, childhood nutrition, and health projects. In the area of health, it has successfully performed 50,000 cataract operations throughout the country over a period of three years. At present, it is implementing the Clinton Giustra Enterprise Partnership (CGEP), with the vision of offering sustainable solutions to fight poverty. CGEP receives contributions from Canadian philanthropist Frank Giustra and from businessman Carlos Slim through the Fundación Carlos Slim.
- 5.3 The mission of CGEP consists of creating impact enterprises that address gaps in value chains with the potential of linking vulnerable communities to markets, offering sustainable income generation and job creation opportunities. CGEP builds and strengthens the capacities needed for these communities to connect effectively with the markets.
- 5.4 CGEP currently has operations in Latin America (Peru, Colombia, El Salvador, Mexico, and Haiti) and India. It has an experienced team that uniquely combines work in the social and private sectors, including in investment banking, management consulting, logistics, and investment funds (private equity and venture capital). Its interventions are carried out under three different business models, one of which is the remote distribution enterprises model used in creating Chakipi Acceso.

VI. PROJECT RISKS

- 6.1 The main risk faced by the project is being unable to generate sufficient sales to meet the income expectations of the microdistributors and suppliers and cover the operating costs of Chakipi Acceso. To mitigate this risk, the project considers the following actions: (i) continuously evaluating the needs/demands of the communities and reviewing and adjusting the product portfolio accordingly to maintain a supply of products that meet these needs, have a high turnover rate, and are recognized for their effects in improving the quality of life of the communities; (ii) periodically interacting with the microdistributors to identify aspects of training/coaching that need improvement with a view to reinforcing the role of the microdistributors as ambassadors of progress and boosting their sales; (iii) maintaining the systems of incentives and personal development to motivate the microdistributors to remain in the network and grow their businesses; and (iv) launching promotions and marketing campaigns to position the Chakipi brand and facilitate the sale of the products. Another identified risk is not achieving a critical mass of suppliers interested in selling their products in the target communities through the Chakipi network and offering the discounts/margins needed to make the model socially and economically viable. This risk will be mitigated by basing negotiations with potential suppliers on the results of the demand analysis showing the social and economic impact opportunity of rural and periurban markets and on the economies of scale, cost reductions, and risk reduction achieved when using a multisupplier channel proven to be effective, such as Chakipi.

VII. ENVIRONMENTAL AND SOCIAL EFFECTS

- 7.1 The project was approved by the Environmental and Social Review Committee (ESR 01-12-2015) and classified as a category “C” operation. Pursuant to the ESR recommendations, the project will incorporate the provisions of the Bank’s Operational Policy on Gender Equality in Development (document OP-270) in effect since May 2011. Since the project beneficiaries will be mostly indigenous, low-income women in rural areas, its activities will include the appropriate strategies, processes, language, and image for attracting these women. In addition, the monitoring and information system will generate data disaggregated by gender and ethnic group.

VIII. FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 8.1 **Results-based disbursements and fiduciary arrangements.** The Clinton Foundation Peru Branch will commit to the MIF’s standard arrangements for results-based disbursements, procurement, and financial management, as specified in Annex VII.