**General Project Information**

|  |  |  |  |
| --- | --- | --- | --- |
| pROJECT NUMBER | BR-M1133 | | |
| Project tITLE | Empowering low-income women through their incorporation in a community-based Inclusive Distribution Network (IDN) | | |
| Project Objective Statement | The project aims to bring to scale a community-based inclusive distribution model resulting from the integration of Kiteiras, Danone’s inclusive distribution network, and World Vision Brazil’s GOL.D methodology, to generate business opportunities and stable incremental income for low-income women in peri-urban areas in the cities of Salvador, Belo Horizonte, and Fortaleza in Brazil. | | |
| Executing Agency (EA) | World Vision Brazil | | |
| Design Team Leader(S) | César Buenadicha (MIF/AMC), Aminta Pérez-Gold (MIF/AMC), Ismael Gilio (MIF/CBR) | | |
| Supervision Team Leader | Ismael Gilio (MIF/CBR) | | |
| Other Team Members | Carlos Güiza, Dora Moscoso, Jessica Oliván, Laura Tora | | |
| Beneficiary Country | BR | **Budget** | |
| uNIT WITH dISBURSEMENT responsibility (udr) | BR | MIF Grant | US$ 750,000 |
| MIF Access Area | AMC | MIF Loan |  |
| MIF Agenda | Social Entrepreneurship and Innovation Topic | MIF Equity |  |
| Number and type of Beneficiaries | 2.000 low-income/ vulnerable women living in the outskirts of Salvador de Bahia, Belo Horizonte and Fortaleza, with low schooling and access to income, and in need to support their children and other family members. | Total MIF Contribution | US$ 750,000 |
| Previous Operations with EA | * “Promotion of Socially Responsible Market Opportunities” (MIF/AT-495) * “Poverty reduction through regional integration of local capacities in Northeast Brazil – Redes” (MIF/AT-905) | Counterpart (Grant)  local ea (WVB)    others (Danone) | US$ 250,000  US$ 930,000 |
| Complementary IDB Operations | “Promoting the economic empowerment of low-income populations through Inclusive Distribution Networks – SCALA”, RG-M1234. | Co-financing (Loans)  IDB group  others |  |
| OII’s 5 questions/afidavit | Yes | Co-investment (Equity) |  |
| World check | In progress | Total Project Budget | US$ 1.930.000 |

1. **Problem Diagnosis**

Over 7% of Brazilians are unemployed, and female unemployment rates consistently exceed national averages. In addition to having higher unemployment rates, Brazilian women earn nearly 30% less than their male counterparts. The cities of Salvador de Bahia, Belo Horizonte, and Fortaleza clearly exemplify the national results as having unemployment as one of their main social challenges and confronting large gender inequality in the labor market.

These problems are more manifest in low-income women, who are under or close to the national poverty line, lacking of stable income to support them and their families, living in vulnerable city outskirts, with low schooling level and in need to increase household incomes having the flexibility to continue providing care and support to their children and other family members. These women face limited options for income generation, which reduce considerably their possibilities to move out of poverty. Traditional business models for low income women in marginal areas, such as small stores, are saturated and compete with each other with very low margins and little growth capacity.

Trying to target women’s unemployment in marginal peri-urban communities, different governmental programs and NGOs (such as WVB) are implementing training and business development programs (BDS). However, many of such programs lack connection with job opportunities that satisfy women needs (in terms of income generation and time dedication), and fail to effectively reduce the women unemployment rate of 51.2% from the total unemployment rate. On the other hand, companies trying to reach the base of the pyramid (BOP) market in Brazil, find it difficult to overcome the traditional distribution channel’s costs, gaining communities’ trust, finding the local microentrepreneurs with the right motivation and skills, and understanding BoP consumption patterns and specially the needs women face when trying to provide income for their households and care for their families.

Given the above, the main problem that the project aims to solve are the limited income generation opportunities for low income women resulting from the disconnection between the training offer and BDS from the government and NGOs, the need from corporations to have a solid community base to expand their BOP programs and the difficulties women have to deal with when trying to access those programs.

Some of the causes of the above problem are the following:

Trust to develop private income-generating initiatives. Traditional NGOs in Brazil have found it difficult to engage with corporations in programs to support low income communities due to mistrust and a limited understanding of the reciprocal needs of people, NGOs and corporations. Welfare programs do not prepare people to face the economic reality once the programs are over, discouraging the creation of initiatives such as social business models developed between social entities and corporations that reach scale and benefit the people at the BoP alleviating the government burden. This disconnection diminishes the possibilities for low-income women to have more stable income offers, deteriorating their possibilities to overcome poverty.

Skills deficit and inadequate training. Most low-income women do not meet the requirements for job openings in the communities as training programs do not coordinate the curriculum with the demand from companies (particularly in jobs that are suitable for women that need to work in the same communities due to family constraints). The scarce training offer is directed towards common women jobs such as food preparation and tailoring without measuring market saturation and testing of new skills that respond to new market demands.

Income stability. The scarce existing job and income generation opportunities offered to women in marginal peri-urban communities such as food delivery, convenience shop assistant and cleaning services are not stable, do not incorporate sufficient incentives for growth and lack complementary social benefits that effectively contribute to empowering low income women on many occasions facing difficult family situations. This generates high drop-out rates that impede the consolidation of the business models, if existing, and on many occasions demoralize the women preventing them to search for better job opportunities.

Gender Economy. Brazil as many countries in LAC is characterized for a preference for male labor. Men are not only better trained but take advantage of the high rates of adolescent pregnancy[[1]](#footnote-1) that take young women out of the market impeding their vocational development. Families in low income neighborhoods of Salvador, Fortaleza and Belo Horizonte have in average 4 to 6 children each and are culturally assigned to their mothers for care.

These problems when contrasted with the efforts that companies such as Danone are advancing to increase sales by tackling the people at the base of the pyramid with educational campaigns on their nutrition products (yogurt) distributed through a community based channel called ‘Kiteiras’ and, NGOs like WVB implementing financial literacy and savings programs such as GOL.D to improve women access to income openings, unveil an opportunity gap for MIF to generate partnerships and scale innovative models to impact the income among women in poor communities.

1. **Intervention model**

The objective of the project is to generate income opportunities for low-income women in marginal peri-urban areas in the Brazilian cities of Salvador de Bahia, Belo Horizonte, and Fortaleza. To this end, the project will bring to scale the Danone – WVB community-based inclusive distribution model resulting from the integration of Danone’s inclusive distribution network ‘Kiteiras’ and World Vision Brazil’s (WVB) GOL.D community development program by building on both entities strengths in order to forge a partnership to develop and scale a sustainable social business model.

WVB’s GOL.D (Groups of Local Development Opportunities) is a community development program with the objective to complement WVB Development Area Programs (PDA) by supporting communities job and income generation search through the provision of financial literacy training for man and women to create savings groups, focused on empowering them to handle their own problems, follow their business ideas and become community leaders. Since the implementation of the program in 11 Brazilian states, 2,949 GOL.D groups have been created and benefited 43,579 people (from which 87% are women), and trained 25,549 on entrepreneurship and/or business management. Despite the good results in empowering low-income populations, especially women, and in order to continue the economic development process generated by the GOL.D groups, WVB identified the need to establish partnerships with companies to provide clear and stable job opportunities for their beneficiaries.

Kiteiras, Danone’s inclusive distribution network in Brazil, has the objective to expand the company’s presence in BoP and peri-urban communities by the strengthening and scaling of a distribution channel that generates job opportunities for women as microdistributors of Danone (called ‘Kiteiras’) living in those communities, contributing to the company’s strategy slogan of ‘having yogurt everywhere, every day’.

The Kiteira name comes from the ‘kits’ of products[[2]](#footnote-2) that are designed to be sold by women in their communities. A Kiteira’s successful pilot was launched in 2011 targeting 80 unemployed low-income women living in Salvador de Bahia who sold, door-to-door in low-income communities, 8 tons of Danone products per month between 2011 and 2014. Under the pilot, the kiteiras accessed a stable income opportunity with low entry costs[[3]](#footnote-3), which also provided them with training in entrepreneurial and life skills. For December 2014 the project had reached over 340 active Kiteiras from which 36% of them are generating income over the Brazilian minimum wage of $788 reais (about $310).

Despite having a clear ambition to expand the model, Danone is currently facing problems to further scale the program due to the costly and lengthy process of selecting and training local women entrepreneurs from the communities. A partnership with a local community organization, will help Danone refine the kiteiras business model and sustain its growth as economies of scale are achieved in the first phases of the model to expand to new areas.

Danone and WVB teams first met at the first SCALA conference in Antigua Guatemala in 2014 and the opportunity to forge a partnership in order to scale the Kiteiras model by leveraging WVB Gol-d network was identified. This win-win joint effort will increase the positive impact each individual initiative has demonstrated through the generation of a comprehensive intervention that will better contribute to communities’ development and poverty reduction based on an innovative gradual process that facilitates the transfer of knowledge and the development of personal and professional skills to generate in women the required set of competences and aptitudes to increase their income. Some of the key areas of the Danone-WVB partnership model include: (i) the *identification of target communities*, leveraging WVB community work in Brazil with 3,000 GOL.D groups and a number of PDAs, (ii) the *introduction of the Kiteiras program into the Development of GOL.D groups.* To create a reliable sources of candidates to become Kiteiras; (iii) The development of the *training* process *to become Kiteiras.* The process will provide candidates with training and coaching to run the business successfully. The training covers from BDS development to health and nutrition topics such as Kiteiras operations, finance, Danone’s products knowledge, nutrition, child health & protection, social benefits, savings, planning for the future, self-esteem and conflict management. It also provides ongoing assessment and monitoring of the entrepreneurial development. Finally, the model will include (iv) the *transformation of the Kiteiras in Godmothers.* Kiteiras will have the opportunity to become a “godmother” (a second level supervisor of the kiteiras) to lead a group of microdistributors. The godmothers’ development is based on the premise that these women are already at the “lead” stage and therefore, they receive weekly mentoring sessions and training focused on leadership and entrepreneurial skills.

To bring to scale the Danone – WVB inclusive distribution model, the project will concentrate its efforts in (i) generating economies of scale to achieve a sustainable and scalable reduction in operational costs (in particular in logistics and selection/training costs), and (ii) promoting women well-being and social and economic empowerment through their transformation in high-performance microdistributors while assuring that the new income generated effectively supports the women and their families. As a result, 2,000 low-income women will join the Kiteiras network, running their own businesses (60% of which will be formal business) generating an average of 580 reals a month, approximately 74% of Brazil’s minimum monthly salary (788 realis), by working 20 hours a week.

The project might also contribute to improve health and nutrition habits in poor communities, pillar of Danone’s mission, since consuming yogurt is related to obesity reduction, immunity increase and bone strengthening. The feasibility to measure these project effects will be analyzed and decided during the design phase.

1. **INNOVATIon AND SCALE**

The main innovation of the project is the generation of a scalable social business model resulting from a partnership between an anchor company (Danone) and an NGO (WVB) to consolidate a new BoP commercialization channel that also improves the effects of each individual initiative (Kiteiras and GOL.D) on poor communities’ social and economic development.

There is a significant potential for bringing to scale the Danone-WVB inclusive distribution model, since the door-to-door market in Brazil generates about R$27 billion per year (approximately US $10 billion) and engages more than 2.9 million people on sales careers. In addition, the Kantar research (2013) highlights D and E communities as the greatest door-to-door consumers of refrigerated products, which happen to be the Kiteiras’ targeted communities. This will translate then into expanding the Kiteiras economic and social benefits to reach a bigger number of low-income women, their families and their communities.

Danone Brazil has a solid commitment to the Kiteiras program allocating both economic and human resources in the developing of the initiative (that Danone Brazil has estimated can reach over 40,000 women in 2022) with the support of Danone Ecosystem. Danone Ecosystem is fund to support internal innovation with social purpose in the company. The scaling of the model will take place in three stages: testing and expanding the Danone and WVB model in Salvador, replicating it in Belo Horizonte, and consolidating it in Fortaleza. A plan for its expansion to other cities/states will be a result of the project.

In addition to helping to the consolidation and expansion of this new inclusive distribution business model with two world leading entities such as Danone and World Vision, the MIF will pave the way for further collaborations in the inclusive distribution realm between anchor companies and NGOs. MIF’s specific support in the project will be focused on key areas of the inclusive distribution model, building on learnings from previous SCALA projects (such as the Adopem-Nestle in Dominican Republic), and in particular by: (i) the strengthening of human talent management process (microdistributor recruitment, training, and development) through the refining of the GOL.D metholology in order to decrease microdistributors’ recruitment and management costs and accelerate the expansion process to reach more beneficiaries in a shorter period of time, and reduce the model’s turnover rate. (ii) By incorporating new IT solutions and adapting business processes, (geo-referencing sales territories, collecting first hand marketing information, and better supporting interaction among different actors: consumers – Kiteiras – Godmothers – Distributors - Danone/WVB); (iii) by performing strategic adjustments in the logistics of the model, mainly at regional distributor operations[[4]](#footnote-4) and product delivery routing level; and finally, (iv) by analyzing the opportunities to provide access to financing alternatives for Kiteiras and eventually for distributors[[5]](#footnote-5).

1. **KnoWLEDGE VALUE**

The MIF has been supporting inclusive distribution projects for the last three years. Some lessons learned from the field that will be considered during the design phase of this project include: (i) partnerships with organizations with extensive experience in working closely with women in poor communities allowing anchor companies to have more effective recruitment processes and reducing the turn-over rate; (ii) identifying alternatives for the provision of adequate credit solutions for microdistributors during the project design to prevent delays during project execution and reduce the risks associated with the lack of the required financing that microdistributors need to launch and operate their businesses; and (iii) the positive impact credit has on customer credibility/loyalty and sales increase, when microdistributors in addition to selling the products, are provided advice about how to use their credits and their benefits.

Other lessons identified during the Kiteiras pilot phase were the following: (i) the Godmothers are essential to ensure the project success, they are key for engaging, supporting and motivating Kiteiras, so they can reach the level of sales that ensure their income expectations. Based on this learning, the project will include weekly mentoring sessions for godmothers, focused on entrepreneurial skills development and relationship building; and (ii) Entry-level financing is required for vulnerable women willing to have a business opportunity but cannot afford to pay for the initial inventory. The savings groups generated through the GOL.D methodology can be an alternative to this problem.

With respect to knowledge, the project will contribute to close some of the knowledge gaps identified for the Facility “*Promoting the economic empowerment of low-income populations through Inclusive Distribution Networks – SCALA*” Specifically the project gives SCALA the opportunity to learn from a first initiative that proposes the scaling of a cross-sector, community-development model resulting from the partnership between WVB (social sector) and Danone (private sector), answering the evaluation questions about how effective it can be to empower low-income women, reduce business informality and reach economic and social sustainability. The information and results generated by the project will contribute to the positioning of Inclusive Distribution as a win-win multi partnership instrument for poverty reduction, attracting stakeholders interest from private, public and social sectors to adopt it and replicate it.

1. **executing agency and STRATEGIC Partners**

World Vision Brazil was created in 1975 with the mission to contribute to the reduction of social inequity through transformative and sustainable development. WVB is affiliated to World Vision International and supports initiatives to generate changes to overcome barriers that interfere in poor communities’ development. Its actions are mainly focused on children, youth and women.

WVB has extensive experience in the articulation and management of strategic alliances with public and private sector organizations, and with work with multilateral institutions. It has executed two MIF projects, which have been positively evaluated. The projects “Promotion of Socially Responsible Market Opportunities” (MIF/AT-495), finalized in 2006 and “Poverty reduction through regional integration of local capacities in Northeast Brazil – Redes” (MIF/AT-905) completed in 2014.

For the execution of the project WVB will partner with Danone Brazil and with Danone Ecosystem fund to support the expansion of the Kiteiras-WVB model. An agreement between the three institutions defining project governance, roles and responsibilities will be a condition for the first disbursement. In addition, WVB is currently negotiating the incorporation of SEBRAE as project partner.

1. **Country Office Comments**

The Project proposes the scaling of an innovative model that combines three aspects that are part of the main priorities for the country as stated in the IDB’s country strategy (in preparation): social inclusion, entrepreneurship and access to markets and generation of job opportunities and income. In addition the project will contribute with two other relevant topics: the formalization of microenterprises and gender equality. WVB and Danone’s background, experience and recognition in their areas of influence provide the project with a high probability of economic, technical and social feasibility and success. In addition, VVB has an extensive and good experience working with the MIF that has granted them many awards in the national and international social development fields.

1. According to the World Health Organization (WHO), about 16 million women 15–19 years old give birth each year, about 11% of all births worldwide. Half of all adolescent births occur in just seven countries: Bangladesh, **Brazil**, the Democratic Republic of the Congo, Ethiopia, India, Nigeria and the United States. http://www.who.int/maternal\_child\_adolescent/topics/maternal/adolescent\_pregnancy/en/ [↑](#footnote-ref-1)
2. The Danone products distributed by the Kiteiras are mostly dairy products (such as activia, danonino, flavor milk, among others). [↑](#footnote-ref-2)
3. The initial model operates through consignment (ie. Danone provides the women with the products and once the women sale the products they repay to Danone in order to access a new order). The project will analyze complementary financial alternatives to support the expansion of the model. [↑](#footnote-ref-3)
4. Regional distributors are Danone authorized distributors in determined geographic areas. It is expected that the Kiteiras model will be expanded through the existing Danone regional distributors network (such as the experience in Dominican Republic with Nestle) [↑](#footnote-ref-4)
5. A potential collaboration with OMJ to develop a financial mechanism to finance the expansion of the model through new Danone regional distributors will be examined during the project design. [↑](#footnote-ref-5)