

SOCIAL ENTREPRENEURSHIP PROGRAM

PROJECT SYNTHESIS

1. **Country:** Peru
2. **Project Number:** PE-S1009
3. **Project Name:** Strengthening of Rural Value Chains with Significant Participation by Women
4. **Executing Agency:** Cooperativa de Ahorro y Crédito Fortalecer
5. **IDB Unit:** Multilateral Investment Fund (MIF)

6. **Financing Amount and Source:**

	<u>IDB</u>	<u>Local</u>	<u>Total</u>
Reimbursable financing:	US\$1,000,000	US\$300,000	US\$1,300,000
Technical Cooperation(MIF) ¹ :	US\$575,000	US\$348,609	US\$923,609
Total:	US\$1,575,000	US\$648,609	US\$2,223,609

7. **Goal and Purpose:**

The objective of the project is to contribute to the economic growth and gender equity of rural households in the area of operations of the partners of Cooperativa Fortalecer (CF). The purpose is to strengthen the competitiveness and net worth of small-scale producers and enterprises in value chains, with a focus on gender equity.

8. **Description:**

To meet these objectives, financing will be provided for two components, both to be executed by CF: a reimbursable financing component for US\$1.3 million (IDB: US\$1 million; CF: US\$300,000) and a nonreimbursable technical-cooperation component for US\$923,609 (MIF: US\$575,000; CF: US\$348,609). The loan will be financed with special resources from the Bank's Ordinary Capital for the Social Entrepreneurship Program, and the technical cooperation component will be financed by an operation parallel to the SEP loan, using nonreimbursable MIF resources (PE-M1099) (project under development).

- ***Reimbursable financing component***

Resources from this component will be used by CF to grant loans to its partner entities, which in turn will be channeled to selected MSEs in rural value chains. This financing will help CF's partners provide direct financing to rural MSEs for medium- to long-term investment and/or working capital. The second-tier operations (from CF to its partners)

¹ These resources will be financed under MIF operation PE-M1009 and are included here only to show how the Social Entrepreneurship Program loan and this parallel technical-cooperation operation are related. The resources from PE-M1099 are not part of the loan operation described in this document, but rather are complementary to it.

are expected to be for US\$50,000 to US\$200,000, and the first-tier operations (handled by CF's partners) are expected to be for US\$1,000 to US\$50,000,11 with an average term of three years, depending on the size, financial needs, and absorption capacity of the enterprise or chain being financed.

The financing will help CF and its partners develop new rural working-capital and investment-capital products aimed at meeting the specific needs of women-led enterprises or enterprises with significant participation by women that are involved in value chains. Project resources are expected to be channeled initially through some 10 partners to about 12 to 14 value chains, which will be identified through market surveys and a competitive resource-allocation process. Each loan to a value chain is expected to benefit a total of 50 to 60 end customers. Initiatives to be financed by the loan will be selected through a two-stage process. The first stage will be the selection of eligible partners (operators) to submit loan proposals for this project to finance value chains' operations in rural areas. A three-member committee (two members from CF and an independent outside expert) will request statements of interest from CF's partners who wish to participate as loan operators for the program. A representative of the IDB/MIF may participate on the committee as an observer with voice but no vote. This will help the IDB/MIF's supervision specialist stay abreast of demand, of the quality of the proposals, and of the capacities of the entities that will benefit from the subloans. The selection and qualification criteria will include: (i) experience in providing financing to women and in rural areas; (ii) solvency and sustainability; (iii) potential markets in the operator's areas of influence; (iv) gender-related institutional policies and practices; (v) proximity of current operations to areas of intervention; (vi) organization and corporate governance; (vii) leadership and capacity in project-related matters; (viii) comprehensiveness of services to partners/customers; (ix) project- and loan-management capacity; and (x) monitoring systems. Annex 6 summarizes these criteria and the proposed rating system. About 10 out of CF's 43 partners are expected to be qualified as project operators through this process.

3.5 In the second stage of the process, qualified operators will submit their proposals or projects for financing. CF will also form a committee to review and rate the projects received and select the best among them for financing, in the order received, until all resources have been placed. This committee will also include an independent outside expert with extensive experience and knowledge in financing value chains. The selection and rating criteria will include: (i) final demand for the value chain; (ii) demand for the link(s) to be financed; (iii) productive process or activity of the link(s) to be financed; (iv) supplier(s) of the link(s) to be financed; (v) rural nature of the value chain; (vi) the value chain's focus on gender; (vii) final demand for the value chain; and (viii) demand for the link(s) to be financed.

- ***Non-reimbursable Technical Cooperation component***

The project also includes a US\$923,609 technical-cooperation component to be financed through a parallel MIF project (US\$575,000 in MIF resources¹² and US\$348,609 in counterpart resources), which will be executed in parallel with the SEP loan. The nonreimbursable resources will be primarily aimed at institutional partners and beneficiary groups to improve their capacity to manage activities and create value chains, as opposed to strengthening the operations of CF, the borrower. The technical-

cooperation project will include the following activities: (i) strengthening of CF's capacity in rural portfolio placement, supervision, and risk management; (ii) strengthening of CF's partners in identifying, promoting, and assisting rural value chains; developing and adapting first-tier financial products and processes for rural value chains with significant participation by women; and incorporating gender considerations into their operations and products; (iii) technical assistance for the supported value chains and end beneficiaries in such matters as productivity, quality, market access, and management; (iv) awareness-raising among the families of end beneficiaries in matters related to gender equity and the balancing of women's work activities and household responsibilities; (v) financial education for women entrepreneurs/producers; (vi) participation of value chains in marketing events; (vii) monitoring, evaluation, and systematization, including baseline, measurement of outcomes and/or impact of support for MSEs and value chains, and dissemination of outcomes through knowledge and communication products; and (viii) project coordination, auditing, etc. The activities to be financed through the technical cooperation component, along with an itemized budget, are set out in MIF operation PE-M1099, to be considered and approved by the MIF Donors Committee and executed by CF in parallel with this loan.

9. Beneficiaries:

During the execution period, the project's end beneficiaries will be some 700 low-income male and female microentrepreneurs, small-scale producers, and/or participants in supported microenterprises and small businesses (as suppliers, operators, managers, etc.) with financing needs estimated at US\$1,000 to US\$50,000, per enterprise, group, or chain, which will have access to credit under conditions tailored to their specific needs, in order to improve their productive activities and thereby increase their productivity and revenues. These beneficiaries will also receive technical assistance and training in matters related to production, management, market access, and gender equality through the parallel technical-cooperation operation to be financed by the MIF (PE-M1099). The loan proceeds will continue to benefit some 500 additional beneficiaries over the remainder of the loan term (eight years), as the financial resources recovered from the first round of are used for relending to new value chains.

The project aims to solve problems faced by rural microenterprises and small businesses that are connected to value chains¹⁰ and are women-led or have significant female participation, by: (i) channeling medium- to long-term financial resources to finance investment capital and working capital to help enterprises or groups of producers achieve significant progress in terms of growth, job creation, productivity, and profitability, among others; and (ii) strengthening management, productivity, access to higher-value markets, and matters related to gender equity and women's leadership and participation in such enterprises, through technical assistance and training for entrepreneurs. In both cases, the ultimate objective is to help end beneficiaries strengthen their productive activities and position vis-à-vis suppliers and buyers, thereby increasing their revenues.

10. Expected results and benefits:

The following outcomes are expected from the project: (i) at least a 20% increase in sales by beneficiary small-scale producers, with men and women considered separately, in the value chains financed through the second year; (ii) access to medium- to long-term financing for 700 microentrepreneurs, small-scale producers, or low-income participants in rural MSEs—at least 300 of whom will be women—for their productive activities; (iii) at least 1,500 small-scale

producers, at least 60% of them women, benefiting from the value chains and receiving assistance in matters related to production, marketing, and management; (iv) at least 900 women receiving technical assistance tailored to their specific needs in production-related matters; (v) at least 900 women receiving financial education; (vi) awareness raised among at least 280 families on the redistribution of household chores; (vii) at least five value chains entering new markets; (viii) at least 10 CF partners with long-term financing from CF and with strengthened capacities to serve MSEs with significant participation by women in value chains, using effective financial products and processes and policies conducive to inclusion and equality for women entrepreneurs; and (ix) increased CF capacity to manage a rural investment-capital portfolio and a portfolio of more than \$1.3 million placed among its partners in value chains, with a delinquency rate of less than 2%.