

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	PERU/CAN - Andean Group
▪ TC Name:	Building the State capability to support the scaling up of small rural entrepreneurs in Peru
▪ TC Number:	PE-T1568
▪ Team Leader/Members:	Mosqueira Medina, Edgardo (IFD/ICS) Team Leader; Naranjo Bautista, Sandra (IFD/ICS) Alternate Team Leader; Vieyra, Juan Cruz (IFD/ICS) Alternate Team Leader; Veyrat-Pontet, Alexandre (IFD/ICS); Rojas Gonzalez, Sonia Amalia (IFD/ICS); Gonzalez Chacon Marianna Jose (IFD/ICS); Bonilla Merino Arturo Francisco (LEG/SGO)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	12 Dec 2023
▪ Beneficiary:	Perú
▪ Executing Agency:	IMAGO GLOBAL GRASSROOTS
▪ IDB funding requested:	US\$600,000.00
▪ Local counterpart funding:	US\$100,000.00 (In Kind)
▪ Disbursement period:	24 months
▪ Types of consultants:	Firms
▪ Prepared by Unit:	IFD/ICS - Innovation in Citizen Services Division
▪ Unit of Disbursement Responsibility:	IFD/ICS - Innovation in Citizen Services Division
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2024-2030:	Social inclusion and equality; Institutional capacity and rule of law

II. Objective and Justification

- 2.1 The objective of the TC is to strengthen government capabilities to provide effective enterprise support services in existing government programs to help rural entrepreneurs in Peru achieve sustainability and scale up.
- 2.2 The *Fondo de Cooperación para el Desarrollo Social* (FONCODES), part of Peru's Ministry of Social Development and Inclusion, is interested in strengthening the Haku Wiñay entrepreneurial development program to improve the sustainability and scaling up of entrepreneurial projects in the poorest rural communities in Peru. This can be achieved through the strengthening of the provision of entrepreneur support services in existing programs and through the articulation of different government programs that support rural entrepreneurs at various stages of development. The intervention aims to address UN Sustainable Development Goals 1 (eradicating poverty), 8 (decent work and economic growth), and 10 (reducing inequality).
- 2.3 In Peru, micro and small enterprises have an average mortality of 50% during the first year. This is due to barriers in the system such as lack of access to competitive markets and high transaction costs, that limit their productivity and competitiveness. Rural entrepreneurs supported by FONCODES reach an average operating time of 22.5 months, which is longer than similar enterprises. However, a significant proportion of the supported entrepreneurship initiatives fail to surpass self-consumption levels or disappear shortly after the support and technical assistance

from the program are withdrawn. Most entrepreneurs who complete the Haku Wiñay program never participate in other social programs meant to support them through subsequent stages of development. This is due in part to a lack of articulation between entrepreneurship support programs and in part to a lack of awareness and involvement from regional, provincial, and district governments. Thus, action is needed to articulate government programs and provide consistent, integrated information and support for entrepreneurs during their journey of growth to maximize the impact of government interventions.

III. Description of Activities and Outputs

- 3.1 **Component 1. Improving and integrating government programs that support rural entrepreneurs.** Imago will conduct a baseline diagnosis to identify success factors and improvement opportunities in the Haku Wiñay program. This pilot seeks to identify a prototype that improves the capacity of FONCODES to both directly support entrepreneurs' sustainability and to create linkages with other parts of the value chain, such as the *Avanzar Rural* program from AGRORURAL. Imago will tap on the expertise of the IDB team and consult with JICA based on its knowledge and experience as needed.
- 3.2 **Component 2. Monitoring, learning and evaluation (MLE).** Imago will use co-creation approaches to revise the theories of change and current MLE systems of Haku Wiñay and *Avanzar Rural* programs to support the improvement of their MLE strategies. The objective is to help FONCODES and AGRORURAL develop practices to use data analysis and adapt quickly on how to best support entrepreneurs to scale successfully. Imago will consult with JICA to collaborate with a focus on KAIZEN for learning and continuous improvement.
- 3.3 **Component 3. Strengthening an integrated enterprise support system.** Imago will provide technical assistance to FONCODES and *Avanzar Rural* to prototype an integrated support system that connects the last stage of FONCODES' program (year 3) and the first stage of *Avanzar Rural* (year 1). This will include helping rural entrepreneurs to navigate government systems. Imago will consult with JICA to share its expertise using the Smallholder Horticulture Empowerment and Promotion (SHEP) approach.
- 3.4 **Component 4. Capacity building for subnational governments and local communities.** Capacity building for regional, provincial and district governments to reinforce their role in developing partnerships between government programs and communities. This will include a landscape analysis of programs for rural entrepreneurs, which target the next stage of rural development. This will build on JICA's lessons from their community-based project (D-HOPE), and their expertise in Group Training Programs for government officials.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Component I. Improving and integrating government programs that support rural entrepreneurs	US\$200,000.00	US\$25,000.00	US\$225,000.00
Component II. Monitoring, learning and evaluation (MLE)	US\$150,000.00	US\$15,000.00	US\$165,000.00
Component III. Strengthening an	US\$100,000.00	US\$30,000.00	US\$130,000.00

integrated enterprise support system			
Component IV. Capacity building for subnational governments and local communities	US\$150,000.00	US\$30,000.00	US\$180,000.00
Total	US\$600,000.00	US\$100,000.00	US\$700,000.00

V. Executing Agency and Execution Structure

- 5.1 The TC will be executed by Imago Global Grassroots in close coordination with IFD/ICS. Imago Global Grassroots is an organization that helps scale the social impact of grassroots organizations, social enterprises, and governments around the world with the goal of transforming the lives of people living in poverty. Together with their clients, they co-create the conditions they need to scale in a way that respects their values and identity.
- 5.2 Imago will allocate a set of specialists to assure the proper execution of this TC. Imago has a team of specialists in technical and financial management as project managers and will be responsible for resource management, design and development of the project strategy, as well as its effective implementation to achieve the committed results. Imago will have a multidisciplinary team of specialists who, depending on the needs and requirements of the project, will carry out various activities such as the development of diagnostics, studies, technical assistance, training, among other topics.
- 5.3 Imago has successfully collaborated with multiple international agencies. Imago has worked with organization such as UN Women, the World Bank and the IDB Lab and worked with over 20 organizations in 9 countries, impacting the lives of more than 10 million people. In addition, through their courses and other training efforts, they have shared their scaling up and systems thinking approach with over 60 organizations. Imago has extensive experience in guiding leadership teams through adaptive challenges and a range of products and services that vary in reach and depth to respond to the needs of the organization.
- 5.4 **Scaling Up:** Imago has developed a unique and robust 3-stage process to support organizations achieve transformative impact. Through interviews, workshops, field visits, and virtual check-ins, Imago takes organizations on a learning journey. The process starts with an in-depth and comprehensive exploration of an organization (diagnosis), continues with a co-creative design process to help them achieve their goals (strategy), and finishes with bespoke implementation support that brings the design to life (implementation support).
- 5.5 **Monitoring, Learning and Evaluation:** Imago is at the forefront of this type of research approach to development and is currently implementing two adaptive evaluation projects in India in partnership with the Bill & Melinda Gates Foundation. Imago is also supporting the implementation of two adaptive evaluations in Brazil: an adaptive evaluation for Teaching at the Right Level in Brazil in collaboration with Instituto Gesto through capacity building workshops and an adaptive evaluation for back-to-classroom policies after COVID-19 in Recife in collaboration with CAEd/UFJF and the Secretary of Education of Recife.

VI. Project Risks and Issues

- 6.1 **Weather-related delays:** Peru experiences heavy rains each year in January to March. These rains often result in flooding and mudslides, which can cause transportation

challenges, often leading to the stagnation of projects. The project will plan in-person activities during the non-rainy season to avoid weather-related delays.

- 6.2 Government relationships: Established relationships with government personnel, especially in subnational government entities, can be compromised due to government turnover or political factors. The project will be implemented in collaboration with national government agencies, which ensures the longevity of established working relationships and the sustainability of these efforts.

VII. Environmental and Social Aspects

- 7.1 This TC does not have applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).