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MULTILATERAL INVESTMENT FUND

PERU

**INTEGRATING SOCIAL IMPACT INTO CORPORATE ACCELERATION
ACTIVITIES**

(PE-T1361)

DONORS MEMORANDUM

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PROJECT SUMMARY
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PE-T1361

In Latin America and the Caribbean, there is a growing demand for innovative solutions that address the most urgent social and environmental problems in the region, where numerous social enterprises that offer technology-based solutions have emerged. Key actors that are becoming more and more relevant in the social enterprise ecosystem include corporations, which are uniquely positioned to cultivate and scale up innovative solutions by making human resources, technology, technical know-how, and networks available to entrepreneurs.

One example of a leader in corporate venturing is the company Telefónica, through *Telefónica Open Future* (TOF), which is its global open innovation initiative that seeks to empower the talent of technology entrepreneurs in their various stages of maturity. TOF offers various incubation and acceleration programs as well as investment funds for technology innovations that are connected to Telefónica's business strategy. Although TOF has a commercial focus in terms of the type of entrepreneur it supports, given technology's potential for improving the lives of people and the most vulnerable groups, TOF has found that about 17% of the startups that comprise its global portfolio fit the social enterprise profile. Although this figure is rising, TOF is facing the challenge of identifying and meeting the specific needs of these social entrepreneurs.

There is thus an opportunity in Latin America to optimize TOF's support services for social entrepreneurs, starting with its crowdworking (CW) incubation and acceleration program in Peru. CW spaces, created with local partners, are collaborative knowledge and innovation centers that provide a set of services (training, customized coaching, mentoring, support for access to financing, and networking) for technology-based enterprises. CW is an initial phase that precedes Wayra, TOF's accelerator focused on supporting more mature enterprises.

Given Telefónica's reach and its ability to generate large-scale impact, the project seeks to integrate an explicit social impact approach into the CW model in order to meet the specific needs of technology-based social entrepreneurs, with the expectation of scaling this social approach to CW programs at the country, regional, and even global level. CW spaces will be set up in two regions of Peru (Ica and one other region to be determined), in partnership with the regional governments, with the technical support of TOF Global and Wayra Perú, and in cooperation with national social entrepreneurship and innovation initiatives and organizations. In its initial stage, the project will benefit 150 entrepreneurs in 50 technology-based ventures (at least 70% of which will be social entrepreneurs). The project is aligned with the IDB loan "Improved Levels of Productive Innovation at the National Level" (PE-L1162) with the Ministry of Production, particularly in the following areas: (i) improvement of entrepreneurial and innovation capacity; and (ii) regionalization/decentralization of the promotion and development of entrepreneurship and innovation in the country.

ANNEXES

Annex I	Results Matrix
Annex II	Summary Budget

APPENDICES

Proposed resolution

INFORMATION AVAILABLE IN THE TECHNICAL DOCUMENTATION SECTION OF THE MIF'S PROJECT INFORMATION SYSTEM

ANNEX III	Itemized budget
ANNEX IV	Diagnostic needs assessment of the executing agency (includes due diligence and integrity assessment)
ANNEX V	Project status reports, attainment of milestones, and compliance with fiduciary agreements
ANNEX VI	Procurement plan
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ABBREVIATIONS

CW	Crowdworking
GORE	Regional government
TOF	Telefónica Open Future

EXECUTIVE SUMMARY
INTEGRATING SOCIAL IMPACT INTO CORPORATE ACCELERATION ACTIVITIES
(PE-T1361)

Country and geographic location:	Peru. Ica region, and one other region to be determined. ¹		
Executing agency:	Fundación Telefónica Perú		
Focus area:	Knowledge-based economy		
Coordination with other donors/ Bank operations:	The project is aligned with the IDB loan with the Ministry of Production "Improved Levels of Productive Innovation at the National Level" (PE-L1162), particularly in the following areas: (i) improvement of entrepreneurial and innovation capacity; and (ii) regionalization/decentralization of the promotion and development of entrepreneurship and innovation in the country.		
Project beneficiaries:	<p>150 entrepreneurs in 50 accelerated enterprises (at least 70% of which will be technology-based social enterprises)</p> <p>2 regional governments that implement local crowdworking spaces</p> <p>At least 2,000 people in the two regions, who increase their knowledge about the entrepreneurial ecosystem and opportunities, and receive guidance and access to networking to help them develop their enterprises.</p>		
Financing:	Technical cooperation:	US\$1,000,000	34%
	Investment:	US\$ 000,000	
	Loan:	US\$ 000,000	
	TOTAL MIF CONTRIBUTION:	US\$1,000,000	
	Counterpart:	US\$1,930,002	66%
	TOTAL PROJECT BUDGET:	US\$2,930,002	100%
Execution and disbursement schedule:	<p>Execution period: 36 months</p> <p>Disbursement period: 42 months</p>		
Special contractual conditions:	Conditions precedent to the first disbursement will be: the Annual Work Plan for the first year of the project.		

¹ The second region will probably be Piura or Cusco, since Telefónica Open Future is in talks with the governments of those two regions. However, there is still a possibility of working with other regions, if appropriate.

Environmental and social impact review:

This operation was screened and classified in accordance with the requirements set out in the Bank's Environment and Safeguards Compliance Policy (OP-703) on 12 October 2016. Given that impacts and risks are limited, the proposed category for the project is C.

Unit responsible for disbursements:

MIF/CPE.

I. PROBLEM TO BE ADDRESSED

A. Description of the problem

- 1.1 In recent years, social entrepreneurship² has been gaining ground in Latin America and the Caribbean. There is growing demand for innovative solutions from the private sector to address the most urgent social and environmental problems in the region, where numerous social enterprises that offer technology-based solutions have emerged. Although it is in the initial stages, Peru is moving toward an ecosystem more conducive to social entrepreneurship, which has evolved in terms of increasing awareness, communication, and a larger number of actors in this sphere.³
- 1.2 However, despite these developments, social entrepreneurs face several challenges in the creation, consolidation, and scaling of their solutions. Not only do they face the challenge shared by all entrepreneurs of starting up and building a commercially viable business, they must also deal with the challenge of developing unconventional business models that require a clear value proposition combining return and social impact. Furthermore, social enterprises are usually pioneers in their activities, which requires a great deal of effort to attract suppliers, clients, and partners in order to achieve scale, and in many cases there is a disconnect between the solution being developed and the industry that can use and scale it.
- 1.3 In addition, given that social problems tend to be local, the way they are addressed is also local. But social innovators and entrepreneurs do not have access to appropriate support services to accelerate their projects and convert them into business models, since support for entrepreneurs in Peru is highly concentrated in Lima.⁴ Although there is growing interest and involvement in the country's entrepreneurial ecosystem on the part of actors, they are quite fragmented in the regions outside Lima, and there is little local support for promoting traditional or social entrepreneurship. For this reason, many entrepreneurs from other regions must move to Lima to develop their businesses, which involves set-up costs and takes them away from the local needs from which they emerged.
- 1.4 Key actors that are becoming more and more relevant in the social enterprise ecosystem include corporations, which are uniquely positioned to cultivate and scale up innovative solutions to social and environmental problems, by making human resources, technology, technical know-how, research and development capabilities, networks, and distribution channels available to entrepreneurs. Although there are currently few initiatives for collaboration between corporations and social entrepreneurs in the region, there is a major opportunity to reverse this situation

² Social enterprises are early stage businesses that address social and environmental problems and work in communities to improve the lives of people. As part of their core activities, these enterprises give vulnerable populations access to goods, services, income, and job opportunities. (Source: G8's Global Social Impact Investment Steering Group).

³ <https://www.fomin.org/es-es/PORTADA/Conocimiento/Publicaciones/idPublication/173177.aspx>, MIF/IESE Business School, 2016.

⁴ According to the PE-L1162 loan document, "There is a denser network of business support entities in Lima, and they are better than their counterparts outside the capital region at coordinating with each other and with national programs: 61% of entities partner in Lima compared to 18% outside Lima, and 57% do so with national programs, compared to 19% outside Lima."

- through corporate venturing.⁵ Many corporations are trying to respond to disruptive changes in their area of operations and identify new opportunities for pioneering, innovating, and creating both economic and social value in order to remain competitive.
- 1.5 One example of a leader in the area of corporate venturing is the company Telefónica, through *Telefónica Open Future* (TOF), which is a global open innovation initiative promoted by Telefónica to identify, develop, and boost the talent of technology-based entrepreneurs in their various stages of maturity. To this end, entrepreneurs can gain access to different incubation and acceleration programs as well as investment funds for technology innovations that are connected to Telefónica's business strategy and the needs of its customers.⁶ Not only do these initiatives help TOF take the pulse of the latest technological innovations, they also serve to stimulate the entrepreneurial environment, as well as the creation of startups and jobs. All of the programs are connected to the *Open Future Platform*, an online global network of tools, contacts, and resources for entrepreneurs.
- 1.6 **Opportunity.** Although TOF has a commercial focus in terms of the type of entrepreneur it supports, given technology's potential for improving the lives of people and the most vulnerable groups, TOF has found that about 17% of the startups that comprise its global portfolio fit the social enterprise profile. Although this figure is increasing, TOF is facing the challenge of identifying and meeting the specific needs of these social entrepreneurs. There is thus an opportunity in Latin America to optimize TOF's support services for social entrepreneurs, starting with its Crowdfunding (CW) program (spaces for incubation and acceleration) in Peru. While the enterprise has the cutting-edge technology and capacity to reach technology-based entrepreneurs, it recognizes that there is an opportunity to use its platform and existing capacity to optimize the social impact of its efforts in cooperation with the MIF, which has vast experience in the social entrepreneurship sector.
- 1.7 **Beneficiaries.** The main beneficiaries of the project will be 150 entrepreneurs in 50 early stage technology-based ventures (at least 70% of which will be social entrepreneurs⁷), who will receive acceleration services through crowdfunding (CW) spaces in the region of Ica and one other region to be determined. Other beneficiaries will be two regional governments (GOREs) that will increase their ability to manage CW spaces, as well as 2,000 individuals in the local ecosystems who will benefit from the open training and networking activities offered by each CW space.

⁵ Besides philanthropy or corporate social responsibility, corporate venturing is a strategic approach linked to the company's core business that provides both social and financial returns. For more information, see [The Practitioner's Guide: Steps to Corporate Investment, Innovation and Collaboration](#).

⁶ TOF's six programs are: Think Big and Talentum Startups (to promote commitment to entrepreneurship); Crowdfunding (incubation and acceleration spaces); Wayra (accelerator that provides space, training, and financing for more mature projects); and Fondos Amerigo and Telefónica Ventures (investment funds for consolidated startups). TOF began in 2014 and is active in 17 countries of Latin America, Europe, and Asia. Currently, Crowdfunding, Wayra, and Fondos Amerigo are active in Latin America.

⁷ Although the emphasis will be on supporting primarily technology-based social enterprises, there will be space to support traditional technology-based entrepreneurs, provided they are aligned with the strategic priorities of each crowdfunding space.

II. THE PROPOSED INNOVATION

A. Description of the project

- 2.1 The objective of the project is to promote technology-based social entrepreneurship in two regions of Peru in order to solve social and environmental problems. To this end, two entrepreneur acceleration spaces will be created using Telefónica Open Future's proven crowdworking model, incorporating the social impact approach to optimize the support services provided to social entrepreneurs.
- 2.2 TOF has been working to stimulate technology-based entrepreneurship and innovation in Peru since 2011, when it launched Wayra in the country. Wayra is an accelerator that gives entrepreneurs up to US\$100,000 in support plus office space, advisory support, mentoring, technology infrastructure and connectivity services, plus access to a more extensive network of resources and investors. Each year, Wayra Perú accepts a maximum of 10 startups into its program, selected from more than 1,000 applicants, many of which are at an early stage of maturity and not investment ready, but have potential, including a growing number of technology-based social entrepreneurs in recent years.⁸
- 2.3 In order to be able to support this group of less mature technology entrepreneurs (including those with a social focus) that have the potential to enter the Wayra academy in the future, and in order to stimulate the vitalization of entrepreneurial ecosystems in the country, TOF is developing its Crowdworking (CW) incubation and acceleration program⁹ in several regions of Peru. CW spaces, created in conjunction with governments, regional organizations, or private partners, become collaborative knowledge and innovation centers where a project can grow or a startup can mature. These spaces help guide technology projects in their respective environments, and favor projects related to strategic sectors and industries in the regions where they are located and operate.¹⁰
- 2.4 The CW model supports technology-based entrepreneurs, typically in their early stages (idea/minimum viable product). After an initial assessment to identify the needs of each enterprise and establish an action plan with goals and milestones for the first four months,¹¹ the entrepreneurs will receive services adapted to their needs, as summarized in the following diagram:

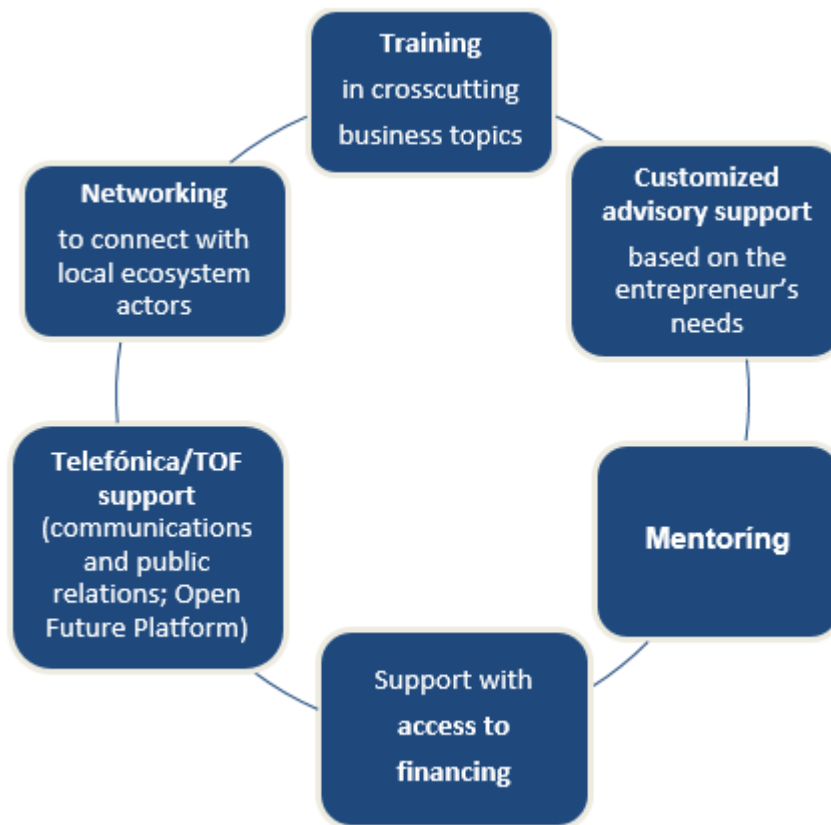
⁸ From 2011 to 2014, at least 10% of the selected startups had a social impact component, but when they apply, approximately 3 out of every 10 projects have this component.

⁹ The crowdworking methodology is quite similar to the methodology used in the accelerator Wayra. The main difference is that Wayra focuses on more mature enterprises and provides financial support to the selected entrepreneurs. The CW spaces may serve as "filters" to channel enterprises with potential to Wayra.

¹⁰ TOF has 45 crowdworking spaces in Spain, Brazil, Mexico, Costa Rica, Chile, Ecuador, China, Korea, and Finland, where more than 1,000 projects are accelerated each year.

¹¹ The first four months are guaranteed; after that, based on the project's performance, the entrepreneurs may continue for another four months.

Crowdworking Model: Collaborative spaces and acceleration services



- 2.5 **Proposed solution.** Given Telefónica's reach and its ability to create large-scale impact, the solution seeks to integrate an explicit social impact approach into TOF's existing crowdworking acceleration model, with the expectation of scaling this social approach to CW programs at the national, regional, and even global level. Furthermore, since CW is the phase that precedes Wayra, when a social approach is integrated into this initial stage, a base of social enterprises with technology solutions is being created that could potentially move on to Wayra when they are more mature, where they will receive additional support and financing to consolidate and grow their businesses.
- 2.6 Two CW spaces will be set up in two regions of Peru (Ica and one other region to be determined), in partnership with the regional governments (GOREs), with the technical support of TOF Global and Wayra Perú, and in cooperation with national organizations and national social innovation and entrepreneurship initiatives. The Ica region (which includes the provinces of Chincha, Ica, Nasca, Palpa, and Pisco) was selected because of the potential of its principal sectors (agroindustry and tourism) and the GORE's commitment to promote the development of technology solutions that could be implemented in these sectors (and others), while simultaneously responding to social and environmental challenges. Each CW space will define "strategic levers" through participatory workshops with the GOREs, Wayra Perú, and other local actors. Prioritization will be based on the productive structure of the regions and the social needs of the people living there. The Ica region initially

identified three sectors: technology for (i) agriculture; (ii) cultural tourism; and (iii) education.

- 2.7 The GOREs will provide physical space for crowdworking, manage the spaces, and establish partnerships with key actors in the local entrepreneurial ecosystem and industry. The Wayra Perú team, comprised of experts in the acceleration of digital companies and the CW methodology, will provide ongoing support to the GOREs throughout the duration of the project. In addition, in order to integrate social impact into the existing CW model, the capacities of Wayra Perú and the GOREs will be enhanced in areas related to social entrepreneurship, in collaboration with actors in Peru's social enterprise ecosystem.
- 2.8 **Innovation.** The project is innovative because it focuses on adapting the know-how of TOF—a leading global firm engaged in the acceleration of technology-based commercial companies—to the specific needs of social enterprises that use technology to resolve social and environmental problems. Accordingly, Telefónica's objective will be broadened to include the promotion of social entrepreneurship and innovation through specific services such as advisory support, networking, and social impact investment opportunities. This is the first time that TOF will be integrating a social approach into its CW initiative in Latin America. It will also be focusing on regions outside of Lima where the entrepreneurial ecosystem is less developed.
- 2.9 **Component I: Creation of crowdworking acceleration spaces and transfer of capabilities (MIF: US\$49,030; Counterpart US\$955,973).** The objective of this component is to set up two physical CW spaces in cooperation with the GOREs, where entrepreneurs will receive support and coaching to strengthen their ideas and enterprises. The physical spaces provided by the GOREs should be highly functional and have the necessary equipment (high-speed Internet connection, etc.) to facilitate the work of the entrepreneurs and interactions between them.
- 2.10 To set up the CW spaces in the regions, the GORE teams will be trained¹² (each space will have a Head of Acceleration in charge of managing the space and a Coach responsible for coaching the entrepreneurs). The first training will be provided by a team from TOF Global. After that, the Wayra Perú team will provide ongoing support throughout the project. The training will include: (i) methodology to support the entrepreneurs; (ii) vitalization of the local entrepreneurial ecosystem; (iii) formation of a network of mentors; (iv) networking and access to financing and markets for the entrepreneurs; and (v) tracking of the enterprises' performance using the Open Future Platform. The GORE teams as well as the Wayra Perú team will be trained in social entrepreneurship and the assessment of social impact, in coordination with experts in the field. In addition, to facilitate replicability, TOF's CW methodological guide and the Open Future Platform will be adapted to add content on entrepreneurship and social impact.
- 2.11 The expected outcomes are: (i) two CW spaces set up and in operation; (ii) two local GORE teams (four people) trained on the CW methodology and social entrepreneurship/impact assessment (CRF 110100, broken down by gender); (iii) the Wayra Perú team (two people) trained in social entrepreneurship/impact assessment; (iv) TOF's CW methodological guide updated by adding content on

¹² TOF's CW methodological guide "Crowdworking Way," which introduces the acceleration methodology and how to implement it step by step.

social entrepreneurship/impact assessment; (v) the Open Future Platform tracking system adapted to include the enterprises' social impact indicators; and (vi) a module with training materials on social impact consolidated and incorporated into the Open Future Platform.

- 2.12 **Component II: Enterprise selection and acceleration (MIF: US\$745,518; Counterpart US\$527,575).** The objective of this component is to build the skills of entrepreneurs, develop their ideas, and strengthen their business models through a series of comprehensive acceleration services. The entrepreneurs will also have access to the Open Future Platform, connecting them to the global community of TOF advisors, mentors, investors, and strategic partners, as well as to other CW spaces in Latin American and other parts of the world.
- 2.13 **Call for proposals and selection.** Using the Open Future Platform and leveraging Telefónica Perú's communicative power, a communications campaign will be launched in the regions, and calls for proposals will be issued to identify and select entrepreneurs with a focus on the strategic levers previously defined by the GOREs. Up to 10 projects will be selected from each application process, which will receive up to eight months of acceleration services.¹³ The selection criteria include: (i) the project's degree of maturity; (ii) background of the entrepreneurial team; (iii) use of technology; (iv) social and/or environmental impact potential; (v) potential to be scaled; and (vi) focus on the defined strategic areas. The process will involve collaboration with universities, companies in the principal sectors, and social entrepreneurship actors in disseminating the calls for proposals, scouting, and/or selecting entrepreneurs.
- 2.14 **Crowdworking acceleration process.** When they enter the program, each entrepreneurial team's project will undergo an **initial diagnostic assessment** performed by advisors coordinated by the managers of the CW spaces and Wayra Perú, with the support of partners with social entrepreneurship expertise, in order to: (i) identify specific needs in terms of acceleration services (training, coaching, communication, etc.); (ii) initially match the entrepreneur with a mentor/coach; (iii) establish a plan of action with objectives and milestones; and (iv) identify synergies with regional enterprises in key sectors.
- 2.15 Based on the plan of action prepared, the entrepreneurs will receive **training** in crosscutting topics based on their needs, including: (i) elevator pitch; (ii) sales; (iii) effective communication;¹⁴ (iv) digital marketing; (v) data analytics; (vi) social networking; (vii) investments and finance; and (viii) operations, patents, and franchises. They will also receive specific training in areas related to the creation of their social value proposition, impact assessment, and social investment, etc. In addition, each entrepreneur/team will receive individualized expert **coaching** based on their particular needs, as well as **mentoring** by Telefónica employees or local actors (local businesses, experts based in the region, etc.).

¹³ Priority will be given to technology-based social enterprises/ideas, but traditional entrepreneurs may be selected in limited cases based on criteria to be defined by TOF/Wayra/GOREs.

¹⁴ The entrepreneurs will receive support in **communications and public relations** from Telefónica Perú's communications department throughout the process (support with internal and external communication, branding, events, etc.). In addition, thanks to the Telefónica Group's negotiating skills, the entrepreneurs will have **priority access to digital product acceleration services** such as cloud storage capacity, sales management software, and office automation programs.

- 2.16 To facilitate **access to financing**, the entrepreneurs will: (i) attend sessions on public financing, such as grants and subsidies for entrepreneurs;¹⁵ (ii) participate in talks and coaching with private investors, including impact investors; and (iii) receive the opportunity to present projects to investors on the Demo Day at the end of the program, for which the Wayra team will consider the possibility of inviting Telefónica's investment vehicle managers such as Wayra itself, Fondos Amerigo, or Telefónica Ventures.
- 2.17 The expected outcomes are: (i) 5 calls for proposals carried out, based on the strategic levers of each region; (ii) 50 ventures selected; (iii) 150 entrepreneurs receive comprehensive acceleration services in the two CW spaces (70% of which will be social entrepreneurs) (CRF 110100, broken down by gender); and (iv) 40 projects presented to investors at the Demo Day events.
- 2.18 **Component III: Vitalization of regional entrepreneurial ecosystems and dissemination of knowledge (MIF: US\$25,000; Counterpart US\$9,000).** The objective of this component is to catalyze the entrepreneurial ecosystems in the two regions, using CW spaces as hubs to promote innovation and entrepreneurship. To this end, the CW managers will establish strategic partnerships with actors in the local ecosystem (i.e. chambers of commerce, universities, technology centers, companies, investors, sector experts, the Ministry of Production, StartUp Perú, business development centers, Telefónica partners, etc.), as well as with national organizations and initiatives involved in social entrepreneurship and innovation. Networking activities will be organized in order to connect entrepreneurs with relevant actors. In addition, the networks of Wayra Perú in Lima will be connected to the regional ecosystems to maximize opportunities for entrepreneurs. Lastly, workshops, networking, and other activities will be offered to a wider range of people in the regions to enhance their knowledge about the ecosystem and the development of their enterprises. In terms of dissemination, this project will contribute to a broader strategic knowledge product to compare acceleration models with a social impact approach that recently received MIF support.
- 2.19 The expected outcomes are: (i) 18 networking events organized with actors in the local ecosystems; (ii) 2,000 additional entrepreneurs participate in guidance, training, and networking activities organized by the CW spaces; (iii) 12 partnerships formed with key actors in the entrepreneurial ecosystem at the regional and national level involved in the program (chambers of commerce, universities, businesses, etc.); and (iv) a case study conducted in the context of a broader strategic study to compare different incubation and acceleration models.

B. Results, measurement, monitoring, and evaluation of the project

- 2.20 By the end of the project, the following intermediate outcomes should be achieved: (i) two regional entrepreneurial ecosystems created and activated;¹⁶ (ii) 50 technology-based ventures developed through comprehensive support services; (iii) 35 technology-based social enterprises developed through comprehensive support services (70% of total) (CRF 230300); (iv) 15 enterprises connected to new strategic partners or investors (CRF 230200); and

¹⁵ For example, the Ministry of Production manages grants and subsidies associated with the programs Innóvate Perú, Startup Perú, and Emprendedor Peruano. It also has a new focus on social innovation and is launching calls for proposals to provide solutions to social problems.

¹⁶ Measured by the continuity of crowdworking activities, progress in the status of the proposed projects, and the involvement of new actors that have activities in the region.

(v) 15 enterprises gain access to financing (CRF 230400). In addition, the following final outcomes should be achieved: (i) 120 net jobs created by the accelerated enterprises (CRF 330301); and (ii) 5% of the enterprises that have completed the CW experience gain access to other TOF support programs.

- 2.21 Indicators on the enterprises' performance will be monitored on a monthly basis by the coach in each CW space. The monitoring system in the Open Future Platform will be used to record: (i) data on the proposals submitted pursuant to the call for proposals and the entrepreneurs selected (broken down by gender, sector, type of service and/or product, etc.); (ii) tracking of milestones/activities for each project being accelerated; (iii) events organized by the CW space and their impact on attendance and scouting for potential new candidates; and (iv) subsequent monitoring of each project.
- 2.22 Only a midterm evaluation will be conducted, to help improve the implementation of the project, expand the scope of the outcomes, and prepare for scaling the model in other parts of the country or in the region.

III. ALIGNMENT WITH THE IDB GROUP, SCALABILITY, AND PROJECT RISKS

A. Alignment with the IDB Group

- 3.1 The project is aligned with the IDB's Innovation, Science and Technology Sector Framework, particularly (i) the line of action related to the application of innovation to the development of novel solutions to social issues; and (ii) the activities related to supporting innovation at the subnational level.¹⁷ The project is clearly aligned with the IDB loan with the Ministry of Production, "Improved Levels of Productive Innovation at the National Level" (PE-L1162), which is aligned with the still current 2012-2016 country strategy with Peru (document GN-2668), in that it supports boosting the economy's productivity as a foundation for inclusive and sustainable growth through the strengthening of innovation support policies. More specifically, the project is aligned with the following lines in the loan: (i) improvement of entrepreneurial and innovation capacity; and (ii) the regionalization/decentralization of the promotion and development of entrepreneurship and innovation in the country. In addition, the IDB recently signed a new agreement with Telefónica pursuant to which the areas of collaboration will be expanded in the 2017-2020 period, including "entrepreneurial support as framed within the Telefónica Open Future programs."¹⁸ This project is part of this new area of collaboration.

B. Scalability

- 3.2 After starting with the two regions in Peru, the project may be extended to other regions and has great potential for being scaled in other Latin American countries, given TOF's reach in the region. Since this project combines the efforts of several parts of the Telefónica Group (TOF Global, Wayra Perú, Fundación Telefónica Perú, and Telefónica Perú), the collaborative work model that is being created may be replicated in other countries to facilitate the expansion of the CW model with a social impact approach. The project also builds scale at the level of the enterprises themselves through continuation of the support programs offered by TOF. For

¹⁷ Document GN-2791-3; [Innovation, Science and Technology Sector Framework Document](#) (paragraphs 5.7 and 5.8).

¹⁸ <http://www.iadb.org/es/noticias/comunicados-de-prensa/2017-01-13/telefonica-bid-y-cii-impulsan-la-digitalizacion.11705.html>

example, enterprises that have completed CW programs may subsequently move on to Wayra and even receive financing in the future through TOF investment funds. Lastly, the project impacts the very structure of TOF by incorporating social impact metrics into its CW methodology, which could also be incorporated into TOF's Wayra methodology, or even strategically incorporated into its other support programs.

C. Project and institutional risks

- 3.3 One of the primary risks identified is the possible lack of a critical mass of technology-based social enterprises in the regions. To mitigate this risk, identification and communication campaigns will be carried out in each region, in conjunction with key actors such as universities, leading businesses in priority sectors, and social entrepreneurship actors with high visibility in the country. In addition, the project will be flexible in terms of new local strategic levers that may be proposed.
- 3.4 Another risk has to do with the ability to implement the CW model at the regional government level. The training provided by the TOF Global team and the systematized CW methodological guide, plus the ongoing technical support provided by the Wayra Perú team, will mitigate this risk. In addition, Wayra Perú will be closely involved in the selection of the team for each CW space, to ensure that they have the skills and expertise required to implement the model.

IV. FINANCIAL INSTRUMENT AND PROPOSED BUDGET

- 4.1 The total cost of the project is US\$2,930,002, of which US\$1,000,000 (34%) will be contributed by the MIF. The counterpart funding of US\$1,930,002 (66%) will be contributed by the Telefónica Group¹⁹ (US\$1,146,847) and the regional governments (US\$783,155).

	MIF	Counterpart	Total
Component I: Creation of crowdworking acceleration spaces and transfer of capabilities	49,030	955,973	1,005,003
Component II: Enterprise selection and acceleration	745,518	527,575	1,273,093
Component III: Vitalization of regional entrepreneurial ecosystems and dissemination of knowledge	25,000	9,000	34,000
Project administration (executing unit costs)	121,836	437,454	559,290
Midterm evaluation	15,000	0	15,000
Ex post reviews	20,000	0	20,000
Contingencies	23,616	0	23,616
Grand total	1,000,000	1,930,002	2,930,002
% of financing	34%	66%	100%

V. EXECUTING AGENCY AND IMPLEMENTATION STRUCTURE

A. Description of the executing agency (agencies)

- 5.1 **Fundación Telefónica Perú** will be the executing agency for this project and will sign the agreement with the Bank. It has more than 20 years of experience working

¹⁹ TOF, Wayra Perú, Telefónica Perú, and Fundación Telefónica Perú.

- in Peru and improving the quality of life of people through educational, social, and cultural projects via the use of technology. At the international level, the foundation has a line of activity focused on employability for the digital society and social entrepreneurship for youth, which is useful institutional experience for executing the project in Peru.
- 5.2 The other key actors of the Telefónica Group that will be part of the project are: **TOF Global**, which will provide its Open Future Platform (virtual content, tools, contact networks, links to the entrepreneur and global innovation community) and expertise in the CW methodology. In Spain, TOF has activities focused on social entrepreneurship in its CW space in the autonomous community of Extremadura, which could be applied to this project, as well as the prior experience of Wayra UK in specifically supporting technology-based social enterprises.²⁰ **Wayra Perú** will provide expertise in the acceleration of digital startups in Peru and in the CW methodology, as well as contact networks with investors, mentors, and other actors in the entrepreneurial ecosystem in Peru. **Telefónica Perú** will provide its proven experience in promoting pioneering initiatives such as ConectaRSE para Crecer²¹ and Kunan,²² which promote and reward social entrepreneurs and projects that boost the development of local communities through information and communication technologies.
- 5.3 On the government front, in addition to working with the GOREs, the project will coordinate efforts with the Ministry of Production, which has a new strategic lever focused on supporting the development of innovative solutions to the problems that affect vulnerable populations, and has established a Technical Social Innovation Roundtable to propose best practices to boost the development of a high impact social innovation ecosystem and implement educational programs for entrepreneurs and investors.
- B. Structure and implementation arrangements**
- 5.4 Fundación Telefónica Perú will establish an executing unit and the structure necessary to carry out the activities and efficiently and effectively manage project resources. Fundación Telefónica Perú will also be responsible for submitting semiannual progress reports on the implementation of the project. Details on the structure of the executing unit and progress report requirements can be found in Annex V of this operation's technical files.
- 5.5 Fundación Telefónica Perú will establish a formal agreement with Wayra on project execution organization; Wayra will be responsible for the content of implementation, and the foundation will have contractual, fiduciary, and administrative responsibility

²⁰ In 2013, Wayra UK partnered with UnLtd—a leading organization providing support for social entrepreneurship—and the British government to support technology-based social enterprises. This pilot program accelerated 30 social enterprises, which raised US\$9.5 million in investment funds and improved the lives of more than 176,000 people. In addition, several indicators were developed to measure the social impact of the startups.

²¹ Since 2011, ConectaRSE para Crecer has identified more than 700 initiatives that make good use of information and communication technologies in rural areas in the health, education, and economic-productive sectors, giving awards to 35 of them.

²² Kunan, an offshoot of Global Shapers (a group of young people selected by the World Economic Forum as change agents) and Juntos para Transformar (an initiative of Telefónica and Gastón Acurio), is a program that promotes, integrates, and inspires social innovation and entrepreneurship in Peru. Since 2014, Kunan has identified 170 social entrepreneurs in 24 regions of the country and has an active community of more than 60 entrepreneurs.

vis-à-vis the Bank. Fundación Telefónica Perú will also establish agreement(s) with social innovation and entrepreneurship actors to carry out the relevant training, dissemination, and other activities. Telefónica will establish agreements with the GOREs, to define project implementation roles and the sustainability of the CW space, spelling out execution, budget, and decision-making responsibilities. The GOREs are expected to establish agreements with local universities, leading businesses, and chambers of commerce so that they act as promoters of entrepreneurship and the project activities, as well as sources and consumers of innovation.

- 5.6 A project management board will be set up and will meet twice a year to monitor progress and make decisions on any changes that may be required in implementation in terms of strategy or impact. The board will be comprised of Fundación Telefónica Perú, Wayra Perú, Telefónica Open Future, the regional governments, an actor in the social enterprise ecosystem, the MIF, and an outside member active in the entrepreneurial ecosystem.

VI. ATTAINMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 6.1 **Results-based disbursements and fiduciary arrangements.** The executing agency will agree to comply with the MIF's standard arrangements regarding results-based disbursements, the Bank's procurement policies,²³ and financial management,²⁴ as specified in Annexes V and VI. The diagnostic needs assessment of the executing agency generated a low level of risk. Procurement and disbursements will be reviewed on an ex post basis annually. The project will not be audited.

VII. ACCESS TO INFORMATION AND INTELLECTUAL PROPERTY

- 7.1 The entrepreneurs receiving support under this project will retain intellectual property rights to their ventures, should they prove successful.

²³ [Policies for the Procurement of Works and Goods Financed by the IDB.](#)

²⁴ [Financial Management Operational Guidelines.](#)