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MULTILATERAL INVESTMENT FUND

**REGIONAL**

**LINKING SMALL WOMEN-OWNED/LED BUSINESSES TO VALUE  
CHAINS IN CENTRAL AMERICA**

**(RG-M1242)**

**DONORS MEMORANDUM**

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## **ABBREVIATIONS**

EIU	Economist Intelligence Unit
INT	Integration and Trade Sector
ITE	Impulsa Tu Empresa [Promote Your Business]
SGB	Small growing business
SMEs	Small and medium-sized enterprises
wSGB	Women-Owned/Led Small Growing Businesses

**PROJECT SUMMARY**  
**LINKING SMALL WOMEN-OWNED/LED BUSINESSES TO VALUE**  
**CHAINS IN CENTRAL AMERICA**  
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Women entrepreneurs have tremendous potential to contribute to job creation, growth, and competitiveness. There is ample evidence that, when women are able to develop their potential in the labor market, the macroeconomic gains can be significant.<sup>1</sup> Economies with climates favorable to women entrepreneurs boost national competitiveness, which indicates that a thriving foundation of women entrepreneurs supports the overall national growth of a country.<sup>2</sup> It is difficult for small and medium-sized enterprises (SMEs) owned/led by women<sup>3</sup> to remain in business and grow because they face challenges in accessing growth-oriented financial products and services, markets, and value chains, as well as obtaining the skills necessary to improve business performance. In Central America, compared to men, women as company owners, leaders, employees, and suppliers have less access to economic opportunities. The numbers of small growing businesses (SGBs)<sup>4</sup> with women in leadership roles trail those of men, and SGBs led by women usually find it harder to be profitable and grow than do their men-owned/led counterparts.

With support from Argidius Foundation, and executed by TechnoServe, the program Impulsa Tu Empresa [Promote Your Business] (ITE), a business accelerator model based on personalized business advisory services, is now being executed in Nicaragua, Guatemala, and Honduras. With the Multilateral Investment Fund (MIF) contribution, the present project would improve the methodology of the ITE model to provide effective support in connection with the specific needs of women-owned/led small growing businesses (wSGBs)<sup>5</sup> in Central America and to increase the number of wSGBs participating in the program.

The project objective is to enhance the performance of and promote sustained participation by 455 wSGBs in value chains and to contribute to their capacity to grow and create jobs. At the impact level, its aim is to increase the sales/income of and numbers of jobs provided by the wSGBs, while at the same time promoting gender best practices. The project will serve

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<sup>1</sup> “Women, Work, and the Economy: Macroeconomic Gains from Gender Equity,” IMF Staff Discussion Note, multiple authors. September, 2013. page 4.

<sup>2</sup> Economic Intelligence Unit (EIU): The business reach of women (2013).

<sup>3</sup> Businesses owned by a woman or women and/or where a woman is responsible for management and decision-making.

<sup>4</sup> The project defines SGBs as firms that: (a) have been in operation for at least two years; (b) have at least five employees; (c) have at least US\$20,000 in annual sales; and (d) have investment plans requiring at least US\$20,000. The term SGB means businesses that are growing but at a rate below true potential owing to the limitations they face.

<sup>5</sup> Women-owned/led SGBs are defined as: (a) businesses owned by women; (b) businesses with at least one woman in a management or second-tier management capacity; and (c) businesses run by men where transitions are under consideration whereby a woman would assume the leadership role (this occurs most often in family-owned businesses).

as a catalyst for linking corporate partners/anchor firms so that they serve as pillars for small growing businesses, with emphasis on women-led businesses. The MIF additionality to this project is its support for the adaptation of the existing ITE methodology to target and address the advice and management needs of the wSGBs in particular and, in parallel, increase the number of wSGBs participating in that project. To that end, under the project: (i) its recruitment strategy will be adjusted to target and reach wSGBs; and (ii) support activities will be geared to improving the financial, managerial, and marketing skills of women through effective combinations of technical assistance/training, personalized business advisory services, guidance, and training on leadership, management, and network creation.

This project is the MIF's first experience in the framework of the Value Chain Agenda of designing, implementing, and monitoring a specific instrument for diagnostic assessment of and support to women-led SMEs that are participating in value chains of anchor firms. An additional and innovative aspect to be incorporated in this program is the promotion of gender equity best practices among participating SGBs and anchor firms. The MIF contribution will also be based on the existing program, expanding it to include El Salvador.

**EXECUTIVE SUMMARY**  
**LINKING SMALL WOMEN-OWNED/LED BUSINESSES**  
**TO VALUE CHAINS IN CENTRAL AMERICA**  
**(RG-M1242)**

<b>Country and location:</b>	Regional (El Salvador, Honduras, Guatemala, and Nicaragua)		
<b>Executing agency:</b>	TechnoServe Inc.		
<b>Access area:</b>	Access to markets and capabilities		
<b>Agenda:</b>	Linking Small Firms to Value Chains Women's Economic Empowerment (WEempower) Initiative		
<b>Coordination with other donors/Bank operations:</b>	Coordination with the IDB's Integration and Trade Sector (INT) for beneficiary firms to participate in the LAC Flavors 2014 event.		
<b>Direct beneficiaries:</b>	630 small growing businesses (SGBs), 455 of which are women-owned/led (wSGBs)		
<b>Indirect beneficiaries:</b>	Approximately 5,425 employees and their family members. <sup>6</sup>		
<b>Financing:</b>	Technical cooperation:	US\$1,986,098	52%
	Investment:	US\$000,000	
	Loan:	US\$000,000	
	<b>Total Multilateral Investment Fund (MIF) contribution:</b>	US\$1,986,098	
	Counterpart:	US\$1,733,053	48%
	Cofinancing (if any):	US\$000,000	0%
	<b>Total project budget:</b>	<b>US\$3,719,151</b>	<b>100%</b>
<b>Execution and disbursement periods:</b>	Execution period: 30 months; disbursement period: 36 months.		

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<sup>6</sup> An estimated five employees per SGB (630) will benefit from the gender activities, plus five family members will benefit from the improvements in the wSGBs (455).

**Special contractual conditions:**

The following are conditions precedent to the first disbursement: (i) Letter of commitment from TechnoServe guaranteeing that the personnel to be paid under the project—the Project Coordinator, Country Coordinators, and Monitoring Manager—will work full-time to fulfill the provisions of the Operating Regulations on time and will be fully committed to fulfilling the responsibilities agreed with the MIF; (ii) approval of the Operating Regulations by TechnoServe; (iii) evidence of the participating donors' commitment to provide the counterpart contribution; and (iv) provision of the list of potential anchor firms to be involved in the project.

**Environmental and social review:**

This operation has been pre-evaluated and classified in accordance with the IDB's Environment and Safeguards Compliance Policy (OP-703). Since its impacts and risks are limited, it is proposed that this be classified as a category "C" operation.

**Disbursement unit:**

MIF staff at the Country Office in Nicaragua.

## I. BACKGROUND AND RATIONALE

### A. Diagnostic assessment of the problem to be addressed

- 1.1 Women owners of small and medium-sized enterprises (SMEs) oriented towards growth (small growing businesses—SGBs) are attracting increasing attention from specialists, researchers, private sector development specialists, and public sector authorities owing to their national economic impact. Although the Latin American and Caribbean region has one of the highest rates of women-owned/led small business start-ups, there are far fewer established women-owned/led businesses, i.e., that have been in business for over three and a half years.<sup>7</sup> Women entrepreneurs have tremendous potential to contribute to job creation, growth, and competitiveness,<sup>8</sup> but remain concentrated in informal and small sectors, and sectors less profitable than those of their male counterparts; at present, only half of women-owned/led businesses in the region are creating jobs.<sup>9</sup> For example, in El Salvador, 64% of businesses established by men have employees, compared to 56% of those established by women.
- 1.2 Many women-owned/led SMEs find it hard to grow and continue their activity because they have difficulty accessing growth-oriented financial products and services, value chains, and training in much-needed skills to improve their business performance. The WEVenturescope<sup>10</sup> (MIF and Economist Intelligence Unit (EIU), 2013) noted that El Salvador and Guatemala ranked third to last (18 of 20) and last (20 of 20) in Latin America and the Caribbean in the categories of capacity and skills (Honduras placed higher at 9 of 20). According to that same publication, the four countries included in this project were among the bottom five in terms of access to finance since, among other factors, less than 1.5% of women entrepreneurs use a bank account for business purposes. In Central America, women as company owners, leaders, employees, and suppliers have less access to economic opportunities than do their male counterparts. There are fewer growth-oriented SMEs with women in leadership roles, and women-owned/led small growing businesses (wSGBs) generally find it harder to be profitable and grow.<sup>11</sup> Moreover, the fact that most SGBs in Central America have not adopted gender equality good practices is a constraint on greater participation by women in the labor market.
- 1.3 With support from Argidius Foundation, the program Impulsa Tu Empresa [Promote Your Business] (ITE), a business acceleration model based on personalized advisory services, is now being implemented in Nicaragua, Guatemala, and Honduras. ITE is an intensive program that provides support to

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<sup>7</sup> Global Entrepreneurship Monitor (GEM): 2012 Women's Report.

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

<sup>10</sup> <http://www.weventurescope.com/>

<sup>11</sup> Global Entrepreneurship Monitor (GEM): 2012 Women's Report.

SGBs for 18 months, helping them gain better access to markets/value chains and finance, and develop their business skills. The ITE program has provided business advisory and guidance services to an initial group of 270 beneficiary firms (some 35% of which are women-owned/led). At present, it does not address the specific needs of wSGBs or focus on including them as program participants. This project proposes to improve, with support from the Multilateral Investment Fund (MIF), the methodology of the ITE model to address the needs of wSGBs in Central America and increase the number of wSGBs participating in the ITE program. The aim is to improve performance and promote ongoing participation by wSGBs in value chains, as well as boost their capacity for growth and job creation. In a market where 80% of SGBs encounter difficulties in accessing markets and integrating into value chains, the project will serve as a catalyst for connecting corporate partners/anchor firms with SGBs, with emphasis on wSGBs.

- 1.4 **Analysis of the problem.** The key problem to be addressed by the project is the difficulty of integrating SGBs, especially wSGBs, into markets and value chains. Goldman Sachs has prepared an evaluation based on a survey of 10 anchor firms and 35 SGBs in Central America, which showed that although anchor firms are interested in buying more from SGBs, the main problems are volume, deadlines, and quality. Over 63% of the SGBs surveyed have tried to establish commercial ties to supply large companies, but only half have met with success. Inability to meet the requirements of large firms is the chief reason for their lack of success. Women-owned/led firms face still greater challenges. According to a World Bank/IDB study,<sup>12</sup> wSGBs have various distinct characteristics: in general,<sup>13</sup> they use less labor and physical capital and, in some countries, have lower levels of human capital formation. These differences impact business productivity and profitability. The following are some of the main obstacles women entrepreneurs encounter: (i) they tend to feel less prepared because they lack sufficient information on company registration procedures and how to comply with other rules; (ii) they experience difficulties in accessing networks and markets for their products—crucial aspects of access to finance, technology, and commercial channels; (iii) women are much less likely to receive training and obtain business development services, since when training is available in the marketplace, it usually focuses on traditional roles and excludes women from access to the most productive and highest growth sectors; (iv) women appear to be more risk adverse or fearful of seeking loans, since they seem less familiar and comfortable with the most widely used credit instruments. This aversion may be related to fear of jeopardizing the family home; (v) women's assets are consistently of less value and smaller size than those of men, which makes them less able to obtain bank finance and other formal types of credit; and

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<sup>12</sup> Women's Economic Opportunities in the Formal Private Sector in Latin America and the Caribbean (2010).

<sup>13</sup> Women entrepreneurs in Latin America and the Caribbean are found primarily in the microenterprise and small business segments, and very rarely in large or medium-sized firms. Women-led businesses are also usually concentrated in fewer economic sectors (commerce, services, and manufacturing) than are men-owned businesses.

- (vi) women must still shoulder disproportionate amounts of family and domestic responsibilities based on traditional gender roles. A woman's situation as head of household with children under 5 and a home-based business of low profitability for time invested are factors related to her need to combine family responsibilities and business activity. A recent MIF study<sup>14</sup> indicates that although the region's microenterprise finance institutions have facilitated women's access to short-term credit that meets their needs for working capital (mainly through village banks, solidarity groups, and small individual loans), they have been much less successful in developing products that meet women's needs for capital investment, which would promote their businesses' expansion and long-term growth.
- 1.5 A second problem to be addressed by the project is that SGBs in Central America usually trail SGBs in more developed countries in implementing gender best practices, failing to exploit the potential for positive development outcomes of female heads of household and low-income women in Central America. A comparison of women and men of the same age and educational level shows that men earn 17% more than women, a gap that widens as wages rise. Moreover, while the world average is 40% of firms with women in leadership positions, the figure for Central America is much lower (20.5% in El Salvador, 19.8% in Guatemala, 27.7% in Honduras, and 31.8% in Nicaragua). Apart from Nicaragua, women workers in the countries targeted have markedly less access to child care benefits and maternity leave—yet another obstacle to their effective participation in employment.<sup>15</sup>
- 1.6 Sources of difficulties in linking to value chains include the following:
- a. wSGBs have fewer opportunities to receive the training needed to improve their business and administrative skills for more successful linkage to the market.
  - b. wSGBs have limited access to finance for business modernization and growth. Women owners of growing businesses are usually unable to gain access to finance beyond microcredit on an appropriate scale and at an interest rate appropriate for SMEs. Only 20% to 24% of bank investments in SMEs in the four countries go to women-led SMEs.<sup>16</sup> The value of the assets of women entrepreneurs that can be used as security for loans is usually less than that of assets of their male counterparts, limiting the size of loans that women can access.
  - c. wSGBs have greater difficulty in accessing business networks that could create market linkages and gaining access to better and larger customers.

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<sup>14</sup> Jennifer Powers and Barbara Magnoni: A Business to Call Her Own: Identifying, Analyzing and Overcoming Constraints to Women's Small Businesses in Latin America and the Caribbean. EA Consultants (April 2010).

<sup>15</sup> The Economist Intelligent Unit (EIU): The business reach of women (2013).

<sup>16</sup> <http://www.weventurescope.com/>

- d. wSGBs have fewer opportunities to receive the training needed to improve their products and are unable to systematically meet the supply criteria of purchasers (packing, volume, certifications, etc.).
- 1.7 Reasons for inequality among SGBs in Central America include:
- a. Employer perceptions:<sup>17</sup> Employers in Central America usually perceive disadvantages in hiring women. Managers mention that female employees take more days off to deal with household responsibilities and take maternity leave. This may create a tendency to hire men and may mean that men are promoted more often than women.
  - b. Scant recognition of diversity: Although studies indicate that greater diversity of personnel results in greater growth, by emphasizing creativity and innovation, providing a better understanding of customer needs, and assisting in the development of new products, services, and marketing strategies, many organizations (large and small) are not fully aware of these benefits.
  - c. Lack of alignment with external company incentives: Little external incentive exists for establishing more gender equitable workplaces. There is little recompense for or recognition of companies that implement gender equity good practices.

## **B. Beneficiaries**

- 1.8 The project will benefit a total of 630 SGBs, 455 of which will be wSGBs. The eligibility requirements are: (i) sales of at least US\$20,000 (up to US\$2 million), (ii) at least two years of financial records; and (iii) at least five employees. Applications from all sectors except primary agricultural production will be considered, since the specifics of that sector are thought to require a different type of intervention than do services and activities with a higher value added. Even though a wide range of profiles are eligible, the project has been designed to provide leadership and business management training that is applicable to all, followed by advisory services, mentoring, and follow-up that will be tailored to the needs and profiles of each wSGB.
- 1.9 The typical beneficiary participating in the program has 14 employees, generates US\$314,900 in annual sales, and has been in operation for four years. Most are family owned and run and are active in areas such as food processing and garment manufacturing, textiles, leather, and ceramics. The project aims to include service sector firms (tourism, financial services, education, health, and information technology).

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<sup>17</sup> Abramo and Todaro: *Cuestionando un mito: Costos laborales de hombres and mujeres en América Latina*” [Questioning a Myth: Labor Costs of Men and Women in Latin America]. International Labor Office (2002).

**C. Contribution to the MIF mandate, Access Framework, and IDB strategy**

- 1.10 The project contributes to private sector development by building the capacity of wSGBs in Latin America and enhancing opportunities to link to value chains and gain access to markets. A goal is to promote the adoption of new business skills and practices in over 600 growing firms, facilitate their access to finance, business networks, and new markets, and develop their skills for linking to value chains.
- 1.11 **Linkage to the Agenda.** Incorporation of small firms into value chains. Program execution will contribute through the results and knowledge generated by: (i) tailoring the existing small business accelerator methodology to the specific needs of wSGBs and (ii) effectively linking small businesses to value chains. In terms of knowledge, the project will generate information to fill two knowledge gaps: (a) how to improve access by wSGBs to markets and value chains; and (b) how to promote gender good practices in value chains (anchor firms and SGBs).
- 1.12 Women's Economic Empowerment (WEempower) initiative. The program will help promote the MIF's WEempower initiative by supporting wSGB development and entrepreneurship through facilitation of women entrepreneurs' access to finance, markets, value chains, and business networks. The MIF is experimenting with a wide variety of interventions to identify those most effective in providing access to finance and the market, for both dynamic women and men entrepreneurs leading high-impact firms. The priority areas include: access to finance for SMEs, profitable guidance and training models; and linkage of women-owned SMEs to markets.
- 1.13 **Collaboration with the IDB Group.** The project is aligned with the Bank's country strategy with Nicaragua 2012-2016. One topic of interest for dialogue with the country is value chain development, working to identify a multisector approach based on strengthening rural value chains, increasing the value added by production, and including small producers, with the aim of boosting their incomes. The strategy also mainstreams a gender approach in all its interventions. The Bank's country strategy with Guatemala identifies productive development and business development as priority focus areas. In that regard, one crosscutting theme is to seek mechanisms to promote the incorporation of women in the formal labor market, and to promote business creation by women. In the case of El Salvador and Honduras, the project is not directly linked to the priority areas identified in the country strategies, but it does bolster the economic growth targets.
- 1.14 The project will coordinate with the efforts of the IDB's Integration and Trade Sector (INT) to facilitate participation by some beneficiary firms in the annual LAC Flavors event organized by INT.

## **II. OBJECTIVES AND COMPONENTS**

### **A. Objectives**

- 2.1 The project objective is to improve performance and access to markets by promoting sustained participation by 630 small growing businesses (SGBs) (455 women-owned/led SGBs—wSGBs) in value chains. At the impact level, its objective is to increase the sales/income of and numbers of jobs created by SGBs, while at the same time promoting gender best practices.

### **B. Description of the model/solution/intervention**

- 2.2 The existing SGB business accelerator model (Impulsa Tu Empresa-ITE), launched in 2013 and financed by Argidius Foundation, is being executed in partnership with local institutions in Nicaragua, Guatemala, and Honduras with an initial cohort of SGBs not focused specifically on wSGBs or their specific needs. The business accelerator methodology is being implemented in three stages as an intensive 18-month program that enables SGBs to strengthen their access to markets and value chains, improve their business skills, and gain access to finance for growth. The three stages are: (1) call for proposals and selection (two to four months), (2) training and business plan development (two to six months); and (3) business plan implementation (12 months). In the call for proposals and selection stage, small businesses are identified that have the greatest potential to make use of advisory services received. This is assessed through an evaluation of the entrepreneurs' commitment and entrepreneurial growth potential. In the training and business plan development stage, the selected firms participate in training and advisory activities for the preparation of growth-oriented business plans. Training and advisory services are delivered through a combined learning methodology that includes online training, workshops, and personalized advice. At the end of this stage, the business plans are evaluated and possible financing options identified for the implementation stage. In the business plan implementation stage, the businesses with the best plans receive advice for establishing a financing plan and multiplying linkages with national and international markets. In this final stage, the businesses receive advice on identifying and closing gaps in market access skills (marketing strategy, sales, and access to relevant networks), administration (operations, human resources, legal and tax issues), and finance (access to finance and financial management).
- 2.3 The lessons drawn from this first group (62 SGBs in Guatemala, 61 in Nicaragua, and 63 in Honduras) can be summarized as follows: (i) centralized project management and planning promotes greater efficiency and efficacy in execution, as it allows a certain level of standardization of processes and fosters the exchange of knowledge and homogeneity in quality control and monitoring. Moreover, a program with a centralized structure allows for the dissemination of successful strategies among the different countries and the best use of the strengths of personnel in some countries to offset weaknesses in others; (ii) the communication strategy and launch of the bid call must be tailored to the profiles of the target

SGBs, as was the case here when communications efforts were stepped up with local institutions, such as chambers of commerce, local banks, and other NGOs and development organizations that have contact with businesses that fit the profile set in the program; (iii) the Web application is a cost-effective tool for selecting SGBs and facilitates management of the selection process; (iv) follow-up interviews are needed on the selection procedure to verify the information and motivate the entrepreneur; (v) entrepreneurs' lack of time can limit the coaching they receive, so an alternate should be identified to receive the know-how, so it can be passed on when the main participant is not available; (vi) mentoring programs can be a good option for scaling up business accelerators, however the selection process for mentors must be a robust one; and (vii) entrepreneurs should be divided up into groups with similar education levels, so the training and monitoring can be better tailored to them. With support from the Multilateral Investment Fund (MIF), the project will tailor the ITE methodology to the specific needs of wSGBs for advisory and administration services. First, to identify and incorporate the wSGBs, under the project, strategic partnerships will be developed with existing networks of women entrepreneurs, together with a marketing strategy targeted at the business sectors most likely to have concentrations of women-owned/led businesses. Second, for better response to their above-mentioned needs, the project will address—through effective combinations of technical assistance and training, personalized business advisory services, guidance, and training on leadership, management, and network creation—the specific challenges of the wSGBs. The support they receive will focus especially on: (i) increasing their access to longer-term credit instruments and promoting greater incorporation of physical and human capital in their businesses; (ii) strengthening production management for fulfillment of the deadline, quality, and volume requirements of anchor firms; (iii) creating and strengthening business networks; (iv) promoting a more balanced division of labor in the households of the women entrepreneurs; (v) working with financial institutions and anchor firms in the participating countries to explain the benefits of providing services to the wSGB market, specifically, the advantages of making finance available to them so that they become suppliers (this is an important aspect of the executing agency's efforts); and, lastly, (vi) providing technical assistance and training activities to promote the adoption of gender equity good practices in all participating SGBs and anchor firms to ensure women have access to the same opportunities and resources as are available to men, not only in terms of occupying leadership positions within firms, but also as employees of those firms (this is an additional and innovative aspect to be incorporated into the existing program).

- 2.4 For existing program SGBs, the project will include a gender assessment and integration measures to ensure that women have access to the same resources and opportunities as are available to male employees in the firms. Through its activities, the project will help the SGBs recognize the value of gender equity to their operations, and implement gender best practices. The project will also reach a wide variety of leading anchor firms in each country, such as Super Selectos and Industrias La Constancia in El Salvador, Corporación Saúl, La Torre Supermarkets,

and Kerns in Guatemala, Supermercados La Colonia in Honduras and Nicaragua; PriceSmart in Honduras, and Cargill in Nicaragua, to determine their interest in encouraging their suppliers and other business partners to implement gender good practices. If, through the project, leading anchor firms can be convinced to make gender good practices mandatory throughout the value chain, SGBs will more readily recognize the value of implementing those practices.

## **C. Components**

### **Component I: Improving business and product development skills (MIF: US\$824,322; counterpart: US\$698,996)**

- 2.5 The aim of this component is to provide SGBs with training and advice to build their business administration skills and facilitate the planning of product development/improvement for access to higher value markets. The accelerator utilizes a set of proven tools and methodologies for providing training, business advisory services, and personalized guidance.
- 2.6 The activities under this component are as follows: (i) develop strategic partnerships with existing networks of women entrepreneurs, as well as a marketing strategy focusing on the sectors where women-owned/led businesses are most likely to be concentrated; (ii) provide personalized support to wSGBs to improve their production management for better fulfillment of the deadline, quality, and volume requirements of the companies they supply; and (iii) provide personalized advisory services to enable wSGBs to develop specific strategies to increase levels of physical and human capital in their firms.
- 2.7 Specifically, the main activities are: (i) a program promotional campaign for wSGBs and anchor firms; (ii) the selection process; (iii) implementation of the training activities and development of business plans; (iv) support for business plan implementation; and (v) supervision and direction of training activities and advisory services.
- 2.8 Selection is based on set criteria such as the quality of the candidate; (a) clarity of the description of the proposal; (b) potential job creation; (c) feasibility of implementing the growth plan; and (d) potential to have a positive impact in the community.
- 2.9 The expected outcomes of this component are: 630 SGBs (455 wSGBs) will have received training in business management, including planning, accounting, and marketing; and 300 SGBs will have developed a plan for new products or services or to improve products already being offered.

### **Component II: Facilitating access to finance for wSGBs (MIF: US\$44,266; counterpart: US\$162,233)**

- 2.10 The aim of this component is to facilitate access to finance for wSGBs. Under the component, an access to finance strategy will be developed and implemented. The main subactivities are: (i) research on the financial products available to the types of participating wSGBs in the four countries and for which financial institutions

- have specific marketing and product strategies targeted at women entrepreneurs; (ii) establishing project partnerships with local financial institutions willing to offer financial products geared to wSGBs in the relevant sectors; (iii) establishing project partnerships with other existing Bank initiatives, such as women entrepreneurship Banking (weB), angel investors and patient investors, investment funds (impact and traditional) and local financial institutions, for support loans to participating SGBs; (iv) incorporating an approach that takes account of gender-related issues, including guidance for women about the different available financial products and in understanding the risks of the different types of investment, including long-term investments, and assisting them in negotiating loans; and (v) working with the associated financial institutions to ensure that they have a better understanding of the particular issues faced by women entrepreneurs with the aim of creating better and lasting relationships between financial institutions and female clients.
- 2.11 The expected outcomes of this component are: 12 financial institutions will have established relationships with participating SGBs and be promoting lending opportunities as a result of program activities; and 200 SGBs will have applied for loans or other financial services.

**Component III: Facilitating access to value chains and strategic and collaborative networks (MIF: US\$6,321; counterpart: US\$196,950)**

- 2.12 The aim of this component is to create real and virtual spaces where wSGBs can establish vertical and horizontal business relationships. Under the component: (i) wSGBs will be linked to local and international partners; and (ii) an online platform will be developed for training and networking. This platform will also make it so that women can have discussion groups on topics that affect women entrepreneurs in particular, such as workplace stereotypes and balancing work and household responsibilities.
- 2.13 The subactivities of the component include: (i) determining the procurement needs and requirements of the anchor firms in each country; (ii) promoting the inclusion of wSGBs as suppliers/business partners; and (iii) facilitating contacts with potential suppliers in each country, making available assistance from other support programs so that, if possible, these requirements can be met. Networking opportunities will also be facilitated with existing business networks, business associations, and chambers of commerce, as will meetings with potential wSGB product sourcing suppliers (backward networking) and potential buyers (forward networking), including public provisioning opportunities. An online platform will be developed that will enable the women entrepreneurs to access potential buyers, and will also provide learning and networking opportunities, if desired, affording them flexibility. The project will coordinate with WEConnect International<sup>18</sup> for certification of the firms and to make certain benefits available to them through

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<sup>18</sup> WeConnect International identifies, educates, registers, and certifies women-owned/led businesses that are 51% owned, managed, and controlled by at least one woman and links them to multinational corporation buyers.

membership in its network, such as access to the WeAcademy training program. The executing agency will be responsible for maintaining and monitoring use of the platform throughout the project. As part of the sustainability of this initiative, once the project is completed, those tasks are expected to be passed on to another organization, to be determined after the sustainability workshop (see paragraph 2.28).

- 2.14 The expected outcomes of this component are: 200 wSGBs will be participating in more than one network of women entrepreneurs; and 250 wSGBs will be registered to use the online platform.

**Component IV: Promoting gender equity in value chains (in wSGBs and anchor firms) (MIF: US\$151,196; counterpart: US\$130,291)**

- 2.15 The aim of this component is to provide anchor firms and wSGBs with services, tools, and training on gender equity. Its activities are: (i) conducting gender assessments to help wSGBs and anchor firms understand how “gender aware and inclusive” they currently are (measured as the percentage of female employees, wage gaps between female and male employees with similar characteristics, percentage of women in decision-making roles, etc.); (ii) training modules to help wSGBs and anchor firms identify and learn good practices of establishing a gender-inclusive business environment, and the development and implementation of a Gender Equity Scorecard to evaluate the extent of implementation of the “good practices” by the wSGBs and anchor firms and to develop a more gender-inclusive firm; and (iii) promotion and implementation of training modules to assist the wSGBs and anchor firms in identifying and learning the good practices for establishing a gender-inclusive business environment based on gender equity in the wSGBs.
- 2.16 The expected outcomes of this component are: 455 wSGBs will be trained to implement the Gender Equity Scorecard; and, using the online platform, awareness will be raised in 40 anchor firms on the potential for gender equity in the wSGBs.

**Component V: Knowledge management and communication strategy (MIF: US\$237,795; counterpart: US\$106,944)**

- 2.17 The aim of this component is to systematize, document, and disseminate project knowledge and outcomes to disclose the methodologies and outcomes and promote their adoption by other firms with potential for incorporating women-owned/led businesses into their value chain.
- 2.18 The following audiences have been identified for dissemination and communication of the knowledge and experiences generated by the project:
- (i) Private sector firms interested in incorporating gender equality and diversity.
  - (ii) Other civil society organizations, multilateral organizations, and networks of experts interested in implementing similar experiences or projects.

- 2.19 Financial institutions wishing to develop new business models for wSGBs. To meet the needs of these audiences, the following knowledge products will be developed: (i) a methodological guide systematizing the adapted ITE methodology for improving access by wSGBs to markets and value chains and for it to be disseminated to and shared with firms and other organizations; and (ii) two case studies, one describing how to develop and use Gender Scorecards that assess company implementation of gender good practices; and the other documenting the improved wSGB practices implemented, with special emphasis on access to finance and its outcomes.
- 2.20 The case study focuses on the causal relationship between the new tools implemented and the improved practices in wSGBs. These products are expected to reduce the Agenda knowledge gaps and show how wSGBs can improve their access to markets and promote gender good practices. During project execution, successful experiences and challenges of the wSGBs will be disseminated through a regular newsletter.
- 2.21 The knowledge generated will be disseminated in different forums, such as the Annual Conference of the Aspen Network of Development Entrepreneurs (ANDE) and its regional chapters, the Inter-American Forum on Microenterprise (FOROMIC), the Cracking the Nut Conference, and online media such as nextbillion.net. Implementation of at least one training activity on the use and application of the methodological guide is planned.
- 2.22 Each year, the executing agency will update the project fact sheet (standard facilitated by the MIF), containing basic project information, challenges, intervention strategy, and results achieved.

#### **D. Governance and execution mechanism**

- 2.23 To ensure proper governance of the TechnoServe project, a monitoring committee will be formed composed of representatives of the MIF, Wal-Mart Foundation, Argidius Foundation, Citi Foundation, and PIMCO, to which TechnoServe will report the project status.<sup>19</sup> TechnoServe will be responsible for promoting and ensuring effective coordination of the main project stakeholders: anchor firms, financial institutions, business networks, other private sector partners, etc.
- 2.24 TechnoServe will establish a project execution unit and the structure necessary for the implementation of project activities and management of project resources. The unit will be composed of: (i) a Project Coordinator; (ii) an administrative and accounting assistant; (iii) four country coordinators; and (iv) an individual responsible for monitoring and evaluation. The members of the project team will have a balance of technical and business skills appropriate for successful project execution. A detailed monitoring and evaluation program will be established to ensure that the envisaged outcomes are achieved.

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<sup>19</sup> Collaborative and/or resource contribution commitment agreements are in place with all these organizations in the framework of the project.

## **E. Sustainability**

- 2.25 Sustainability is defined as the capacity to expand the benefits accruing from the services provided under the project at the local and regional levels after the program ends. These benefits accrue at the direct beneficiary level and at the level of the institutions that are incorporated, depending on the scope of the program.
- 2.26 Sustainability is also defined in terms of beneficiaries that establish long-term commercial ties with anchor firms and incorporate more equitable gender practices in their business models through internalization of the fact that they make good business sense. The project was designed to ensure that the participating wSGBs remain on a path to growth after project end. The advisory services are designed to empower business owners and managers to gain new skills that will provide them with support if they unleash their growth plans and move towards more sustainable economic growth.
- 2.27 Among the key elements that ensure program sustainability are: (1) linkage of wSGBs with the different existing networks (Vital Voices, business associations, etc.); (2) the support provided to men and women entrepreneurs to make them “investor ready,” as described in Component 2 above; (3) establishment of business relationships that lead to ongoing sales; (4) mobilization of finance; and (5) establishment of the online services platform developed under Component 3. During project execution, research will be conducted on possible business models for the development of income streams, to ensure the financial sustainability of the platform.
- 2.28 One year prior to project end, a **sustainability workshop** will be held with all stakeholders to identify the measures needed to ensure the continuity of project actions once the project resources are fully executed.

## **F. Lessons learned by the MIF and other institutions during project design**

- 2.29 The project will be based on prior and current experiences of value chain projects (linking small firms to value chains) in the supply, production, and marketing links of the value chain, especially the projects recently executed in Peru and Ecuador (Inclusive Business Development at the Base of the Economic Pyramid, PE-M1050 and EC-M1035, respectively, both approved in December 2007), and in Central America (Economic Inclusion of the Base of the Pyramid, RG-M1131, approved in July 2008), and of businesses and projects with a solid gender component, such as the projects in El Salvador on promoting financing for women-run SMEs (ES-M1044), executed by G&T El Salvador, and on Development of a Model for Women’s Entrepreneurship (ES-M1043 and ES-T1215), executed by the Comisión Nacional de la Micro y Pequeña Empresa [National Micro and Small Enterprise Commission] (CONAMYPE).<sup>20</sup> The lessons learned in prior projects linking small

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<sup>20</sup> In addition, there are the projects, “Community Savings Groups and Economic Empowerment of Rural Women in El Salvador” (ES-M1044) executed by Oxfam and “Preventive Health Microinsurance for Women” (ATN/ME-13228-ES) executed by Seguros Futuro.

firms to value chains indicate that access to financial support is key to SMEs implementing many of the improvement plans identified at the learning sessions they attend. Component 2 will focus on facilitating access to finance by the wSGBs through appropriate financial products. The lessons learned are: the project website is a powerful tool for informing potential participants of the benefits of participation, but it is insufficient for recruitment of applicants, especially wSGBs. Project personnel will visit potential wSGBs in person and work with other networks and organizations to encourage women-owned/led businesses to participate, replicating the successful process implemented.

- 2.30 The experiences and lessons learned from prior operations on empowering women entrepreneurs indicate that (1) tailored, longer, and more intensive training may be more effective in ensuring the growth of women-owned/led businesses; and (2) personalized advisory services combined with training lead to better learning outcomes. Efforts will be made to tailor training curricula to women entrepreneurs and to match learning in the training activities with personalized advisory services and existing networks of women entrepreneurs. Another focus will be women's domestic responsibilities. The training format will be geared to their schedules.
- 2.31 Two elements of the intervention are key to success in improving business performance: (1) careful participant selection; and (2) advisory services tailored to the needs of the wSGBs.
- 2.32 To encourage adoption of the Gender Inclusion Scorecard and other measures, the project must include a clear definition of the value proposition of the SGBs (business case), for example, establishment of partnerships with large corporations that already value gender inclusion in their supply processes.

#### **G. MIF additionality**

- 2.33 **Nonfinancial additionality:** The nonfinancial value added of the MIF is its experience designing and supervising projects that: (a) link small firms to value chains; and (b) create greater economic opportunities for women entrepreneurs.
- 2.34 **Financial additionality:** Through the MIF financial contribution, the ITE model will focus specifically on wSGBs. The MIF financing will also make it possible to expand the project to El Salvador, increasing its scale and creating impact throughout the region.

#### **H. Project outcomes**

- 2.35 The project seeks to create sustainable linkage of wSGBs to value chains, with the following expected outcomes: 630 SGBs (455 wSGBs) will have improved performance and participation in value chains; 120 wSGBs will be linked to new customers in formal value chains; 15 anchor firms will have established partnerships with wSGBs; 75 SGBs will have obtained financial services; 150 of the SGBs will have adopted gender good practices.

**I. Project impact**

- 2.36 The expected project impact is increasing wSGB sales/income, while at the same time promoting gender best practices. The expected project impacts are: 70% growth in wSGB sales/income compared to the reference data; 300 new jobs created in SGBs and their suppliers; and 1,000 female employees benefitted through the adoption of gender good practices in SGBs (e.g., more training opportunities; promotions to leadership positions; more women employees hired).

**J. Systemic impact**

- 2.37 The proposed project may have a systemic impact through scaling, replication, and influence through the following:
- 2.38 The development of an implemented business model that promotes wSGB growth in different Central American countries and serves as an innovation trigger in the development areas of the region's women entrepreneurs. Under the project, tools will be developed that enable gender equity issues to be taken into account in business development, business incubation, and business acceleration initiatives. The project will assist in altering common perceptions regarding the profitability of lending to women-owned/led SMEs and the benefits of doing business with them.
- 2.39 The process of developing the Gender Inclusion Scorecard, with participation by the public and private sectors and experts on gender issues, may lead to its large-scale adoption and its promotion among larger audiences, which may result in improved programs and policies.
- 2.40 The partnerships with anchor firms and others would help achieve large-scale adoption of the Gender Inclusion Scorecard and, hence, the implementation of gender good practices, since dissemination of the Scorecard and these practices may result in its broader adoption by Central American firms. By encouraging anchor firms to urge their suppliers and other stakeholders to adopt gender good practices, the project may achieve the adoption of these practices by other parties not receiving direct support under the project.
- 2.41 The project's general systemic impact can be measured and may contribute to the following indicators identified in the Corporate Results Framework of the MIF: the number of MIF-introduced models scaled or replicated in Latin America and the Caribbean; number of new or improved public sector programs, policies, regulations, or legal frameworks established with MIF input; and the number of key public or private institutions changing practices or implementing new practices based on MIF knowledge-sharing or projects.

**III. MONITORING AND EVALUATION STRATEGY**

- 3.1 **Baseline and monitoring.** The reference data on all project participants will be compiled upon their selection for participation. Each month during the project, the personnel responsible for monitoring and evaluation will monitor each SGB's sales and financial information. For this purpose, a survey instrument will be used for

and the information verified from the financial records compiled from each participating firm. The midterm and final evaluations will take account of the reference information in measuring the progress and change achieved by the project beneficiaries.

- 3.2 The project will use web-based software to facilitate the planning and monitoring of each business assistance plan. This system enables the beneficiaries to access their assistance plans and enter sales and employment data. The personnel responsible for monitoring and evaluation will conduct online surveys and telephone and in-person interviews to verify the data and determine beneficiary satisfaction levels. This will help identify problems in project execution and possible solutions. The performance data on each SGB and on the business advisors will be compiled each month and reviewed by the Project Director and respective Country Coordinator.
- 3.3 The baseline, annual and monthly sales and employment data, new finance, and access to finance results will be monitored for each beneficiary. This information will be used to record changes in sales, employment, and number of new loans. Comparisons between initial results and results at project end will demonstrate the effectiveness of the business assistance and highlight weaknesses that should be addressed. This in-depth diagnostic assessment will include data on management, finances, human resources, marketing, and operations at the beginning and end of each beneficiary's business assistance activity, for measurement of changes in behavior and adoption of best practices among participants. Analysis of this data will highlight the businesses' strengths and weaknesses in the context of the project, broken down by country.
- 3.4 Evaluation. The project includes two evaluations: midterm and final, to be prepared by a consultant selected and hired directly by the Bank. The midterm evaluation will be conducted mid-way through the project and will identify successful project intervention areas and those that should be adjusted as needed.
- 3.5 The final evaluation will be made at project end. The results of all participating SGBs will be compared with the reference data. Consideration could be given to compiling information on the indicators for an additional two years after project end. Possible questions for this evaluation include: (i) How successful was the project in assisting SGBs in integrating into value chains? Did the SGBs that were successfully linked to supply chains experience any other benefits, such as access to finance, compared to those that were not linked? (ii) Did the business administration training assist SGBs in improving their business management? How? (iii) What benefits did SGBs gain from participating in business networks? Did additional benefits accrue from the diversity of business networks (more networks or networks of both men and women) (iv) Are the wSGBs benefiting from access to the online platform? How are they using the online platform to improve their business skills? (v) Did the training designed to assist SGBs in recognizing the value of implementing gender best practices achieve that end? (vi) Did the Gender Inclusion Scorecard successfully promote gender best practices? and (vii) Did the knowledge management and dissemination strategies

reach a large audience? What recommendations arise from this project for the design of similar initiatives in the future?

- 3.6 **Final workshop.** In due course, the executing agency will organize a closing workshop to evaluate, in conjunction with other stakeholders, the results achieved, identify additional tasks to ensure the sustainability of the actions begun under the project, and identify and disseminate the lessons learned and best practices.

#### IV. COST AND FINANCING

- 4.1 The total project cost is US\$3,719,151. The MIF contribution will be US\$1,986,098 (52%) and the counterpart contribution will be US\$1,733,053 (48%). The counterpart resources will be provided by the project partners, including Argidius Foundation, Wal-Mart Foundation, PIMCO, and Citi Foundation. The execution period will be 30 months and the disbursement period, 36 months.
- 4.2 **Retroactive recognition of counterpart resources.** Up to US\$60,000 in costs incurred with counterpart resources since 23 November 2013 (project eligibility date) for salaries of key personnel, hardware and software, travel, vehicles, and office expenses in Guatemala, Nicaragua, and Honduras, and development of the e-learning platform will be recognized retroactively.

	MIF	Counterpart	Total
<b>Project components</b>			
Component 1: Improving business and product development skills	824,322	698,996	1,523,318
Component 2: Facilitating access to finance for wSGBs	44,266	162,233	206,499
Component 3: Facilitating access to value chains and strategic and collaborative networks	6,321	196,950	203,270
Component 4: Promoting gender equity in value chains (in wSGBs and anchor firms)	151,196	130,291	281,487
Component 5: Knowledge management and communication strategy	237,795	106,944	344,739
<b>Execution and supervision components</b>			
Executing/administrative agency	452,521	393,659	846,179
Baseline	15,000	0	15,000
Monitoring system	10,000	10,000	20,000
Midterm evaluation	30,000	0	30,000
Final evaluation	30,000	0	30,000
Ex post reviews	25,000	0	25,000
Contingencies	36,528	33,981	70,510
<b>Subtotal</b>	<b>1,862,951</b>	<b>1,733,053</b>	<b>3,596,004</b>
<b>% of financing</b>	<b>52%</b>	<b>48%</b>	
Impact evaluation account (5%)	93,148	0	93,148
Agenda account	30,000	0	30,000
<b>Grand total</b>	<b>1,986,098</b>	<b>1,733,053</b>	<b>3,719,151</b>

## **V. EXECUTING AGENCY**

- 5.1 The executing agency will be TechnoServe, which will sign the agreement with the Bank. TechnoServe is an international nonprofit organization that promotes business solutions for alleviating poverty by linking entrepreneurs to information, partners, and markets. TechnoServe provides assistance in creating competitive businesses in emerging economies in Africa, Latin America, and India. With over four decades of measurable results, its programs are designed to build capacities of individuals and companies, strengthen market systems, and facilitate the scalability of emerging industries.
- 5.2 Since 1968, TechnoServe has worked with local stakeholders in Africa, Latin America, and India to promote economic growth for poverty reduction through the development of high impact market-led partnerships to grow inclusive value chains and build capacities in small and medium-sized enterprises (SMEs) and the network of finance and business development institutions that they need to develop competitive and sustainable businesses.
- 5.3 TechnoServe has conducted over 35 Business Plan Competitions and business accelerator and incubation programs in Africa and Latin America. It recently completed a three-year program, financed by Wal-Mart Foundation, that benefited 25 women's business groups in Nicaragua, representing 741 women business owners, cooperative members, suppliers, and employees. TechnoServe currently runs economic development and local entrepreneurship programs in Chile and Peru, and throughout Africa. It also has entrepreneurship and gender practices groups and access to a financial group composed of experts in the three areas, which provides guidance and advice in both areas.
- 5.4 TechnoServe has conducted different supply chain development programs in the region. In 2013, it implemented a supply chain support program in Honduras, funded by SABMiller, which benefitted its suppliers, and it also partnered with Wal-Mart to provide support to its suppliers in Mexico, India, and South Africa. These programs benefit thousands of small agricultural producers and SMEs in the coffee, livestock, cacao, and basic grain value chains in Guatemala, Honduras, and Nicaragua. At the global level, TechnoServe has worked to design and implement programs in conjunction with global partners, such as Cargill, The Coca-Cola Company, Monsanto, Vodafone, BHP Billiton, Newmont Mines, Rio Tinto, and Standard Bank, linking small producers and small firms to markets with more equitable conditions.
- 5.5 TechnoServe will establish an execution unit and the necessary structure for effective and efficient implementation of the activities and management of project resources. TechnoServe will also be responsible for submitting the progress status reports. The details of the execution unit structure and the status report requirements may be found in the technical files for this operation, Annex VII.

## VI. PROJECT RISKS

- 6.1 The project team has identified the following risks: (i) Sector risks: the project may not attract enough applicants and corporate partners/anchor firms and therefore the base of entrepreneurs and anchor firms created is limited. Mitigation measure: under the project, a sound recruitment campaign will be conducted to minimize this risk; (ii) the participating wSGBs may not be willing to invest the time required to benefit from this intervention. Mitigation measure: under the project, training modules will be designed based on the best adult learning methodologies, and charging a (small) percentage for the advisory services will be explored, which could ensure the active commitment of the participants; and (iii) there is little interest in implementing gender good practices. Under the project, training will be provided for companies so that they recognize the value of promoting greater gender diversity in their businesses.

## VII. ENVIRONMENTAL AND SOCIAL IMPACT

- 7.1 The project will have positive social externalities. First, the project promotes gender equity by ensuring that account is taken of aspects that ensure women equal access to the Impulsa Tu Empresa [Promote Your Business] (ITE) methodology, to participation in the project and its activities, and to all organizations and SGBs that may use the model in the future. Moreover, the project will contribute instruments to facilitate improved gender equity/equality in both anchor firms and SGBs (Gender Inclusion Scorecard). Working conditions, income, and overall quality of life will also be improved for the women entrepreneurs, their workers, and their families. This operation has been pre-evaluated and was classified in accordance with the requirements of the IDB's Environment and Safeguards Compliance Policy (OP-703). Since its impacts and risks are limited, it is proposed that this be classified as a category "C" operation.

## VIII. MILESTONE FULFILLMENT AND SPECIAL FIDUCIARY ARRANGEMENTS

- 8.1 **Results-based disbursements and fiduciary arrangements.** The executing agency will commit to fulfilling the standard MIF arrangements for results-based disbursements, procurement, and financial management, which are specified in Annex VIII.

## IX. ACCESS TO INFORMATION

- 9.1 **Access to information.** Under the Information Access Policy, the information contained in this document is considered public.