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**BRAZIL**

**EMPOWERING LOW-INCOME WOMEN THROUGH THEIR INCORPORATION IN  
A COMMUNITY-BASED INCLUSIVE DISTRIBUTION NETWORK (IDN)**

**(BR-M1133)**

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## PROJECT SUMMARY

### Empowering Low-income Women through their Incorporation in a Community-based Inclusive Distribution Network (IDN)

(BR-M1133)

Many women in marginal peri-urban communities in Brazil are in need of increasing household incomes to support their families. However, in these communities, economic opportunities to engage women in the labor force and provide them with a stable source of income are very scarce. Their skills deficit, due to early school dropouts and limited vocational education, in addition to their need for a flexible work schedule due to family obligations, considerably reduce women's access to formal job opportunities and their consequent ability to move out of poverty.

Although there are numerous NGO, corporation, and government programs that have generated important results in terms of building communities, and promoting collaboration and saving groups, they often fall short when it comes to providing women with alternative ways to access stable, income-generating business opportunities. The overall lack of understanding of the common needs and potential shared solutions among low-income communities, NGOs, corporations, and governments has discouraged the creation of joint initiatives that benefit people at the Base of the Pyramid (BoP). This disconnect hinders the development of income-generating opportunities for low-income women, further reducing their chances of overcoming poverty.

The project supports the consolidation of a corporate social innovation model based on a cross-sector, community-based inclusive distribution model resulting from the integration of Kiteiras, Danone's inclusive distribution network, and World Vision Brazil's (WVB) REDES program, to promote poor communities' economic and social development. It will test and scale a community-based inclusive distribution network that complements and increases the positive impact of WVB's and Danone's initiatives in generating employment opportunities for low-income women in poor peri-urban communities of Brazil. This joint effort will generate a win-win model that benefits all actors involved: (i) *women*, through their access to stable sources of income; (ii) *Danone* by partnering with WVB as the knowledgeable, reliable link to low-income women and their communities; and (iii) *WVB*, by solving the challenges currently faced by the REDES program related to linking low-income women to formal and stable business opportunities. The project will benefit 2,000 low-income women who will be incorporated to the Kiteiras inclusive distribution network, running their own businesses (60% of which will be formal businesses).

The project also provides the MIF facility *RG-M1234 Promoting the Economic Empowerment of Low-Income Populations through Microenterprise Distribution Networks - SCALA* -, the opportunity to capitalize and learn from a pioneering experience where two leaders from the corporate and civil society worlds - Danone and WVB - develop and bring to scale a community-based inclusive distribution model linked to Danone's core business that seeks to generate both social and economic impact for low-income women.

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ANNEX I	Logical Framework
ANNEX II	Budget Summary
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## **APPENDIXES**

Draft Resolution

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ANNEX IV	Detailed Budget
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## ACRONYMS AND ABBREVIATIONS

<b>AOP</b>	Annual Operating Plan
<b>DNA</b>	Diagnostic of Executing Agency Needs
<b>IADB</b>	Inter-American Development Bank
<b>MIF</b>	Multilateral Investment Fund
<b>OR</b>	Operating Regulations
<b>PCU</b>	Project Coordination Unit
<b>QED</b>	Quality for Effectiveness in Development
<b>TOR</b>	Terms of Reference
<b>WVB</b>	World Vision Brazil

## PROJECT INFORMATION

### Empowering Low-income Women through their Incorporation in a Community-based Inclusive Distribution Network (IDN) (BR-M1133)

<b>Country and Geographic Location:</b>	Brazil – Salvador de Bahia and Fortaleza peri-urban areas. A third city for expanding the model will be determined based on the lessons learned and best practices identified from the Salvador and Fortaleza experiences.		
<b>Executing Agency:</b>	World Vision Brazil		
<b>Access Area:</b>	Access to Markets and Skills		
<b>Agenda:</b>	Social Entrepreneurship and Innovation Topic		
<b>Coordination with Other Donors/Bank Operations:</b>			
<b>Direct Beneficiaries:</b>	2,000 vulnerable women living in the city outskirts with low schooling and in need to increase their income to support their families.		
<b>Indirect Beneficiaries:</b>	80.000 people in poor communities who will have access to nutritious products and to information about how to improve nutrition and health,		
<b>Financing:</b>	Technical Cooperation:	US\$ 800,000	39%
	Investment:		
	Loan:		
	<b>TOTAL MIF FUNDING:</b>	US\$ 800,000	
	Counterpart:	US\$ 1,270,500	61%
	Co-financing (if available):		
	<b>TOTAL PROJECT BUDGET:</b>	US\$ 2,070,500	100%
<b>Execution and Disbursement Period:</b>	36 months of execution and 42 months of disbursement.		
<b>Special Contractual Conditions:</b>	Conditions prior to first disbursement will be: (i) the submission for MIF non-objection of the agreement signed between World Vision Brazil and Danone Brazil for the execution of the project, specifying their roles and responsibilities; (ii) hiring of the project coordinator; (iii) approval by the MIF of the project Operating Regulations; and (iv) approval by the MIF of the Annual Operating Plan (POA).		
<b>Environmental and Social Impact Review:</b>	This operation has been screened and classified as required by the IDB's Environment and Safeguards Compliance Policy (OP-703). Given the limited impacts and risks, the proposed category for the project is C.		
<b>Unit with Disbursement Responsibility:</b>	CBR		

## 1. BACKGROUND AND JUSTIFICATION

### A. Diagnosis of the Problem to be addressed by the Project

- 1.1. Although Brazil's economy has experienced sustained progress since its macroeconomic stabilization in the 1990's, the country is still the second most unequal economy in Latin America. This imbalance is mainly affecting women: according to the Brazilian Institute of Geography and Statistics (IBGE)<sup>1</sup>, the unemployment rate among women is higher than among men in all regions of the country. Among the total Brazilian workforce - meaning the population over 14 years old who are interested in working - the unemployment rate is 5.9% for men and 8.7% for women.
- 1.2. The cities of Salvador and Fortaleza clearly reflect this national trend of high gender inequality in the labor market. Salvador has a 15.5% unemployment rate, adding to 201,000 unemployed women according to the Job Search and Unemployment (PED) study carried out by the Office of Economic and Social Studies of Bahia. Additionally, on average, employed women's salaries are 71.8% of men's wages. In the case of Fortaleza, it is the fifth most unequal city in the world, according to the United Nations (UN-Habitat)<sup>2</sup>, where women only account for 42% of the labor market and their salaries are on average 70% of men's, according to IBGE (2013). Also, the unemployment rate for women is 10.7% versus 7.3% for men.
- 1.3. Many women in marginal peri-urban communities are in need of increasing household incomes to support their families. However, in these communities, economic opportunities to meaningfully engage women in the labor force and provide them with a stable source of income are very scarce. Their skills deficit,<sup>3</sup> due to early school dropouts and limited vocational education, in addition to the common need for a flexible work schedule due to family obligations, considerably reduce women's access to formal job opportunities and their consequent ability to move out of poverty. Left with few employment options, most women turn to the informal sector, becoming street vendors or offering cleaning services, occupations which generate little income, have minimal growth potential, do not provide social benefits, and go against government programs for promoting microenterprise formalization.
- 1.4. There are government and NGO poverty reduction programs in Brazil that provide services and training for low-income people living in vulnerable communities in city outskirts, under or close to the national poverty line, who lack stable income to support their families. Although such programs have generated important results in terms of building communities, and promoting collaboration and saving groups, often times they fall short when it comes to

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<sup>1</sup> Government National Survey of Household Sampling Continuous (PNAD), developed by the Brazilian Institute of Geography and Statistics (IBGE).

<sup>2</sup> [http://www.unhabitat.org/io/en/inp/Upload/2233036\\_pages%20from%20Report-Englishrd-2.pdf](http://www.unhabitat.org/io/en/inp/Upload/2233036_pages%20from%20Report-Englishrd-2.pdf).

<sup>3</sup> Access to technical skills is a national problem in Brazil. Research undertaken by the National Confederation of Industry (CNI) indicates that among 1,616 companies interviewed, 69% struggle with a lack of skilled workers. According to the survey, 94% have problems with the hiring process and 70% say that the lack of qualified professionals inhibits increased competitiveness.

providing people with alternative ways to access stable, income-generating business opportunities. Traditionally, it has been a challenge for NGOs to engage with private companies in a way that contributes to the long-term sustainability of their programs to support low-income communities. Similarly, government-run welfare programs typically do not prepare people sufficiently to face economic reality once the program benefits come to an end. The overall lack of understanding of the common needs and potential shared solutions among low-income communities, NGOs, corporations, and governments has discouraged the creation of joint initiatives, such as social business models, that benefit people at the Base of the Pyramid (BoP). This disconnect hinders the development of income-generating opportunities for low-income women, further reducing their chances of overcoming poverty.

- 1.5. World Vision Brazil (WVB) has been working for over 30 years to address these sorts of challenges. To complement its community development programs, WVB launched REDES<sup>4</sup>, an initiative supported by the MIF to empower low-income people through the application of the Groups of Local Development Opportunities (GOL.D) methodology. This methodology promotes collaboration among community members to help them learn how to solve common community problems, including forming savings groups, and prepares individuals in how to pursue business and income-generation opportunities. Since the implementation of the program in 11 Brazilian states, 2,949 GOL.D groups have been created and that benefited 43,579 people (of whom 87% are women) and trained 25,549 individuals in entrepreneurship and/or business management. Despite these promising results in empowering low-income populations, especially women, WVB has not been able to regularly link GOL.D beneficiaries to stable job opportunities. Therefore, one of WVB's main priorities moving forward is to establish partnerships with companies in order to connect beneficiaries with steady income generation opportunities.
- 1.6. As part of their Corporate Social Responsibility strategy (CSR), Danone Brazil launched Kiteiras<sup>5</sup>, an inclusive distribution model that aims to improve the quality of life of vulnerable women in northeast Brazil by training them to become distributors of Danone yogurt in their communities and offer advice on nutrition and health awareness, providing jobs for women and access to new consumers for Danone. The pilot of the program, financed by the Danone Ecosystem Fund<sup>6</sup>, was initiated in 2011, targeting 80 unemployed and low-income women in Salvador who sold Danone products door-to-door as part of its Direct to Consumers (D2C) sales strategy. The women were recruited

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<sup>4</sup> REDES Program was developed under the MIF project "BR-M1063 - Poverty Reduction through Regional Integration of Local Capacities in Northeast", executed by World Vision Brazil (2009 - 2014). The project resulted in 2,949 GOL.Ds groups, benefiting 43,579 people, of which 87% are women. REDES was certificated as "Social Technology" by the Bank of Brazil Foundation Award (Fundação Banco do Brasil) in 2013.

<sup>5</sup> The Kiteira name comes from the 'kits' of Danone products that are designed to be sold by women in their communities.

<sup>6</sup> The Danone Ecosystem Fund is an endowment fund created by Danone aimed at co-creating inclusive business solutions with social and economic value for Danone and its Ecosystem partners, e.g. small producers and farmers (milk and fruits), small distributors and street vendors, waste pickers, caregivers (midwives, nutritionists etc.), micro-entrepreneurs.



through a local NGO and were trained not only in sales, but also in nutrition, health, entrepreneurial and life skills. Despite the challenges the model faced during the first two years of the pilot, especially related to inventory financing and saleswoman retention, by the end of 2014, there were 340 microdistributors in the Kiteiras network, working on average three hours per day, selling around 31 tons of dairy product per month, and generating an average monthly income of R\$320 (US\$106)<sup>7,8</sup>.

- 1.7. These positive economic and social results for both women and Danone prompted the Kiteiras model to evolve from a CSR program to a Corporate Social Innovation (CSI) model, becoming a high-potential new growth sales channel to support the company's strategy for "having yoghurt everywhere, everyday" while improving Brazilians' nutrition habits and health. The key factors for the implementation of this "country-wide" strategy include the engagement of a certain number of women to become microdistributors to reach the sales objectives of the company and to learn about BoP consumer needs and interests from a direct source. These factors require building trust through establishing robust community-based relationships, a new challenge for Danone's core business and operational model.
- 1.8. The project aligns with the MIF facility *RG-M1234 Promoting the Economic Empowerment of Low-Income Populations through Microenterprise Distribution Networks - SCALA* -, which promotes the development and scaling-up of innovative inclusive distribution networks, based on win-win multi-stakeholder partnerships, that generate business opportunities for low-income people while improving quality of life of poor communities. It will allow SCALA to capitalize on a pioneering experience where two leaders from the corporate and civil society worlds - Danone and WVB - develop and bring to scale a community-based inclusive distribution model linked to Danone's core business that seeks to generate both social and economic impact for low-income women.
- 1.9. There is significant potential for scaling 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 in 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 both Kiteiras' and REDES' target communities.
- 1.10. Danone and WVB have decided where the model will initially be expanded, matching Danone's sales strategy with the cities where WVB has a strong presence. The expansion will take place in the following phases: (i) Salvador; (ii) Salvador and Fortaleza; and (iii) a third city to be identified based on the lessons learned and best practices identified from the Salvador and Fortaleza experiences. The model will be scaled gradually, with learnings from each phase feeding into the next. The ultimate goal is to have a standardized

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<sup>7</sup> Danone offered a 25% profit margin to the microdistributors during the pilot phase. This margin will be 30% during the expansion phase.

<sup>8</sup> 12% of the microdistributors had an average income of R\$1140 (US\$380), working 5.1 hours/day (49% higher than the Brazilian minimum wage of R\$788, about US\$262).

operation that would evolve to an expansion strategy based on a franchise format to be offered by Danone and WVB to Danone local distributors.

**B. Project Beneficiaries**

- 1.11. The project will build entrepreneurial capacity and generate income opportunities for 2,000 vulnerable women who are part of the WVB's REDES project and will be incorporated in the Kiteiras network. These women are between 18 and 58 years old, live under or close to the national poverty line in city peripheries, have low schooling levels, and do not have formal jobs. Some of them have low and unstable source of income working as street vendors, selling baking goods, or offering domestic cleaning services. They need to increase their household incomes through business opportunities that offer flexibility when it comes to caring for children and other family members.
- 1.12. WVB and Danone's decision to only target women as microdistributors is based on the following reasons: (i) to help reduce labor market gender inequality in low-income communities; and (ii) women's ability to develop strong community ties and networks, key skills for selling Danone products.
- 1.13. In addition to the women, the project also will benefit 80,000 people in the communities who will have access not only to nutritious products, but also to information about how to improve nutrition habits and health.

**C. Contribution to MIF Mandate, Access Framework and IDB Strategy**

- 1.14. The project aligns to the MIF's, and specifically to the Social Innovation and Entrepreneurship Topic's objectives to encourage private sector investment and to reduce poverty in Latin America. The project supports the consolidation of a corporate social innovation model based on a cross-sector partnership. It will test and scale a community-based inclusive distribution network that complements and increases the positive impact of WVB's and Danone's individual initiatives in generating employment opportunities for low-income women and contributing to the economic development of poor peri-urban communities of Brazil. In addition, the project complements the MIF Facility, Economic Empowerment of Low-income People through their Integration into Inclusive Distribution Networks (SCALA; RG-M1234), and will provide evidence for addressing SCALA's knowledge gaps related to the effectiveness of a cross-sector, community-based inclusive distribution model in the economic empowerment of low-income women and at increasing women's retention rates. Additionally, as per the focus on women, this project also aligns with the Gender and Women's Economic Empowerment Initiative of the MIF by contributing to the reduction of the additional obstacles women face, and by building capacity in their businesses.
- 1.15. Collaboration with the Bank Group. The project proposes the scaling of an innovative model that combines three aspects that are part of the main priorities for Brazil 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.

## 2. PROJECT DESCRIPTION

### A. Objectives

- 2.1. The objective of the project at the impact level is to generate business opportunities and stable incremental income for low-income women in peri-urban areas in Salvador, Fortaleza and a third city to be identified based on the learnings and results from the expansion of the model in Salvador and Fortaleza. At the results level, the project aims to test and scale a cross-sector, community-based inclusive distribution model resulting from the integration of Kiteiras, Danone's inclusive distribution network, and World Vision Brazil's REDES program, to promote poor communities' economic and social development.

### B. Description of Model/Solution/Intervention

- 2.2. The project proposes to test and scale up a corporate social innovation model resulting from the integration of WVB's community development program (REDES), with Danone's inclusive distribution network. Through this integration, Danone joins efforts with a partner experienced in working with the Kiteiras target audiences, both microdistributors and customers, which will accelerate the implementation of its "country-wide" strategy based on the engagement of numerous microdistributors and to know BoP consumer needs and interests. WVB's close work with poor communities and the GOL.D groups' methodology offer Danone the consolidation of the microdistributors sales force it needs to expand the model, reaching more microentrepreneurs in a shorter period of time while decreasing microdistributors recruitment and management costs. In the other hand, Danone contributes to increasing WVB economic development impact and reaching the REDES's program sustainability offering the GOL.D groups' low-income women the opportunity to own a proven business that provides them with a reliable and stable source of income. This joint effort complements and increases the positive impact of WVB's and Danone's individual initiatives in generating employment opportunities for low-income women in poor peri-urban communities of Brazil.
- 2.3. WVB and Danone have already performed a comprehensive review of both REDES and Kiteiras and have agreed on a new model that addresses each individual initiative's learnings, challenges, and goals while incorporating process improvement and opportunities for economies of scale to ensure its readiness for scale. This review also considered the key role of the Danone local distributors, who manage the model logistics (product storage/ kit preparation/delivery) and microdistributor operations. The scaling strategy aligns Danone's plan for commercializing its products in poor communities of Brazil as both states are where WVB has consolidated its REDES program and the financing and capacities needed by the Danone local distributors to grow their operations according to Danone - WVB expansion plans. This process resulted in the a three-phase scaling approach: (i) testing and consolidating the model first in Salvador, where the Kiteiras pilot is taking place and the REDES project has served several communities; (ii) scaling the model to Fortaleza; and (iii) scaling the model to a third city to be determined based on the project results and learnings.

- 2.4. The new joint WVD-Danone model builds on the Kiteiras inclusive distribution model, which is focused on microdistributors' personal and professional development. The model requires a preliminary agreement between Danone and its local distributors and consists of the following processes: (i) recruitment of microdistributors by Danone local distributors, according to the Kiteira' profile defined; (ii) microdistributors' development through a capacity building process provided by Danone that includes training in the Kiteira model operation, Danone's products, finances, health, nutrition, and entrepreneurial and life skills; (iii) door-to-door sales, performed by microdistributors based on a catalog<sup>9</sup> with the offered kits; (iv) order processing, where microdistributors place their customer orders with the Danone local distributors, paying in advance<sup>10</sup> for the products according to the agreed discounted rates; (v) delivery of the product kits at the microdistributor location, by the Danone local distributors; and (vi) delivering of the products to the customers by the microdistributors. Danone also provides continuous support/coaching for microdistributors and performs marketing/brand recognition campaigns.
- 2.5. A number of innovations are being incorporated into the new model that will make it more efficient and cost-effective, while also increasing the retention of women distributors and the consumption of nutritious products in poor communities. These innovations include: (i) consolidating a two-tier salesforce consisting of "Godmothers" (mentors/supervisors) who coordinate groups of microdistributors; (ii) incorporating the GOL.D groups, generated by the REDES program, as a reliable source for the recruitment of potential microdistributors and Godmothers; (iii) improving the training provided to the women (i.e. Kiteiras' model operation, Danone's product knowledge, sales, nutrition, child health & protection, social benefits, planning for the future, and conflict management), in addition to the training provided by REDES (collaboration, self-esteem, finance, business development, savings)<sup>11</sup>; (iv) considering financing alternatives for microdistributors product orders<sup>12</sup> and for aligning Danone local distributors' operations to the model's scaling plans; (v) using geo-referential technology for salesforce territory management and product delivery routing; (vi) incorporating a business intelligence system to better understand demand patterns and support catalog preparation; and (vii) using information technology to support operations and reduce costs.
- 2.6. The model will achieve economies of scale and operational cost reduction (particularly regarding selection/training<sup>13</sup>, sales operation, and logistics costs), while at the same time enhancing women's well-being and social and

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<sup>9</sup> Catalogs are issued every three months, including new kits and offers to better response to customer demand.

<sup>10</sup> The original model did not include inventory financing options for microdistributors.

<sup>11</sup> Women will receive 40 hours of training to become microdistributors (combining the REDES's and the Kiteiras's training programs). In addition, they will participate in Health and Nutrition programs and other topics every three months.

<sup>12</sup> The project will define financing alternatives/partnerships for financing the microdistributor's product order costs. REDES savings groups is one of them. Alternatives will be also considered to overcome the risk of debt that microdistributors might face for pre-paying for the product orders.

<sup>13</sup> The Godmothers will be responsible for part of the microdistributors training and coaching. This will reduce the model's training costs during the expansion phase.<sup>13</sup>

economic empowerment through their transformation into high-performing Kiteiras who generate sufficient income to support themselves and their families. Margins for each actor ensure a win-win business model while establishing the foundation for ensuring its economic and social sustainability.

- 2.7. As a result of the project, 2,000 low-income women will join the Kiteiras network, running their own businesses (60% of which will be formal businesses), generating an average of 550 reais a month (approximately 70% of Brazil's minimum monthly salary of 788 reais) working 20 hours a week, and thereby contributing to communities' economic and social development and poverty reduction. In addition, 80,000 people in poor communities will have access to information about how to improve their health and nutrition and to nutritious products. A roadmap for the scaling of the model to other states/cities of Brazil will be also an output of this project.
- 2.8. The project will provide learnings and evidence about the effectiveness/viability of scaling corporate social innovation models resulting from the partnerships between anchor companies and NGOs (WVB and Danone partnership), aimed at expanding the offer of economic and social development solutions adapted to local contexts, needs and identity. As such it will enable the MIF to identify further inclusive distribution collaborations between anchor companies and NGOs.

### C. Components

**Component I: Test the Kiteiras-WVB Community-based Inclusive Distribution Model in Preparation for Scale. (MIF: US\$84,500; Counterpart: US\$297,500).**

- 2.9. The objective of this component is to test the ready-to-scale community-based inclusive distribution model. The required adjustments and innovations to make the model cost-effective and scalable will be built on the existing Kiteiras network and initially tested working with the communities already served by WVB in Salvador.
- 2.10. The activities in this component include: (i) incorporation of the GOL.D methodology applied by WVB in the REDES program as a source of identification and recruitment; (ii) integration of the GOL.D methodology and Kiteiras training programs; (iii) definition of the two-level salesforce (Godmothers and microdistributors) profiles and roles; (iv) identification of financing alternatives for microdistributors and Danone local distributors; (v) incorporation of technology to support operations; and (vi) testing of the new model with GOL.D groups in Salvador.
- 2.11. The expected products are the following: (i) the community-based Danone-WVB model tested in 50 communities and ready to scale; (ii) documentation of the model; and (iii) partnerships signed with microcredit institutions.

**Component II: Promote the Well-being, Entrepreneurial Skills, and Social Development of the microdistributors (MIF: US\$377,500; Counterpart: US\$275,500).**

- 2.12. The objective of this component is to provide microdistributors and Godmothers with the capacities, skills, incentives, and support for running

their businesses efficiently and profitably to ensure their economic and social empowerment and their families' well-being. The timing of activities will take into consideration the women's household obligations. Additional activities related to managing potential conflicts in the household due to increased women's economic empowerment will also be considered.

- 2.13. The activities in the component include: (i) introducing the Kiteiras program to the GOL.D groups to identify microdistributors candidates; (ii) providing candidates with training to become microdistributors/Godmothers and the coaching and support to run the business successfully; (iii) preparing microdistributors' development plans and monitoring entrepreneurial skills and sales progress; (iv) defining incentives package (i.e. savings program, microinsurance, path to become Godmother, formalization, etc.); and (v) incorporating community- oriented support and benefits (i.e. nutrition programs, family education, etc.).
- 2.14. The products of this component include: (i) 3,500 women join the Kiteiras network; and (iii) 80,000 people informed about nutrition and health and with access to nutritious products.

**Component III: Model Consolidation and Scale. (MIF: US\$35,000; Counterpart: US\$450,000).**

- 2.15. The objective of this component is to expand the benefits of the model to more women and communities, following the strategy mentioned in paragraph 1.10.
- 2.16. The activities to be implemented to scale the model include: (i) conduct market researches to define the strategy for expanding the model in Salvador y Fortaleza; (ii) implement the organization/team, infrastructure, and logistics required to operate the model in Salvador y Fortaleza; (iii) design and implement the marketing strategy; (iv) establish partnerships required for expansion (distributors, financial institutions, etc.); (v) identify the third city where the model will be expanded and define the strategy, implement the infrastructure and establish the partnership required to operate the model successfully in that city; (vi) systematize model and design franchise format; and (vii) prepare plan for expanding the model to other cities in Brazil.
- 2.17. The products for this component are: (i) expansion strategy for each city; (ii) infrastructure and organization for operating the model in each city; (iii) documentation of the model franchise format; and (iv) plan for expanding the model to other cities in Brazil.

**Component IV: Knowledge Management and Communications Strategy. (MIF: US\$106,944; Counterpart: US\$11,500).**

- 2.18. The knowledge management and communication strategy of this project will be aligned with the SCALA knowledge strategy and will be based on the systematization of the project experience where an NGO and a multinational organization join efforts to complement each other and generate an inclusive distribution model that escalates the positive effects of their individual initiatives on women and community economic and social development.

- 2.19. A communication strategy, based on project knowledge products and facts, will be implemented to share project learnings and promote similar model adoption/replication among key audiences, such as the SCALA program network, multinational organizations, social enterprises, NGOs, World Business Council, and BoP programs. The main channels to reach these audiences are BoP summits, CSR/Inclusive Business/Shared Value conventions, SCALA program network and Observatory, Danone corporate, WV network, B Corp conferences and World Business Council meetings.
- 2.20. The activities considered in this component are the following: (i) preparation of knowledge products (systematization of the experience, case study, infographics, and lessons learned); (ii) design and implementation of a communication strategy including participation in events, direct campaigns, social media campaigns, and SCALA newsletters. WVB will prepare the Project Facts annually, according to the standards provided by the MIF. These activities will be performed by specialized consultant financed by the project and SCALA.

#### **D. Project Governance and Execution Mechanism**

- 2.21. World Vision Brazil will be the executing agency of the project and will be responsible for technical, financial, and administrative management of the project. WVB will sign an agreement with Danone for the execution of the project, which will define the roles, responsibilities, and financial contribution of each partner to the project.
- 2.22. A three-level governance structure will be set up as follows: (i) *Steering Committee*, that will provide strategic guidance for the project and advice for its expansion/sustainability. The Steering Committee will consist of Danone Brazil New Channel Sales Manager, Danone Brazil Sustainability Manager, WVB Director, Distributor owners, and the MIF representative in Brazil; (ii) *Core Team*, in charge of the project technical, financial, and administrative coordination and monitoring and consisting of Danone's Project Manager, Danone Sustainability Junior Manager, WVB coordinator and Distributor owners; and (iii) *Field Management Teams* (one per city), responsible for the coordination and supervision of the activities in each city, integrated for the local Danone Sales Supervisors and WVB Coordinators.
- 2.23. One year before the project ends, a **Sustainability Workshop** will be held with all key stakeholders to validate the proposed actions to ensure the continuity of the project.

#### **E. Sustainability**

- 2.24. The continuity of the project and the expansion/sustainability of the Danone – WVB inclusive distribution model are based on the following: (i) the commitment of two leading global institutions that have identified how joining efforts can multiply the effects of their individual initiatives to generate social impact. Provisions will be taken in the model's financial plan to ensure the financing of the required additional REDES's GOL.D groups to replicate Kiteiras networks in other cities/states; and (ii) ensuring the benefits

for all participants in the model: *microdistributors and Godmothers*, income generation and economic and social empowerment; *Communities*, having access to high quality nutritious products, in a convenient manner and affordable prices; *Danone*, fulfilling its strategy for “having yogurt everywhere, everyday” while generating social impact; *WVB*, increasing their presence and impact in poor communities complementing its REDES program with reliable job opportunities; and *Distributors*, growing their business operations and profits.

**F. Experience and Lessons Learned from MIF or other Institutions.**

- 2.25. The MIF has been supporting inclusive distribution projects for the last three years. Some lessons learned from the field considered by the project include: (i) developing 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) incorporating information technology to make inclusive distribution models “ready to scale” increasing their efficiency, reducing operating costs, and helping to understand BoP customer demand patterns and needs.
- 2.26. Other lessons identified during the Kiteiras pilot phase are: (i) Godmothers are essential for engaging, supporting and motivating microdistributors, so they can reach the level of sales that ensure their income expectations; and (ii) women distributors require access to entry-level financing options to pay for the minimum order amount established by the local distributor (R\$180,00).

**G. MIF Additionality**

- 2.27. Non-Financial Additionality. The MIF’s extensive experience and recognition as a strategic alliance maker has been fundamental in building the partnership between WVB and Danone. MIF learning and experience from other multi-stakeholder partnership projects involving the public, private, and civil society sectors has provided valuable input during the negotiation process with both organizations, particularly regarding how to align strategies and expected results, and establish an action plan for project execution and for addressing the challenges involved with scaling inclusive distribution networks. MIF recognition in the region also provide credibility when seeking to build additional alliances with potential partners, such as SEBRAE, microfinance institutions, and Danone product distributors.
- 2.28. Financial Additionality. Through the project, the MIF will contribute to women’s empowerment and community economic development in the region by supporting the consolidation and scaling up of a community-based inclusive distribution model that generates positive results for women distributors. To expand these benefits, the model needs to be adjusted to reach the required level of readiness that will make the scale up cost-effective



and sustainable, while ensuring the beneficiaries' economic and social benefits. MIF resources will allow for the acceleration of the scale up process and will be used for adjusting the model, training and capacity building for women microdistributors, and knowledge consolidation and dissemination.

## **H. Project Results**

- 2.29. The project is expected to achieve the following results by the end of the three-year implementation period:
- 2,000 new women incorporated to the Kiteiras inclusive distribution network (CRF 230300).
  - 80,000 people in poor communities with improved access to health & nutrition information.
  - A roadmap for the scaling of the model to other states/cities of Brazil

## **I. Project Impact**

- 2.30. The project is expected to achieve the following impacts by the end of the three-year implementation period:
- 1,200 women continue operating their microdistribution business after two years of being incorporated to the Kiteiras network (CRF 310201).
  - 1,500 women have increased their annual income in 20%<sup>14</sup> or more after the first year of operating their Kiteiras business (CRF 330100).
  - 1,200 women incorporated to the Kiteiras inclusive distribution network are formalized as individual microentrepreneurs.

## **J. Systemic Impact**

- 2.31. Danone and WVB will continue scaling their community-based inclusive distribution model in other states/cities of Brazil, according to their joint strategy for expanding the access to business opportunities that contribute to women's empowerment and community development. The project results will also demonstrate the effectiveness of cross-sector partnerships for developing and scaling up sustainable social business that will contribute to the body of knowledge on inclusive distribution networks being developed through SCALA. Additionally, it is expected that the project experience will bring together prestigious institutions to complement each other and multiply their social impact, while attracting the interest from peer institutions worldwide for replicating/adopting similar initiatives.
- 2.32. The project indicator for measuring its systemic impact is: the Number of models supported by the MIF that will be replicated/scaled (CRF 450100).

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<sup>14</sup>This indicator has been defined based on Danone's sales reports, which reflect microdistributors' sales volume and corresponding income per month, disaggregated by city. These reports also differentiate between the income microdistributors generate through Kiteiras from other sources of incomes that they might have.

### 3. MONITORING AND EVALUATION STRATEGY

- 3.1. Baseline. A baseline will be developed considering the indicators defined in the logical framework to measure project results and impact, building from WVB's extensive experience on measuring the impact of its actions for poverty reduction and the Entrepreneurial Inclusion Index (EII) used by Danone to monitor microdistributors personal and entrepreneurial development, knowledge and network of contacts, and how they relate to business growth and generated income. A survey including all these indicators will be applied to the new microdistributors to identify their start point and will be repeated every six months to monitor their evolution and the Danone – WVB inclusive distribution network effectiveness in contributing to women's personal and economic empowerment. In addition, the consumption increase of nutritious products (dairy-yogurt product line) in poor communities will be monitored using Danone sales' reports, which will be disaggregated by city.
- 3.2. Evaluation. A mid-term evaluation and a final evaluation will be conducted for the project by consultants specialized in inclusive distribution models. The *mid-term evaluation* will be performed when 50% of MIF resources have been disbursed or when the project reaches half of its execution period (whatever occurs first). The main objectives of this evaluation will be to: (i) identify the difficulties, risks and challenges faced during the execution of the project and the alternatives to overcome them, thereby increasing the chance of reaching project objectives; and (ii) recommend how to increase project impact and propose scenarios to ensure its sustainability. The *final evaluation* will take place when 90% of MIF resources have been disbursed. The scope of this evaluation includes, among others: (i) analyze project results and impacts with respect to the one defined in the Logical Framework; (ii) measure level of satisfaction of project beneficiaries; (iii) identify lessons learned about the cross-sector partnerships; and (iv) review the knowledge products generated and determine their readiness level to promote the adoption/replication of the model among the identified target audiences. Some of the questions to be answered with this evaluation are: (i) How cost-effective has the community-based model been in terms of microdistributors /Godmothers recruitment, training, and retention rates?; (ii) What are the social and economic benefits that the model provided to the women, their families and the communities?; (iii) How effective was the proposed scaling-up strategy?; (iv) How beneficial has the Danone – WVB partnership been for each institution?; and (v) Was the project successful at promoting microdistributors' business formalization.
- 3.3. Closing Workshop. The executing agency will organize a closing workshop at the appropriate time to assess along with other key stakeholder the outcomes achieve, identify additional tasks to guarantee sustainability and identify and disseminate lessons learned and best practices.

## 4. COST AND FINANCING

- 4.1. The project has a total cost of US\$ 2,070,500, of which US\$ 800,000 (39%) will be provided by the MIF, and US\$ 1,270,500 (61%) by the counterpart (Danone and WVB). The execution period will be of 36 months and the disbursement period will be of 42 months.
- 4.2. Retroactive Recognition of Counterpart Funds. It will be recognized as part of the counterpart contribution to the project the expenses incurred by WVB from August 1<sup>st</sup>, 2015 to finance activities within the project scope.

Components MIF	MIF	Counterpart			Total
		Danone	WVB	Total	
Component 1. Test the Kiteiras-WVB community-based inclusive distribution model and prepare it for bringing it to scale.	84,500	222,500	75,000	297,500	382,000
Component 2. Promote the well-being, entrepreneurial skills, and social development of the microdistributors.	377,500	96,000	179,500	275,500	653,000
Component 3. Consolidate and bring the model to scale.	35,000	400,000	50,000	450,000	485,000
Component 4. Knowledge Management and Communications Strategy.	106,944		11,500	11,500	118,444
<b>Sub-total</b>	<b>603,944</b>	<b>718,500</b>	<b>316,000</b>	<b>1,034,500</b>	<b>1,638,444</b>
Execution and Supervision Components					
Executing Agency/ Administrative	80,500	200,000	36,000	236,000	316,500
Baseline	4,000				4,000
Monitoring System	14,000				14,000
Mid-Term Evaluation	10,500				10,500
Final Evaluation	9,000				9,000
Ex post reviews	10,000				10,000
Contingencies	68,056				68,056
<b>Sub-total</b>	<b>196,056</b>	<b>200,000</b>	<b>36,000</b>	<b>236,000</b>	<b>432,056</b>
<b>Grand Total</b>	<b>800,000</b>	<b>918,500</b>	<b>352,000</b>	<b>1,270,500</b>	<b>2,070,500</b>

## 5. EXECUTING AGENCY

- 5.1. World Vision Brazil was created in 1975 with the mission of contributing to reduce social inequity through transformative and sustainable development. It is affiliated to World Vision International and supports initiatives that generate changes to overcome barriers that interfere in poor communities' development in 10 states in Brazil. Its actions are mainly focused on children, youth, and women. It has extensive experience establishing and managing

strategic alliances with public and private sector organizations, and working with multilateral institutions. It has executed two MIF projects, which have exceeded their goals: “Promotion of Socially Responsible Market Opportunities” (TC-01-11-04-2), finalized in 2006, and “Poverty Reduction through Regional Integration of Local Capacities in Northeast Brazil - REDES” (BR-M1063) finalized in 2014.

- 5.2. For this project WVB has established a partnership to complement its social work with Danone Brazil. 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. An agreement between both institutions defining project governance and roles/responsibilities will be a condition for the first disbursement. Additionally, WVB and Danone are currently negotiating the incorporation of SEBRAE as a project partner and considering additional partnerships with financial institutions to support Danone’s local distributors and microdistributors’s financial needs.
- 5.3. WVB will establish an executing unit and the necessary structure to effectively and efficiently execute project activities and manage project resources. WVB will also be responsible for providing progress reports on project implementation. Details on the structure of the execution unit and reporting requirements are in Annex 7 in the project technical files.

## **6. PROJECT RISKS**

- 6.1. The risks identified for the project are the following: (i) Poor communities’ demand for Danone products is not enough for ensuring microdistributor income expectations, which will be mitigated through continuous market analysis to generate an offer of kits that responds to communities’ nutrition preferences and patterns, reinforced with marketing campaigns and promotions; and (ii) Distributors’ difficulties in obtaining the required financing to align their capacities/grow their operations according to Danone - WVB expansion plans might compromise sales. To mitigate this risk, the project will consider establishing partnerships with financial institutions to offer working capital financing alternatives and conditions to help distributors reach financial sustainability.

## **7. ENVIRONMENTAL AND SOCIAL EFFECTS**

- 7.1. The project was approved by the Environmental and Social Review Committee (ESR 07-07-2015) 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 low-income women in peri-urban areas, its activities will include the appropriate strategies, processes, and image for attracting these women.

## 8. COMPLIANCE WITH MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 8.1. **Disbursement by Results and Fiduciary Arrangements.** The Executing Agency will adhere to the standard MIF disbursement by results, procurement and financial management arrangements specified in Annex 7.

## 9. INFORMATION DISCLOSURE AND INTELLECTUAL PROPERTY

- 9.1. **Information Disclosure.** This document contains confidential information relating to one or more of the ten exceptions of the Access to Information Policy and will be initially treated as confidential and made available only to a restricted group of individuals within the Bank. The document will be disclosed and made available to the public upon approval.
- 9.2. **Intellectual Property.** The project is based on the expansion of the Kiteiras model developed by Danone. In this respect, the adjustments on the model performed with this project must be understood as a substantial part of the model and therefore Danone will own the intellectual property rights on these adjustments, especially the ones related to model components and its documentation. However, the IDB/MIF will have the intellectual property of the model resulting from Danone - WVB partnership. Additionally, the IDB/FOMIN will have access to the information required for the systematization of the project experience and the preparation of knowledge products and materials, to disseminate the project and promote its replication.