MICROENTERPRISE DEVELOPMENT IN PERU:
WILL A WOMEN-TARGETED, ONE-SIZE-FITS-ALL TRAINING EFFECTIVELY SERVE PERU’S FEMALE MICRO-ENTREPRENEURS?

A Policy Analysis Exercise

Prepared for:
Mr. Svante Persson
Multilateral Investment Fund
Inter-American Development Bank
Washington, DC

Professor Martha Chen
Harvard Kennedy School
Faculty Adviser

Professor Stephen Peterson
Professor Monica Toft
Harvard Kennedy School
Seminar Leaders

Prepared by:
Samuel Downing, Master in Public Policy Candidate
Lauren Murphy, Master in Public Policy Candidate
Harvard Kennedy School

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I. ACKNOWLEDGMENTS

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Finally, we would like to extend our sincere thanks to the dozens of women and men who opened their homes and places of business to us and engaged us in thoughtful conversation about their struggles and accomplishments during our time in Peru. They inspired us with their commitment to improving the quality of life of their families and their country by developing their enterprises to the best of their abilities. We hope this project faithfully reflects the ambitions and ideas of the women and men we interviewed and helps connect Peruvians like them with the educational opportunities that match their needs and further their dreams.
II. LIST OF ACRONYMS

GENERAL

MFI  Microfinance Institution
MSE  Micro and Small Enterprise
NGO  Non-Governmental Organization

PERUVIAN INSTITUTIONS

CEDEMUNEP  Center for Peruvian Black Women’s Development
            Centro del Desarrollo de la Mujer Negra Peruana
Conectas Red  Network of faith-based Peruvian non-governmental organizations serving ethnic minorities
DIME  Current training program for Mibanco clients, run by Aprenda
SALTA  Training program for female micro-entrepreneurs currently under development
GRADE  Development Analysis Group
        Grupo de Análisis para el Desarrollo
Grupo ACP  Peru Community Action Group
           Acción Comunitaria del Perú
Aprenda  Training arm of Grupo ACP
Mibanco  Peruvian microfinance institution
          Banco de la Microempresa, S.A.
UP  Universidad del Pacífico

INTERNATIONAL INSTITUTIONS

AusAID  Australian Agency for International Development
IDB  Inter-American Development Bank
MIF  Multilateral Investment Fund
III. Executive Summary

The Inter-American Development Bank (IDB) aims to unleash Peru’s potential by training 100,000 women micro-entrepreneurs, but the IDB risks sacrificing quality for quantity if it offers large lecture classes and exacerbating existing inequalities if it limits these classes to the cities. The IDB seeks to correct the market’s failure to provide women with business training. Yet its proposed remedy is to fund a one-time, three-hour lecture modeled on a training that is less education than corporate marketing.

In light of this proposed women-targeted training, we investigated the following question: Will a one-size-fits-all, women-targeted training positively impact the business performance of female micro-entrepreneurs in Peru?

There is a clear tension between the interests of the IDB in funding entrepreneurship training and the interests of the for-profit microfinance banks that would run it. The IDB wants the training to facilitate microenterprise development by arming micro-entrepreneurs with the psychological and technical tools necessary to expand their businesses, spurring local development and curbing poverty and inequality. \(^1\) The microfinance banks want the training to keep their clients loyal, expand their client base and motivate clients to take on larger loans. Expanding the size of loan portfolios may serve the interests of the banks, but if their clients take on more debt without acquiring the tools to transform their capital into productive enterprises, the training will have failed to promote sustainable development.

To help alleviate the tension that is built into the project, we offer a series of recommendations to make the training sessions more useful to the particular needs of Peru’s female micro-entrepreneurs, not simply the banks or the IDB.

In nearly 60 interviews, Peruvian micro-entrepreneurs told us they need training on a variety of basic business management issues like setting prices, stabilizing costs, separating personal from business finances, conducting market research and improving customer service. Most of them sought to expand their businesses but felt lost about how to determine the amount they could afford to take out in loans, the revenue they needed to pull in to make a profit, and the amount they needed to reinvest.

The Mibanco training program on which the IDB project is based, DIME, appears to succeed only at teaching customer service and promoting entrepreneurial spirit. None of the clients we interviewed, or the loan officers who work directly with them, could identify a specific change the women made to their businesses as a result of attending the training.

While the IDB is targeting the new training to the needs of women entrepreneurs, we found that the needs of micro-entrepreneurs differ more by sector than sex. One of the most significant differences in training needs concerned those entrepreneurs who sought to reach export markets (textile industry) and those who did not (bodegas, salons, other service industries). Textile manufacturers often exported informally through middlemen, but their top priority was to

\(^1\) IDB Donors Memo, 2009, p. 2.
find broader, more direct access to external markets. A one-size-fits-all training would not serve their particular needs.

Another significant finding is that the women we interviewed were split on the question of whether they would prefer separate male/female classes or a mixed male-and-female program. We also believe that they would benefit from self-esteem exercises to combat traditional self-images, which limit their ability to see themselves as business people rather than simply workers. While there may be a male-female gap in hard skills, there is clearly a gap in terms of entrepreneurial attitudes. A major obstacle to business expansion is in fact psychological.

Mibanco must be vigilant to include self-esteem exercises in the training for all women; specific exercises tailored to indigenous and Afro-Peruvians are also critical to addressing longstanding inequalities that have both socio-economic and psycho-social roots.

We urge the IDB to provide clearer, ranked priorities for this project. Clarity about priorities will help inform the content and structure of the training sessions. As these sessions stand now, they risk being merely a slightly evolved version of the training currently offered by Mibanco, whose development impact is not clear and whose effectiveness has not been tested by outside evaluators.

Our major recommendations are summarized in the table that follows.
<table>
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<th>Key Findings</th>
<th>Key Recommendations</th>
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<tr>
<td>None of the women interviewed altered the way they conducted business after attending the DIME training.</td>
<td>Avoid replicating DIME. SALTA should be its own program, targeted to the particular needs of female micro-entrepreneurs.</td>
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<td>Training needs may differ more by sector than by sex.</td>
<td>Tailor SALTA to different sectors. At a minimum, entrepreneurs in export-oriented industries need a customized training.</td>
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<td>At DIME trainings, too much information is presented in too little depth and in an impersonal format. With the exception of customer service, the lessons do not stick.</td>
<td>Divide participants into discussion groups of 20 so they can relate abstract lessons to their concrete experiences. Focus on just three topics: separating business and personal finances, setting prices, and improving customer service. Ensure that case studies presented involve Peruvian women.</td>
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<td>Rural women are vastly underserved by DIME. SALTA also risks exacerbating the country’s urban-rural inequalities if it is only offered in and around Lima.</td>
<td>Adapt SALTA to rural zones. Survey rural micro-entrepreneurs to establish times and locations that are accessible and fit their schedules.</td>
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<td>DIME does not target Afro-Peruvian and indigenous women’s needs and does not reach out to these underrepresented groups systematically.</td>
<td>SALTA planners should work with established NGOs serving these two communities and adapt SALTA to the needs of ethnic minorities. Indigenous and Afro-Peruvians tend to be clustered in particular geographic communities, and offering courses in Ica and Huancayo may be enough to attract participants, although quotas may also be necessary to guarantee representation.</td>
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<td>Self-esteem is key to entrepreneurship. While Peruvian women are remarkably entrepreneurial, traditional gender roles continue to limit their ambitions for expanding their enterprises.</td>
<td>Self-esteem training should not simply be a “component” of SALTA but rather woven throughout. SALTA should create linkages with successful local NGOs that promote women’s self-esteem and feature successful entrepreneurs who have overcome obstacles as guest speakers.</td>
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<td>One three-hour training is not enough to make a positive impact on a woman’s business, but clients may not be able to meet commitments to attend long-term courses every day, which threatens the continuity of the lessons they take away.</td>
<td>In the long run, SALTA should be a series of classes that build on one another but are also self-contained. That way, participants who miss a class will not be lost at the next one, but those who attend every week will have a deeper understanding of the material.</td>
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IV. BACKGROUND

Peru’s first experience with microfinance dates to 1982. In that year, Acción Comunitaria del Perú (ACP), a non-profit organization, partnered with Acción International, the American pioneer in the field, to introduce microfinance to the Peruvian market. Their goal was to provide financial services to a sector of the market that could not secure loans from traditional banks: micro and small enterprises (MSEs). By 2008, Peru’s microfinance industry had become one of the most developed in Latin America. Today, one in four micro-entrepreneurs in Peru has received a microfinance product. The majority of them are women.

Micro and small enterprises today comprise 98% of all businesses in Peru, and women own and operate over 40% of them. Collectively, these businesses generate half of Peru’s GDP and play a pivotal role in the livelihoods of millions of workers and their families.

Peru enjoys rich ethnic diversity. Forty-five percent of Peruvians consider themselves indigenous, 37% “mestizo” (mixed indigenous and European heritage), and 15% European. Three percent claim another race, mainly Afro-Peruvian or Japanese. Despite being well represented in the population, indigenous and Afro-descendent Peruvians are less likely to own their own enterprises.

Peru is one of only two countries in the world in which women are more likely to start a business than men. Surprisingly, a sense of opportunity motivates more of them than necessity, as the figures in Appendix I show. The entrepreneurial spirit among Peruvian women is on par with that of women in much richer and more egalitarian countries, such as Sweden and Switzerland. Moreover, women in Peru own and operate a significantly higher percentage of businesses than do women in other Latin American countries. Women entrepreneurs contribute at all levels of Peru’s economy, generating millions of livelihoods in poor communities and sustaining social development at the household level.

The formidable entrepreneurial potential of Peruvian women remains constrained by low levels of business capacity, however. A growing body of research underscores the need for relevant business training for women entrepreneurs, particularly given the important role they play in households and microenterprises. Female entrepreneurship in Peru has played a large role in the successful evolution of the country’s microfinance industry, but the industry has failed to capture the economic returns associated with investments in the human capital of women clients. In short, there has not been a corresponding market response to the underinvestment in the basic business capacities needed for women’s entrepreneurship in Peru.

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2 IDB Donors Memo, 2009, p. 2.
3 IDB Donors Memo, 2009, p. 2.
5 The other is Japan (Source: Global Entrepreneurship Monitor, 2007 Report on Women and Entrepreneurship).
6 IDB Donors Memo, 2009, p. 3.
Some Peruvian microfinance institutions (MFIs) have provided mixed male/female business training classes. According to an independent study of a FINCA training program in Peru, clients who received training were able to improve their business processes, increase profit reinvestment, and improve sales and profits⁸. The study found that training microfinance clients provided benefits for the MFI as well by generating higher client retention and repayment rates.⁹

Very few training programs exist that are exclusively tailored to the needs of female entrepreneurs in Peru, however. Improving the performance of female entrepreneurs could deliver important economic and social benefits, including a reduction in poverty and inequality in the country.

**The IDB Project**

The Multilateral Investment Fund (MIF), the private sector development arm of the Inter-American Development Bank, views the absence of targeted training for women as a market failure that justifies technical assistance.¹⁰ MIF officials believe that women-targeted training programs could benefit Peru in multiple ways. First, they could improve the performance of MSEs owned by Peruvian women, thereby increasing their contribution to the Peruvian economy and to the alleviation of poverty at the level of households and communities. Second, these programs could benefit MFIs by stimulating loan demand from growing MSEs and improving the viability of client enterprises and the quality of their loan portfolios. Third, MIF officials expect that training programs for women that are properly designed and executed can help overcome one of the main impediments facing women entrepreneurs in Peru: traditional self-images that often undermine business confidence.

“Strengthening Women Entrepreneurship in Peru” is a $7.43 million project run by the Multilateral Investment Fund and executed by Mibanco, the microfinance leader in Peru and a standout performer in the industry in Latin America. The MIF’s overall objective is to train female entrepreneurs to improve the contribution that women-headed MSEs make to family incomes and the economy of Peru. A secondary objective is to induce Peruvian MFIs to offer business-training courses to their clients.

In the MIF’s estimation, individual MFIs lack the resources and willingness to support training. As a consequence, both MSEs and MFIs experience lower growth than they would if they invested in training women entrepreneurs.¹¹ The MIF has a large host of actors involved in the project. Roles and responsibilities are discussed on pages 12 and 13.

The executing agency (EA) is Mibanco. Operating as a for-profit bank since 1998, its non-profit predecessor, Grupo ACP, remains the MFI’s largest shareholder (Appendix H).

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⁹ Ibid.
¹⁰ IDB Donors Memo, 2009, p. 3.
¹¹ IDB Donors Memo, 2009, p. 3.
Mibanco is the first private commercial bank in Peru to specialize in microfinance. Women comprise over one-half of Mibanco’s clients (Appendix F). With 108 branches across Peru and a staff of 1,400 loan officers, Mibanco’s average loan size is $1,500, although the women we interviewed had taken out smaller loans, typically ranging from $288-$1,440.

“Strengthening Women Entrepreneurship in Peru” is still in its planning stages. Component I (called SALTA, “Jump” in Spanish) is a large scale seminar-based training program that will focus on 100,000 micro-entrepreneurs, 80% of whom must be women, and Component II will be a 150-hour business certificate program for 700 female small business owners.

**What is SALTA?** SALTA is designed to be a three-hour, women-focused training to provide micro-entrepreneurs with a concrete understanding of the actions required to improve and expand their business and to facilitate access to finance. SALTA is referred to as Component I and/or the “massive” format, drawing upon the Spanish word *masiva*, which was used by many in Peru to describe its large, 200-person lectures and target of 100,000 graduates.

**Start date:** The pilot program will begin in June 2010 and the full roll-out in October 2010, for an execution period of 48 months.

**Beneficiaries:** 100,000 women heads of micro enterprises who are clients of various Peruvian MFIs. Program planners have allowed for a 20% margin for male participants to accommodate those female entrepreneurs who are married and jointly own and run a business with their husbands so that couples can attend the training together. Sons, brothers, and other male associates of female entrepreneurs will also be allowed to participate. However, no fewer than 80% of the beneficiaries will be women.

**Objectives:** The Multilateral Investment Fund’s has identified three objectives for SALTA:

1. Help 100,000 women-led micro-enterprises become profitable and growing businesses through training, networking, and mentoring and raise average annual sales by 15%.
2. Increase the capacity of Peruvian MFIs to deliver business training to their clients.
3. Increase the loan amount of 20% of the participants.

Mibanco already has ten years of experience with the unisex training program DIME (“Tell Me”). DIME was designed in 2000 and has been implemented by Mibanco’s sister organization, Aprenda, a subsidiary of Grupo ACP, and modified over the years. In theory, SALTA will build upon the lessons learned from DIME while reorienting the content to target the specific training needs of female entrepreneurs. DIME will continue to train 25,000 people each year in addition to the 100,000 who will be trained by SALTA. SALTA is to differ from DIME because it will offer customized women-focused training and serve the entire MSE market, not only Mibanco clients.

A primary goal is to get other Peruvian MFIs to offer training; therefore no more than 30% of the participants can be Mibanco members. Mibanco will play a major role in designing SALTA, but the training program will not be proprietary, and the content will be posted online.
Our Research Angle

We focused our research on Component I (SALTA). Keeping the MIF’s objectives in mind, we interviewed entrepreneurs and the stakeholders who are involved in the planning process for the four-year program. Our research took place in and around Lima, Peru, from January 2 - January 18, 2010. We attempted to answer the following question:

“What a one-size-fits-all, women-targeted training positively impact the business performance of female micro-entrepreneurs in Peru?”

Figure 1. Project Components and Key Actors
Who are the Actors?

The project will be led by a committee of the following entities:

- Mibanco
- Grupo ACP/Aprenda
- Thunderbird School of Global Management
- Nexos Voluntarios
- AusAid
- GRADE
- Universidad del Pacífico
- Goldman Sachs
- Independent project consultant (Dr. Luis Soltau)

The committee will have advisory responsibility for both design and implementation of the project. Details on the role and background of committee participants follow.

1. **Mibanco**: The Peruvian MFI will be the project’s executing agency with primary responsibility for implementation and some influence over project design. Mibanco was awarded a microfinance prize in 2005 from the IDB and has been a leader in the microfinance field not only in Peru but throughout Latin America in the last decade. Mibanco has one of the highest average returns on equity in the industry (31%) and a low level of overdue loans (2.2%). Importantly, this project with the IDB marks Mibanco’s first partnership activity with an international development organization.

2. **Grupo ACP/Aprenda**: Grupo ACP and Aprenda will have some influence over the design and implementation of the project. Approximately 60% of Mibanco ownership is controlled by Grupo ACP, a non-profit organization. Aprenda is the division within ACP that provides training services, including through Mibanco. Aprenda operates the DIME program for Mibanco, which roughly serves as a basis for SALTA. It also offers paid courses via “Somos Empresa”, a subsidiary of ACP. Both ACP and Aprenda maintain their headquarters in the Mibanco corporate office tower in Lima.

3. **Thunderbird School of Global Management**: Thunderbird will assist with curriculum development for both components of the project. The Arizona-based university has extensive experience in training programs tailored for women entrepreneurs in developing countries. Its successful certificate programs include Project Artemis and its work with the Goldman Sachs 10,000 Women Program in Afghanistan. Thunderbird is working extensively with the MIF and representatives of the program traveled to Peru for initial meetings in December 2009. Thunderbird will be sending two student teams, one in March 2010 and the other in June 2010, to serve as researchers and one-on-one mentors with selected entrepreneurs in both Components I and II.

4. **Nexos Voluntarios**: Nexos is managing preliminary logistics of the project’s design phase. It is a non-profit organization that coordinates volunteers from around the world to carry out projects to enhance the quality of life of some of the poorest communities in Peru. Its director is working in close contact with Dr. Luis Soltau, the project’s independent consultant.
5. **GRADE**: An independent research organization led by Dr. Martín Valdivia, GRADE will be responsible for evaluating the project’s impact on microenterprise development. Specifically, GRADE will run a randomized control trial to compare women who have received training from SALTA with a control group who have not received the training. Based on the results of the study, GRADE will prepare a knowledge and dissemination strategy. It will produce a video that documents the project from the beginning and create a Web site linked to Thunderbird, Mibanco, and the other stakeholders.

6. **AusAid**: The Australian Agency for International Development is a donor to the project and will presumably have a say in its design and implementation, although the particular role of the organization in this project was unclear to us. The Australian Government has signaled its desire to increase its profile and development activities in Latin America. Australia will support this program with a contribution of AUD$2 million. This partnership marks the first collaboration in the region between Australia and the IDB and Australia’s first bilateral effort of this scale to promote development in Latin America.

7. **Goldman Sachs**: The firm’s “10,000 Women” methodology will be implemented for the Component II training. The company has extensive experience designing and implementing women’s training programs worldwide and most recently worked with the Thunderbird School in Afghanistan.

8. **Universidad del Pacífico**: A team of UP professors will pair with Thunderbird professors and students and Goldman Sachs to design curricula for Components I and II. One of Peru’s leading private universities, UP is based in Lima.

9. **Dr. Luis Soltau**: An independent development consultant, Dr. Soltau was hired by Mibanco to coordinate the implementation of the project. Dr. Soltau is a German-trained development economist whose contract began January 4, 2010. While he is tasked with overseeing the entirety of the project, he indicated to us informally that his main focus is Component II, as it allows for the most flexibility, creativity and impact.
V. METHODOLOGY

Literature Search and Project Design

We conducted an extensive literature search on the informal economy and the history of microfinance in Peru, entrepreneurship training programs and women’s involvement, NGOs offering capacity-building training (primarily FINCA), and Peruvian demographics and social structure. Because SALTA is designed to be implemented in Lima (85%) and the surrounding provinces (15%), our interviews largely took place in Lima, in neighborhoods of varying socio-economic levels. We used five distinct approaches to gathering information:

1. Randomly selecting and doorbelling DIME “graduates”
2. Canvassing markets and neighborhood business clusters
3. Working through established NGOs (CEDEMUNEP and Conectas Red) to hold focus groups
4. Visiting two Mibanco branch offices to speak with the branch manager and the loan officers
5. Interviewing institutional participants in the IDB project

Figure 2. Methods of Gathering Information

The interviews we conducted with micro-entrepreneurs were both one-on-one and in focus groups. In total we interviewed 33 people one-on-one and 28 in two different focus groups of micro-entrepreneurs and aspirants. One focus group gathered Afro-Peruvian women, the other indigenous women. We interviewed the majority of the micro-entrepreneurs and aspirants as a team, but we occasionally interviewed business-owners alone to test whether or not we could access more information that way (we found that we could).

We conducted individual interviews in the following neighborhoods and near suburbs of Lima: Miraflores, Jesús María, Breña, Gamarra, Carabayllo. We conducted our two focus groups in
Breña, at the office of Conectas Red. We also conducted informal interviews in Cañete, a province of Lima that has a significant Afro-Peruvian population. We interviewed 12 loan officers in the Lima Cercado branch office in a poor neighborhood of downtown Lima and two loan officers in the Carabayllo provincial office. A detailed list of the questions we asked loan recipients and loan officers can be found in Appendix C.

### Approach 1: Doorbelling DIME Graduates

We began our research by interviewing Mibanco clients who had received DIME training. We requested a list of names of participants living in the communities near downtown Lima who had taken at least one of the DIME trainings in the last five years. The Aprenda training director selected these names for us at random. We were provided full name, occupation, age, address, and telephone number. We selected 10 people from the list who were concentrated in reasonably accessible neighborhoods and traveled to the addresses provided on the forms. We were able to successfully doorbell, unannounced, and conduct six interviews out of the attempted ten interviews. Reasons for the unsuccessful interviews were: listed person not home (three people) and listed person not interested in speaking with us (one person).

### Approach 2: Canvassing Markets

We found that our unannounced visits tended to alarm the clients, although we gained valuable data about their experiences with the DIME training. Because of time constraints and the haphazard nature of tracking down clients from a list, we decided to change methodology and interview micro-entrepreneurs in the marketplace. The three main markets we canvassed in Lima were Jesús María (multi-marts and bodegas), Gamarra (textiles) and Polvos Azules (electronics and DVDs). This method of interviewing allowed us to focus our questions on female micro-entrepreneurs who had loans from various banks, had received different levels of training, and were the owners of their shops. Most of these women were not Mibanco clients, but a few of them were.

### Approach 3: Focus Groups

We were able to hold two focus groups, one with Afro-Peruvian women and the other with self-identifying indigenous women. Both focus groups were held in the same building but on different days. The Afro-Peruvian focus group consisted of 15 women who were either microenterprise owners or aspirants and was convened by CEDEMUNEP, a local NGO dedicated to advancing the human rights of Afro-Peruvian women. The second focus group (13 women) was convened by an NGO called Conectas Red that coordinates a network of Christian NGOs serving indigenous and Afro-Peruvians and other disempowered groups, of which CEDEMUNEP is a constituent member. We used the focus groups to discuss not only issues relating to the participants’ enterprises (markets, training needs, economic viability and access to finance), but also issues relating to women’s rights, stereotypes, discrimination, ethnic conflict, women’s role in society, and the role of banks and loans in everyday life.
We note that one of the primary limitations of these focus groups was that the women were not randomly selected but rather self-selected. All had been in their organizations for a considerable amount of time. All had received some kind of prolonged self-esteem training in these contexts. Given these characteristics of the focus group participants, we cannot claim that the information and perceptions we learned are representative of the needs of Afro-descendant and indigenous Peruvians who lack such high levels of entrepreneurship and self-esteem training. Finally, although more than half of the participants in the Afro-Peruvian group owned their own enterprises, none of the members of the indigenous focus group was a business owner. The indigenous women had never taken a bank loan to support their group enterprises, as they all worked in teams of five that depended on assistance from the NGO network.

**Approach 4: Meetings with loan officers and administrators at the Mibanco branch offices**

We met with two branch managers (Cercado, in downtown Lima, and Carabayllo) and several loan officers. In Carabayllo we met with two loan officers, and in Lima we held a focus group of 12 loan officers. Meeting with the loan officers proved to be invaluable as these men and women are in the field every day with their clients and could easily speak to how they perceived their clients’ training needs, shortcomings and decision-making processes. Through our conversations at the two branch offices we were able to take a bird’s-eye view of local economies and Mibanco’s activities.

**Approach 5: Meetings with SALTA designers and evaluators**

We were fortunate to have meetings with both the Human Resources department of Mibanco and the Aprenda division of Grupo ACP, Mibanco’s holding company. We also met with the director of Nexos Voluntarios and held extended conversations with Dr. Soltau, the independent consultant, on two occasions. Dr. Martín Valdivia also spoke with us at length about the potential strengths and weaknesses of SALTA’s programmatic design.

**Overall Strengths and Weaknesses of our Methodology**

We found that doorbelling random DIME clients was the least effective means to access detailed information about the content a training session should cover. Respondents were typically taken off guard by our approach and did not recall much of the DIME session, although this finding was in itself useful for our report: DIME clients’ inability to recall what they learned indicated that the lessons did not “stick.”

The most productive approaches were canvassing markets and speaking with loan officers. We recommend that Nexos Voluntarios engage volunteers to continue our work using the two-page questionnaire that we have compiled (Appendix E) to gather information from women in other sectors and other neighborhoods. We also recommend that Mibanco use this questionnaire as they develop the training.
VI. FINDINGS

Our first approach was to target Mibanco microfinance clients who had attended the DIME training program run by Mibanco’s sister organization, Aprenda. Our most significant finding was that none of these clients was able to identify specific changes that they had made to their businesses as a result of having attended the training. Likewise, none of the 14 business advisors/loan officers we interviewed was able to identify a specific client who had made substantive changes to his or her business as a result of the training.

On the other hand, the Mibanco clients who attended the training expressed universally positive feelings about the experience. Many reported that the session was “fun” and “changed their perspective” on running a business.

Some told us the training session taught them to think of themselves as businesspeople for the first time. Others reported a new interest in expanding their businesses or taking out more loans. These clients’ feelings suggest that the training may indeed be meeting the company’s portfolio goals even if it has not been demonstrably effective at providing clients with the tools they need to expand their enterprises. Indeed, in our focus group of loan officers at the Cercado office in downtown Lima, one officer noted that the bank’s primary reason for holding the training sessions was, in his view, to maintain client loyalty and get clients to take out additional loans; his colleagues nodded their heads in agreement.

IDB officials identified one of the goals of the project as being to encourage other microfinance institutions in Peru to hold training programs. However, Component I of the project, SALTA, appears to be more focused on developing the market for microfinance in Peru than on helping individual micro enterprises grow.

The interest of Mibanco appears to be the money and prestige that comes from working on a project with the IDB. Mibanco has a further incentive to maintain client loyalty through training programs, but the fact that the SALTA program is to be non-proprietary and open to any other MFI means that it may actually threaten Mibanco’s comparative advantage.

For many of the entrepreneurs we interviewed, the most memorable lesson they drew from the current DIME training program was that they needed to keep their shop clean and inviting and to treat customers well in order to maintain their existing clientele and attract new customers. This point was of particular note because customer service was also among the most common responses we heard to the question “what particular topics of business administration would you like to learn next?”
Logistics

Some of the drawbacks of the current training regime revolve around logistics in addition to curriculum design. We found that the time at which the courses are held is inconvenient for many people. The trainings run for three hours in the evenings, usually from 6:00 p.m. to 9:00 p.m. The loan officers reported that participants were often visibly exhausted after the workday. “What do you expect to happen when you bring 200 people into a warm room at the end of the day, turn down the lights and put on a movie?” one Cercado advisor asked. “They doze off!”

In Carabayllo, the loan officer dedicated to serving rural clients reported that the logistics of the current training regime are a particular impediment to the participation of rural business owners. Rural entrepreneurs—usually family farmers—have a hard time finding transportation back at night. Naturally, they are also geographically dispersed, and Aprenda has not found it feasible from a financial or logistical perspective to hold separate trainings in the rural zone of Carabayllo. The result, according to this business advisor, is that Mibanco’s rural clients are completely excluded from participating.

The potpourri of topics presented limited the impact of the training sessions; moreover, their “massive” lecture format appeared to make them less effective. No one we interviewed reported sharing ideas and challenges with other small business owners at the sessions, or engaging in substantive conversation with other participants. However, all participants reported discussing the material with their spouse or with friends if they went accompanied to the training. We believe this showed the potential impact of a discussion-based training session, which could drive home the lessons from the lecture.

Mibanco did, in fact, run a discussion-based training program until 2007, targeting groups of 20-25 people over lunch, but scrapped it in favor of the massive lecture format when they started working with “Somos Empresa” in order to be able to target more business owners, usually 200 at a time. This tension between quality and quantity is at the heart of the competing interests of MFIs and of development institutions with regard to micro-enterprise training. While the main interest of development institutions is to increase the productive potential of the micro-enterprises, the main interest of the MFIs is to attract new clients and maintain their existing clientele. While on the surface it seems like this pairing should produce a win-win arrangement, the MFI benefits from the training (through expanded loans and advertising) regardless of...
whether or not it is successful at helping entrepreneurs expand their businesses, even though the latter goal is the primary objective of the project for the IDB.

**Training content**

The session covers so many topics—from microeconomics to self-esteem, store upkeep to cost management—that the take-away lessons get lost amidst the clutter. The most memorable aspect of the training tended to be the least technical—the location, the refreshments, the Eddie Murphy movie clips—while most people could not identify specific lessons that benefited them. Only one entrepreneur we visited had the notebooks from the training ready to show us and reported reviewing them occasionally. She had filled out some of the exercises listing her goals and her long-term vision.

While the humor with which it was presented may have explained why customer service ranked among the most memorable elements of the training session, we note that the most common way through which the business owners reported differentiating their business from the competition was precisely by treating their clients well. This finding conforms to previous research on micro-enterprises in Peru, which found that two-thirds of interviewees believed trust to be a major factor in client loyalty.\(^1\)

In the Jesús María neighborhood, we discovered something of an agglomeration economy of printing and photocopy shops. Some of the stores were tiny six-by-nine-foot stalls inside serpentine markets. Other entrepreneurs actually sublet their shop spaces inside larger storefronts. The proprietress of one of these establishments housed within a larger stationary store let us interview her at length about her experience and her challenges and gave us helpful insights into the salience of customer service for micro-entrepreneurs.

After questioning her a great deal about how she distinguishes her business from the competition, she pointed to another photocopy attendant who had also set up shop within the same storefront. “She’s my competition!” But it was clear to her what the differentiating factor of her business was:

\(^{12}\) Zuin 2004, p. 23.
customer service. “I have very loyal clients,” she told us, “including many businesses. They come back because I treat them well.” We asked about how she set her prices. Yes, she researches the competition, she told us. But the bigger stores never raise prices on their copies, even when the prices they are charging are right at cost. “How can I raise my prices if they don’t?” she asked rhetorically. Like her, many micro-entrepreneurs had no control over the prices they charged because they were set by the market or by the larger competition.

**Reaching Export Markets**

Our research was conducted in Peru less than one year after that country signed a Trade Promotion Agreement with the United States. The Peruvian government was pursuing an aggressive policy of trade liberalization and seeking similar pacts with other large economies around the world. The desire to take advantage of the new opportunities this access to external markets facilitated was commonly expressed throughout our interviews.

We were surprised at the number of micro-entrepreneurs who already exported some of their merchandise, however. While owners of bodegas and micro-entrepreneurs in service occupations such as hairstyling unsurprisingly did not express interest in exporting their work, nearly everyone we interviewed in the textile sector already exported at least some of their products to other parts of the country and abroad. There seemed to be no systematic regularity with which they located export linkages, however; many of their export connections seemed to be ad-hoc, personal, circumstantial strokes-of-luck, rather than planned growth strategy. Lack of knowledge about how to reach these markets was a major impediment to the growth of their enterprises.

On the other hand, some more advanced micro-entrepreneurs would have benefitted little from lessons on how to expand their business. Beatriz and Maria Teresa Ismoes, sisters who launched their own garment company, told us that lack of capital was their largest obstacle to growing beyond three points of sales, for they already had established “commercial agreements to produce workplace uniforms for different companies.” Indeed, they pointed out, they knew how to develop networks and seek opportunities, including the chance to export clothes to Mexico. “Gradually, we realized we have a really good product,” Maria Teresa pointed out, suggesting that she didn’t need the same sort of self-esteem training as other, less confident micro-entrepreneurs. Furthermore, she said, she “has the networks to figure out how to export, including contacts at various chambers of commerce and friends abroad.” What she lacks is “capital and
the equipment” to satisfy our growing demand. Clearly the training program these sisters would need would cover more sophisticated topics than a class for bodega owners would, even if they all appeared on paper to be female micro-entrepreneurs with businesses of similar size. Indeed, it became apparent to us that training needs may cut more along sectors than along size of business or sex, especially for micro-entrepreneurs like Beatriz and Maria Teresa, who have no deficit of self-esteem.

Challenges of dividing male and female micro-entrepreneurs

We found some major differences between men and women micro-entrepreneurs, although we note that we interviewed far more women than men (62 women, 15 men). Most notably, women were more likely to mention customer service as the area of business training they most sought, while men were more likely to mention more technical aspects of their enterprises, such as how to stabilize their costs over time. Overall, however, we found that the most significant differences in the training needs of micro-entrepreneurs broke by sector rather than sex. This finding calls into question the IDB focus on sex and enterprise size as the only categories to which the one-size-fits-all training is tailored.

Some of the most significant differences in training needs depended on the business sector in which the micro-entrepreneur was employed and not his or her sex.

Further investigation into sector differences should be pursued and individual training sessions tailored accordingly. However, our study was largely focused on exploring sex differences, and our observations stem from this line of questioning.

We note that some of the women we interviewed welcomed the idea of a separate training for women. For example, Consuela Atac de Jesús, the mother in a mother-daughter team that owned an internet café and call center, said men and women should have separate training, but she felt that the lessons on work-life balance and gender roles should not be limited to the women’s training. “Men should be taught to share responsibilities in the house. They need to know that if a woman’s business is to succeed they need to allow her to spend time at the business [rather than at home on housework].”

Yet the idea of segregating training by sex also engendered some unexpected enemies and raised the prospect of exacerbating the marginalization of “empowered” indigenous women. We interviewed a focus group of indigenous women who were trained by the non-governmental organization Conectas Red to form small workshops to produce artisan goods that were then sold to international retailers in developed countries at “fair trade” prices. A major component of the Conectas Red program was bolstering these women’s self-esteem, as they constituted one of the most marginalized classes in Peruvian society. One-third spoke Quechua as their native language and all had visibly indigenous features, although they wore Western clothing rather than the traditional bowler hats and skirts of many Andean communities. Most of them were internal refugees who had fled the violence of the Shining Path Marxist guerilla insurgency in
Ayacucho and the military repression it triggered in the 1980s. These women had made their homes on the outskirts of Lima in illegally occupied squatter settlements that often lacked running water and electricity. Despite their histories of misfortune and oppression, we found these women to be remarkably self-confident, a testament to the group solidarity approach and lessons in human dignity that Conectas Red had imparted. When we asked these women whether they would feel more comfortable in a separate female-only business-training program, there was a remarkable consensus against the idea. “We can do everything they can!” said one. “That would be just one more manifestation of discrimination,” said another. We found these results surprising and intriguing.

**The challenge of single-sex training in indigenous communities**

*We believe these are key questions that need to be explored more fully before the IDB commits to excluding men from participating in SALTA.*

- Would “less-empowered” indigenous women feel the same way as those we interviewed?
- Would indigenous men object to mixed male-and-female training sessions?
- Would the issue best be addressed by teaching men and women together about tolerance, sexual equality, and how to balance evolving gender roles?
- Or are these conversations best held separately for men and women?

While the indigenous women we interviewed preferred that the entire training program be mixed male and female, the Afro-descendent women wanted the technical aspects of the training (on business fundamentals) to be mixed male-and-female sessions, but they hoped the trainings would break up into separate male and female sessions for any “identity and empowerment” components. They noted also that children should be invited to these parts of the training.

Another important category of family-run businesses complicated the division of male/female training further. We originally requested a list of female entrepreneurs from Mibanco. We quickly discovered, however, that enterprises that were listed as being run by a woman were likely to be a joint partnership with the husband. In some cases, the loan was apparently in the woman’s name but the man was clearly in charge of the business, which raised questions. Therefore, it will be difficult for Mibanco and the other microfinance institutions that will be implementing SALTA to limit training sessions to women using their current lists; many enterprises for which loans are registered in a woman’s name are actually family businesses in which the man has an equal share, or are women-led “in name only.”

*It may be advisable to provide a targeted training program for family business operators because we found that the issues they had to confront were distinct from either women-run or male-run enterprises.*

It may be useful to consider providing a targeted training program for family business operators because we found that the issues they had to confront were distinct from either women-run or
male-run enterprises. Learning to separate business finances from family finances and juggling the responsibilities of home and work might most productively be addressed by including the man rather than by excluding him. As one interviewee remarked, “Teach the men to do their share of the dishes as well!” One important path to empowering females and reducing their double burden may in fact be welcoming men to training programs that encourage them to rethink their domestic responsibilities in conjunction with their business responsibilities.

**Comparison with other training programs/literature**

A 2006 discussion paper by Dean Karlan of Yale and Martin Valdivia of GRADE stimulated interest in training micro-entrepreneurs and presumably influenced the IDB’s decision to employ their services for a randomized control trial for this project. The discussion paper recounts a randomized control trial the authors performed to test the impact of a training program run by the Peruvian branch of the Foundation for International Community Assistance (FINCA) in the cities of Lima and Ayacucho, Peru. FINCA is a Washington, D.C.-based non-profit microfinance organization that pioneered the “village banking” model in Peru. The study’s authors found that significant benefits accrued to both the MFI and to its clients as a result of the training program.

For the clients, Karlan and Valdivia found that the training increased “business knowledge, practices and revenues.” Clients were more knowledgeable about best practices such as reinvesting their profits and keeping good records of sales and withdrawals. They learned effective strategies for smoothing out their sales, such as diversifying their product lines or offering a broader menu of services. On the whole, businesses in the treatment group enjoyed higher profits and higher income than those in the control group, whose members did not receive the training. **This finding generally coincides with the stated goals of SALTA, which are to generate “enhanced business capacities and . . . an average increase in annual sales of at least 15%” for the 100,000 participating women-led microenterprises.**

For the microfinance institution, the benefits of the training came in the form of “higher repayment and client retention rates.” Nevertheless, they did not observe a change in the loan sizes or cumulative savings rate for the MFI.

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13 Karlan and Valdivia 2006.
14 IDB Donors Memo, 2009, p. 13 at 8.3 (i).
The IDB should assess why the FINCA training did not increase loan size and savings rates for MFIs since it expects SALTA to generate an “average increase in loan size of 20% for participating MSEs” and “an average increase of 20% in volume of microloans among participating lender [sic], without an increase in defaults.”

It is important to note, however, that the FINCA training had little measurable impact on female empowerment. While the study authors hypothesized that the improved business performance generated by the training would facilitate women achieving more power over household finance and business decisions relative to their partners, the study found no significant impact on household outcomes. They concluded that the women in the study were already reasonably empowered because most already managed their own businesses and finances. When family income increased, the study found, there was a slight increase in the amount of time daughters of micro-entrepreneurs dedicated to schoolwork.

These findings counsel caution with regard to expectations that the project will significantly alter the male-female power dynamic, especially since SALTA participants will be selected from among women who already run their own businesses. While women’s empowerment in the household is not explicitly discussed in the donors’ memo, we believe it is an implicit goal of the project.

Training programs are not all created equal. In fact, the basic design of SALTA varies quite a bit from the successful FINCA model. To recap, SALTA is currently designed to be:

- A one-time training program
- Three hours total
- Targeted at women who already have established businesses
- Targeted at women who already have loans
- Taught in a lecture format for a large audience, rather than small discussion groups
- Adapted from the training program of a for-profit MFI
- One-size-fits-all
- Limited to Lima and its provinces (although the donor memo mentions implementation in rural areas as well, our conversations with representatives of the executing agency and the independent consultant made clear it will be focused in and around Lima)

The FINCA training program differs significantly from SALTA on most counts. FINCA was:

- An ongoing one-to-two year program
- Thirty to sixty minutes each session over a total of 22 weeks
- Adapted to different educational levels (Lima program has homework; Ayacucho program is audio-visual to accommodate illiterate participants)
- Designed by a non-profit MFI
- Offered in both Lima and in Andean communities

15 IDB Donors Memo, 2009, p. 13 at 8.3 (ii) and (iii).
The most significant treatment effects for the FINCA training were observed for those participants who had initially expressed less interest in attending the training. Conversely, the current practice of Mibanco appears to be to target business owners it deems especially successful; these are precisely the people likely to be most receptive to training and, paradoxically, those who stand to benefit least. Indeed, the IDB requires that participants have successfully paid back at least one loan, meaning participants will have demonstrated some financial success. Further, SALTA is limited to participants who “have achieved high scores on test instruments and interviews used to assess entrepreneurial potential.”

*Given that less motivated participants benefit the most from attending business training, the IDB should examine the feasibility and possible desirability of relaxing its admission requirements and take specific steps to ensure that it also includes micro-entrepreneurs who are ambivalent about training in SALTA.*

The IDB should leverage the knowledge of the MFIs and their loan officers about which businesses are at the margin and would stand to benefit from training and the attitude adjustment it appears to facilitate with regard to entrepreneurial spirit, as well as the technical skills it imparts.

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16 Donors memo p. 4 at 3.4 (Component I).
While we believe it is important that the IDB is facilitating a rigorous evaluation of SALTA, we question its effectiveness as a one-time program, given that FINCA needed 22 sessions to convey the relatively basic material that Mibanco currently attempts to cover in one session. *The single-session model may bring big benefits to the bank but is unlikely to bring equivalent benefits to the micro entrepreneurs themselves.*
Research conducted by the IDB has found the key to balancing economic development and social equity to be “guaranteeing inclusion and participation of vulnerable groups into the strategies for local economic development and employment.”\textsuperscript{17} This argues for a quota system to guarantee the representation of Afro-Peruvian and indigenous micro-entrepreneurs in the SALTA training program. This strategy carries important risks, however.

In our focus groups we found that a quota system may inflame deep racial and ethnic tensions between indigenous and Afro-Peruvians. A common sentiment in the Afro-Peruvian focus group was that the Afro-Peruvian population is not as visible, or recognized as a “pueblo,” or legitimate community, as much as the indigenous population. They feel that the indigenous have won widespread acknowledgement of their claim to being “part of the land” (“owners of the soil and territory”), while the Afro-Peruvians are still seen as “others,” brought to the country as “helpers” who thereby lack a legitimate claim to Peruvian identity. Afro-Peruvians acknowledge that both groups have suffered discrimination, but the Afro-Peruvian women feel that the indigenous do not understand their suffering. Their impression is that the indigenous think Afro-Peruvians benefit from their good works and are riding unfairly on their coattails instead of “fighting their own fight”. The Afro-Peruvians consider a “multicultural” Peru to be unrealistic rhetoric, as they are still largely marginalized from public discourse, and many Afro communities do not have a single telephone. For this reason they see affirmative, targeted quotas as necessary; they believe indigenous Peruvians benefit more from scholarships and other targeted opportunities. CEDEMUNEP is already engaged in the Mesa Mezclada, a group of Andean highland, jungle, and Afro-Peruvian organizations, and they would like to see this kind of integration at the national level in policy-making.

If Afro-Peruvians and indigenous were included the same training, some primary obstacles would need to be considered. Training time is limited, and many of the Afro-Peruvian respondents noted that the Quechua translation and language barrier slows down instruction. For this reason, SALTA might consider limiting the training to bilinguals. The Afro-Peruvians we spoke with also held the belief that indigenous people are slower to learn. They reported that the entrepreneurial attitudes in the two communities are also quite different. Afro-Peruvians reported that the indigenous have internalized that they are businesswomen from an early age because of the necessity of social business interactions. In contrast, Afro-Peruvians give things away and are not “concerned with every last cent.”

In summary, we believe that the IDB needs to make a specific, concerted effort to incorporate indigenous and Afro-Peruvians into the training programs because these groups face compounded barriers to training relative to other women. The IDB should carefully consider quotas as a means of ensuring that it does not perpetuate existing ethnic inequalities by exacerbating the training gap between mestizo and minority women. Nevertheless, the IDB must carefully weigh the many possible risks of quotas and ethnically-mixed training sessions, against their possible benefits (see Table 1).

\textsuperscript{17} Romis 2008, 20.
Table 1. Projected risks and benefits of implementing ethnic quotas in SALTA training

<table>
<thead>
<tr>
<th>Possible Risks</th>
<th>Possible Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Might inflame racial tensions</td>
<td>Deeper cross cultural understanding</td>
</tr>
<tr>
<td>Native Quechua speakers may slow down process</td>
<td>Putting Quechua speakers on an equal playing field with Spanish speakers conveys respect</td>
</tr>
<tr>
<td>Seats reserved for quotas may not fill</td>
<td>Possibility of more successful minority-led enterprises</td>
</tr>
<tr>
<td>Outreach may be time-consuming and costly</td>
<td>Potentially improved relationship between banking institutions and minority groups</td>
</tr>
<tr>
<td>May have to reduce requirements (i.e. loan repayment and threshold scores on business aptitude tests) to gain significant numbers of indigenous and Afro-Peruvian entrepreneurs; lowering standards may increase risk that the people receiving the training will not have the entrepreneurial capacity to benefit from it</td>
<td>Opportunity for MFIs to build relationships with feeder NGOs and cultural organizations</td>
</tr>
</tbody>
</table>

**Culture Clash**

Our interviews and interactions with staff, borrowers, and project designers also allowed us to perceive the political struggles and challenges that engage between the many institutions designing and implementing SALTA. Different participants appear to have very different perceptions of the power dynamics and roles of the various institutional actors. Two distinct visual representations of the relationship among actors can be found in Appendix A. Furthermore, it is somewhat unclear to what extent certain actors are involved in both design and implementation. Some actors appear to serve nothing more than a funding role. In Appendix B, we map the amount of influence the organizations appear to have over design and implementation in two diagrams, one showing the perceived current setup of design and implementation, and another showing our recommended setup.
The following ten examples illustrate the most salient culture clashes among the project’s pivotal actors:

1. The IDB must constantly leverage its development expertise with Mibanco.

   This is Mibanco’s first project conducted in partnership with an international development organization since its incorporation as a for-profit bank. Although it has roots as a development-minded non-profit, Mibanco is currently a commercial bank that is very much interested in its bottom line and profit growth. It has limited experience with development work, whereas the IDB, a regional expert in development, has a high-level, development-oriented mission. Mibanco is very detail-oriented and thinks of its financial bottom line, not its development impact. According to Michael Chu, a professor at the Harvard Business School and an expert on Mibanco, the bank is able to hire high quality loan officers because it offers them a prestigious training program and only hires the best graduates. Despite the officers’ strengths, however, they are not paid for promoting social and business awareness. Instead, they are paid on performance and profit margins. Therefore, a successful partnership on this project will require deep, detailed communication about development impacts at all levels, including both Component I and Component II, and almost certainly a change in the incentive structure for the loan officers to better align their incentives for local economic development.

2. There is a distinct tension between Mibanco loan officers and branch managers, and loan officers do not want any added responsibility from SALTA and/or other training initiatives.

   Mibanco loan officers work long hours, are low-paid, and have competing pressure to contend with while trying to produce a competitive bottom line. Given that one of our recommendations is to involve the Mibanco loan officers more in the training, we believe that some form of monetary incentive must be provided to motivate them to take part in the training. Officers are not currently evaluated on their outreach for DIME, and Branch Managers would need to actively
promote SALTA in order for attitudes to change. They would need to be convinced that SALTA could help their bottom line by attracting clients and enhancing their portfolio in order to be willing to give SALTA their time and effort.

3. **DIME was designed and implemented by Aprenda, not Mibanco. SALTA will be implemented in part by Aprenda as well. While it is not clear how Mibanco and Aprenda will divide responsibilities for implementing SALTA, we believe Mibanco should be given more of a voice in the planning process; its loan officers should be consulted about the material to be included in the SALTA training.**

Aprenda and Mibanco have an interesting relationship in that they are both owned by the same parent organization, Grupo ACP, but their relationship has been strained over DIME. Mibanco managers and staff do not design, implement, or facilitate the trainings. They are only asked to advertise for the training, although many loan officers report having attended a session. According to Grupo ACP, when Mibanco has been entrusted with outreach to attract clients to attend DIME sessions, the sessions have not filled. When ACP has performed the outreach, the sessions have filled over capacity, and people have been sent home. This is a curious situation because Mibanco loan officers know their clients best, can target who should receive and could benefit from training, and work at the grassroots every day. However, their schedules are overbooked and they are not paid extra to advertise for training sessions, which may be why paid ACP personnel have done a better job at recruitment. In contrast to loan officers, when ACP representatives have recruited, they have entered towns with the direct, targeted, and express purpose of attracting interest and gaining commitment to attend the trainings.

4. **Mibanco does not analyze or inventory its clientele or initiatives based on sex or ethnicity. The IDB must promote its women-focused strategy by working with Mibanco to clearly understand their clients.**

It appears as though Mibanco does not design products or programs with either gender or ethnicity in mind. While the IDB cares deeply about empowering women, Mibanco’s interest lies in generating more customers and retaining its current, successful customers. Additionally, the IDB has a rich history of working with NGOs, while Mibanco has been more insular.

5. **AusAid has been left out of the conversation.**

In nearly all of our conversations in Peru, AusAid was either not mentioned as a partner in the project, or was only mentioned as a donor. They are donating a substantial amount of funding to this project, and Australia has signaled a growing interest in engaging in Latin American development. However, we did not get a sense that they are either providing technical expertise or have people on the ground to learn such expertise from others. One way to deepen their ability to impact design and implementation would be to allow members of their staff to work with the Thunderbird design teams of students and professors on their trips to Peru. Even if AusAid’s role remains unchanged, they are taking an important first step to deeper engagement in the region.
6. The Universidad del Pacífico and Thunderbird present a potential out-of-touch academic perspective regarding curriculum development that may not be effective at the ground level.

There is an “academic” and “practitioner” clash of cultures that is taking place in this project. Professors from both the Universidad del Pacífico and the Thunderbird School are being asked to devise curricula for both Component I and Component II. One shared worry of Mibanco and IDB staff is that the academics will create curricula that are not finely tuned to the needs at the ground level in Peru. Additionally, Mibanco and Aprenda representatives are skeptical that such academics will be able to produce an effective training in a three-hour window. There appears to be a “who knows Peru best?” tension among the designers and implementers of the program.

7. GRADE presents a threat to Mibanco, and the IDB may consider asking Goldman Sachs to allow GRADE to perform an evaluation on Component II as well.

GRADE has deep history and experience working in and evaluating training programs in Peru. It has published extensive findings about FINCA in southern Peru, and Dr. Valdivia is highly critical of the DIME program in light of his findings at FINCA (which offers a much longer training). He senses that Mibanco feels threatened at some level because of the upcoming randomized control trial, which may show that the training program has no positive effect on women’s entrepreneurship. He also expressed disappointment that he cannot evaluate the Goldman Sachs curriculum for Component II, as Goldman Sachs will not allow GRADE to do so. The IDB may consider pressing Goldman Sachs to permit GRADE to perform such an evaluation to be able to accurately assess the effectiveness of both components.

8. MFI politics

A tension that we did not study but that should noted is the potential tension among the select MFIs that will be implementing this program. While Mibanco, Thunderbird, and others are creating the curriculum of SALTA, neither Mibanco’s name nor its colors or insignia are to be associated with SALTA. Additionally, very few MFIs offer any type of training, let alone women-sensitive training, and it may be challenging to entice them to adopt and implement the SALTA material, as that would require resources, organization, and advertising. The other MFIs are also not being consulted on the curriculum design, and may feel as if their “voices” were not heard in the planning process, which may alienate them from the materials because they will not reflect their thinking and contribution.

9. There appears to be tenuous support for Component I at IDB offices in Lima and D.C.

It appears as though Component I of this project lacks the substantive depth of typical IDB projects. Component II will enjoy a high level of detail, reach, and quality, at the expense of quantity. Component I, on the other hand, appears to sacrifice quality on the altar of quantity, perhaps because training “100,000 women entrepreneurs” sounds flashier than training just 700. We wonder whether Component I is a political gatekeeper that must be implemented in order to provide numerical cover to do Component II, which costs much more per participant.
While the quality of Component I, is questionable, IDB staff appear to be very interested and engaged in producing a high-quality Component II. The IDB benefits from Mibanco’s infrastructure on the ground for both components, but there is added tension between Mibanco and the IDB in regards to Component I.

10. Cost of SALTA

When we asked how much DIME currently costs per session, we were not told a per-session average, as requested, but rather the total budget divided by the number of sessions held. The allotted funds for DIME, $1 million, were divided by 25,000 participants, and average cost was reported to us at $40 per person. We believe that Aprenda and Mibanco should be held more accountable for their budgeting and allocation of funds, as this manner of figuring costs can easily conceal wasteful and improper spending. Instead, spending reports could be generated using activity-based costing (per training session), including rent, personnel, materials, and food. Analyses can then be conducted to see how costs differ among regions and where money can be saved, given that the reach will be 100,000 people, four times more than the 25,000 they currently train.
VII. RECOMMENDATIONS

We do not believe that SALTA’s limited three-hour format lends itself to the IDB’s stated goals for the project. In this recommendations section, therefore, we offer two sets of possible options beginning on the following page: 1) recommendations, including costing and phasing, for an ideal SALTA that assumes the project architecture can be rethought, and 2) recommendations, including costing and phasing, for a SALTA that assumes the project must conform to the current three-hour structure. Under either scenario we recommend the following as guiding principles:

- Target Afro-Peruvian and indigenous communities.

While indigenous and Afro-descendant women tend to be the most marginalized, targeting them with quotas may be difficult because of the nature of racial mixing and racial politics in Peru is such that banks, as with other institutions, do not keep track of their clients based on ethnicity. We found that these ethnic groups tend to be concentrated in particular parts of the country, however—indigenous in the Andean highlands and the jungle; Afro-Peruvians on the southern Pacific coast—and even in particular neighborhoods of Lima. We believe the IDB can use geography as a reasonable proxy for ethnicity. Thus, in order to ensure that women from these ethnic backgrounds are afforded the opportunity to attend the training, the program will need to actively implement quotas or conduct direct outreach in these communities and hold sessions there. Targeted programs in highly populated Afro-Peruvian areas, such as Ica, should proceed with caution and due diligence, as Ica was catastrophically affected by an earthquake in 2007, and our conversations led us to believe that many people had negative experiences with predatory banks in the aftermath. Many Ica natives are skeptical of usurious banks and programs and may present great resistance to SALTA initiatives.

- Relax barriers to entry in SALTA for vulnerable populations, such as the requirement that they have successfully repaid a prior loan.

Given that microenterprises are less prevalent in both groups than they are in the society as a whole, we recommend that the Bank consider lessening requirements for attending the training when the sessions are held in vulnerable communities (Afro-Peruvian, indigenous, and rural). Appendix G lists Mibanco’s many requirements for obtaining a loan, a process which is often intimidating for marginalized populations. Typically, low-income members of vulnerable groups do not have an “aval”, a co-signer or property to show for themselves. Instead of requiring participants to already have a microloan, for example, they might require that they had another type of financial product from the bank, such as a savings account, although this necessitates a level of trust between vulnerable clients and banks that we did not witness. The outreach will be particularly difficult for Afro-Peruvians and indigenous entrepreneurs because they find few people of their own ethnic background working in such financial institutions who might be able to ease them into the banking process. The IDB should partner with CEDEMUNEP, Conectas Red and other advocacy organizations that serve a particular ethnic clientele, in order to leverage their contacts to ensure that they help with publicizing the training opportunity.
Assuming the project architecture could be rethought

An ideal SALTA would be one that combined lecture with discussion format and was broken up by urban/rural and by type, size and level of development of the business. For any empowerment component of the training, sex and ethnicity might be useful categories by which to divide participants, or they could be allowed to choose whether to attend a mixed or segregated session.

1) Create a multi-session program, not a one-time event.

An ideal training session would be a series rather than a one-time, three-hour event, as was shown in the FINCA study. However, this would mean that SALTA would reach fewer women, as costs per woman will rise in an extended format. We believe that multiple trainings (ideally 3-5) would be more feasible for the IDB to implement in the long run after it learns how Mibanco’s infrastructure is set. This will also allow loan officers to interact with clients after a period of time to test what the clients have learned, and more importantly, if they have changed their behavior to reflect what they have learned in training.

   a. Create sessions that are entirely “self contained” (i.e. understanding session 2’s content does not require going to session 1) so that women can miss sessions if they have external obligations but can get back to speed readily.

   b. Consider charging a nominal sum to the women who attend to create a sense of buy-in and incentive not to drop out. We realize this strategy may run counter to the IDB’s mission, but we feel it may lead to consistent enrollment rates.

2) Create distinct curricula to better serve the needs of specific sectors.

   a. Create SALTA curricula catering to different sectors (textiles, bodegas, etc.)

   b. Create an urban SALTA curriculum and a special “rural” curriculum that largely focuses on farming and livestock with as many visuals as possible and very little text to account for higher levels of illiteracy.

3) Consider phasing out the “massive,” 100,000-person scale and model SALTA more off of Component II, a program of far greater depth, personal attention, mentoring and coaching.

In the randomized control trial, GRADE will indicate whether or not SALTA is positively affecting business progress. This recommendation can best be evaluated, therefore, once randomized control data comes in. In a group of 100,000 micro-entrepreneurs, the business acumen will vary widely. In our limited exposure we met women who spanned a wide range of business knowledge. Some women refused to ever sell on credit, for example, and kept meticulous
books. Women like these could benefit from a transformed SALTA that more closely supported individual needs.

**Costs.** We have included two charts of projected costs for our proposed recommendations. The cost options are low, low/medium, medium, medium/high and high. Low cost signifies next to no additional financial cost, while high cost indicates a priority area in the tens of thousands of dollars range.

**Table 2.** Costs of “flexible architecture” recommendations

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Cost level</th>
<th>Other considerations/ political costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase SALTA into something that resembles Component II</td>
<td>Low</td>
<td>This is very unlikely to happen, but we believe it would offer excellent quality to the female participants.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>This would require the same amount of funds, but its primary cost would be in program design and adapting the current model to a different format.</td>
</tr>
<tr>
<td>Charge a nominal attendance fee</td>
<td>Low</td>
<td>Charging may run counter to the IDB’s mission and approach, and some of the women may view an attendance fee as a barrier to entry and choose not to attend.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Charging could potentially turn a profit, although staff must be hired to collect the payments on site, and there must be a safe system and accountability for money storage.</td>
</tr>
<tr>
<td>Create an “urban” SALTA and a “rural” SALTA</td>
<td>Medium</td>
<td>Geography serves as a proxy for education level and is also a rough proxy for sector to the extent that many neighborhoods in Lima are agglomeration economies concentrated on one industry and rural areas tend to be dominated by agriculture.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>DIME contains elements of a very basic version of SALTA, but adapting it for a female audience in urban and rural zones would</td>
</tr>
<tr>
<td><strong>Create SALTA materials based on sector</strong></td>
<td><strong>Medium/High</strong></td>
<td><strong>Create “self-contained” class modules</strong></td>
</tr>
<tr>
<td>------------------------------------------</td>
<td>-----------------</td>
<td>------------------------------------------</td>
</tr>
<tr>
<td>signify curriculum design costs and added instruction costs.</td>
<td>This requires a team of curriculum designers creating and publishing approximately 5-8 different curricula.</td>
<td></td>
</tr>
</tbody>
</table>
Assuming the architecture is set

The following recommendations are what we would recommend to be implemented even if SALTA must be limited to one three-hour block of time. We view these recommendations as essential, minimum baseline changes, however, that should be implemented whether or not SALTA is offered in multiple sessions and has its “architecture rethought.”

1. Divide the 200-person training sessions into breakout groups of 20. Participants need to be differentiated by sector, not only sex. Instead of having the women sit in a large hall with rows of 200 chairs, SALTA should encourage them to sit in groups of 20 according to sector. When the women arrive for the SALTA training, they can self-classify into the following sectors and seat themselves accordingly: bulk textiles, beauty shops, electronics, multi-purpose mini marts, artisan crafts, bodegas, textiles, and “other,” should their sector not be described.

Therefore, participants should be coded by sector when they enter the room. The MFIs already have clients categorized by sector, so the logistical challenge should be minimal.

   a. The designers of SALTA may consider stipulating that the loan officers (of all MFIs) be appointed as “group leaders” in the groups of 20. They must be incentivized with either pay or a lighter workload to free them up for three hours.
   b. “Star performers” (women who have excelled with their loans) may be invited to help lead discussions and serve as role models to the participants.
   c. Component I recipient groups must understand that if they are successful in their enterprise for a year after training, they can graduate to Component II.
   d. Child-care should be provided on-site so that mothers can more fully focus in their groups of 20 and so that the group can also progress free of distraction.

2. Keep the three-hour training simple and focused. Pare down the content and cover the material most demanded by microfinance clients using local examples. At a maximum, one topic should be covered each hour. The current potpourri of topics leaves participants with little recollection of the substance of the training except for the humorous parts and the most tangible lessons (“keep your storefront tidy”). Based on our conversations with micro-entrepreneurs and the loan officers who know their obstacles to growth, we recommend the following three substantive topics:

   a. Splitting personal and business finances
   b. Setting prices
   c. Improving customer service

Because the training is to be targeted to women, the examples should all feature female protagonists. Currently, Eddie Murphy’s “Daddy Day Care” movie is used for its humor and applicability in starting a business, but female Peruvian micro-entrepreneurs would benefit more from locally-made films featuring women in situations with which they can more readily identify.
3. Include self-esteem in the curriculum not as a variable unto itself, but rather an undergirding theme throughout the training. Self-esteem and empowerment should be woven throughout the training to combat traditional self-images that inhibit entrepreneurial development. Focus should also be given to the particular challenges women face as heads of households and of businesses, and they should have the opportunity to discuss these challenges, including very sensitive topics, such as domestic violence and child labor, in the more personal setting of the breakout groups. Lessons must recognize the reality of many of the older, married women who suffer from an “over-30 complex,” a belief that once a woman reaches and surpasses the age of 30 in Peru, it is very hard to find a job because she is viewed as old and not vibrant. They believe that SALTA would give them the emotional boost to feel that they were worth something again. Other married women reported how their marriages have served as a double-edged sword in trying to access loans. If their spouse has defaulted, they have little to no chance of taking out a loan. If their husband has a somewhat stable history, however, they found that they were fast-tracked through the loan application process. Therefore, SALTA must recognize the deep cultural norms that are embedded in lending to women through self-esteem building and must educate the participants about sensitively dealing with marriage complications and age barriers as they relate to their businesses.

   a. Aprenda should consider creating institutional linkages with feeder programs, such as CEDEMENUP or Conectas Red to receive women from these trainings.
   b. Mibanco staff and/or SALTA facilitators should be trained in methods and best practices from CEDEMUNEP or Conectas Red to include some of their content in SALTA.

4. Don’t ignore the needs of rural women. The IDB should take steps to ensure that rural business owners are not excluded from this opportunity because their educational deficit tends to be even greater. Our conclusion is that rural borrowers are expected to adapt to training schedules and processes that are intended for an urban audience. Mibanco does little to alter its products and/or programming to better suit the needs of its rural clients. Given that historically inequalities in Peru break along urban and rural lines, perhaps the best way to attack the training deficit is to start where it is greatest: in the interior.

   a. Translate the SALTA material into Quechua.
   b. Perform a “rural” pilot that brings the training to the rural areas and that does not require the rural clients to come to town. The training may take place outside, with no chairs, and with only a microphone, but it may yield greater turnout.
   c. Encourage loan officers to ask their clients what time of day they would prefer the training. 6:00 a.m. – 9:00 a.m.? 9:00 a.m. – 12:00 p.m.? 1:00 p.m. – 4 p.m.? Many sources indicated that 1:00 p.m. – 4:00 p.m. would be best.
   d. Encourage the MFIs to develop the “political will” to make serious and concerted efforts to serve the rural population by bringing the training to them.
   e. Consider purchasing a solar-powered, T.V. “to-go” that can be brought to the villages with the SALTA videos, so villagers can also enjoy the visuals.
Table 3. Costs of “set architecture” recommendations

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Cost level</th>
<th>Other considerations/ political costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pare down the curriculum to three main topics</td>
<td>Low</td>
<td>Paring down the curriculum may alienate clients who come and already know the major teaching of the three pillars to be discussed. The current format of a “little bit of a lot” allows people to walk away at least learning one small thing, and SALTA would run the risk of losing clients after an hour if they feel the teachings are too basic.</td>
</tr>
<tr>
<td>Include self-esteem as an undergirding theme in trainings</td>
<td>Low</td>
<td>New program material will be printed regardless. It may be difficult for SALTA designers to collaborate with the ethnic organizations we have highlighted due to time and limited resources.</td>
</tr>
<tr>
<td>Invite a “star performer” to serve as a role model</td>
<td>Low</td>
<td>This would cause great incentive for those learning to excel and the personal interaction with people “like them” who have succeeded will boost morale.</td>
</tr>
<tr>
<td>Purchasing a solar-powered “TV-to go” for rural zones</td>
<td>Low/Medium</td>
<td>Political will is the most significant component to such a purchase, as it signals a complete shift in how MFIs would be reaching the rural population.</td>
</tr>
<tr>
<td>Translate materials into Quechua</td>
<td>Low/Medium</td>
<td>This will require special care being given to indigenous populations for training, and separate sessions may be held, which will be more costly.</td>
</tr>
<tr>
<td>Child-care on-site for SALTA trainings</td>
<td>Low/medium</td>
<td>The most difficult part of this recommendation is finding someone who is able to locate 20 people who are available to babysit at these events.</td>
</tr>
</tbody>
</table>
| Divide the 200-person group in ten groups of 20 | **Medium**
This may require paying the loan officers or offering some kind of incentive to lead the small groups. | Financial cost is secondary to political will and capital in this structural shift. Incentivizing branch managers to offer the help of their loan officers will be difficult. This was DIME’s structure from 2000-2006, so persuasion would need to be forceful enough to motivate leaders to make this change back to focus on quality rather than quantity. Alternatively, clients could be assigned to lead the breakout sessions among their peers, saving the cost of hiring facilitators, which would put this recommendation into the “low cost” range. |
| Have loan officers serve as group leaders | **Medium**
Loan officers nationwide would need to be compensated for training and their time. A lower cost alternative would be to invite standout clients as discussion leaders. | Given the three-hour structure of training, each staff member would only have to give of his/her time once (maybe twice) a year. Costs at the branch level could therefore be anticipated. |
| Perform a “rural pilot” | **Medium**
This will require branch managers to allocate staff time and resources to creating a new program. | This will likely receive significant pushback from the local branch officers and staff. Most staff is located in the urban offices, and this would require more loan officers to be sent into rural zones, which would signal less time with their urban clients. |
| Holding training sessions in rural zones | **Medium**
No space would be rented, allowing for savings on overhead, but staff and transportation costs would be considerable. | Such trainings may force the MFIs to hire more staff in order to cover their urban clients while also expanding into rural zones. |
Table 4. Sequencing of recommendations

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Short Term</th>
<th>Medium Term</th>
<th>Long Term</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Architecture set</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pare curriculum to three topics</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invite “star performers”</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Divide classes into groups of 20</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Launch rural pilot</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Incorporate self-esteem theme</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buy “TV-to-go”</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Translate materials into Quechua</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offer child-care on-site</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan officers lead discussion groups</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Training sessions in rural areas</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Architecture flexible</strong></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Merge components I and II</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charge attendance fee</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offer both urban and rural varieties of SALTA</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Create sector-specific materials</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Offer self-contained modules</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offer a sequential course</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>
**Table 5. Categorical summary of recommendations**

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Assumes Project Design is Set</th>
<th>Assumes Project Design is Flexible</th>
<th>Management Issue</th>
<th>Curriculum Issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simplify training by focusing on just 3 major issues</td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Conduct targeted outreach to Afro-Peruvian and indigenous women</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Relax admissions requirements for Afro-Peruvian and indigenous women</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Divide 200-person sessions into breakout discussion groups of 20</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Integrate self-esteem as a theme throughout training</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Include rural women in training</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Move to a sequential multiple-class program</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Make curriculum specific to female needs and Peruvian context</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Move to mentoring and coaching approach</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>
VIII. IMPLEMENTATION

1. Drumming up sufficient numbers may be problematic. A primary concern of the IDB is that 100,000 is an overly optimistic number of people to serve in four years. Two basic strategies we support for drumming up potential SALTA customers in the very short term are the following:

a. Motivate MFIs to offer “savings campaigns”. To qualify for SALTA one must be a bank client, not necessarily a loan recipient. Many of the women we spoke with feared banks and the weighty prospect of having a monthly payment. They would be far more apt to become a client if they could save, not borrow, although saving would require a great level of trust between the women and the banks.

b. Have both Grupo ACP and the MFI staff promote the SALTA program, not just one organization or the other, in an effort to maximize the possibility of filling all 100,000 seats over four years. There seemed to be confusion about which organization was more effective at outreach, so a mixed approach may prove useful.

2. Linkages and partnerships need to be made with NGOs and cultural organizations that can supply future SALTA participants. We believe that SALTA, a woman-targeted training, must acknowledge and make efforts to include training addressing Peruvian women’s self-esteem as it relates to entrepreneurship. Building such esteem cannot possibly be done in a three-hour session.

a. The SALTA MFIs may consider pairing with established ethnic and cultural organizations that promote women’s rights and self-esteem in traditionally disadvantaged groups, such as CEDEMUNEP, and Conectas Red, an artisan cooperative that largely serves indigenous members. These NGOs have extensive outreach capacity and have a close relationship with the local population. Because Mibanco does not code its clients based on ethnicity, promoting the inclusion of such ethnic groups would ensure cultural and ethnic inclusion in the trainings.

b. SALTA programs may consider using a quota system, as discussed on page 27. CEDEMUNEP, for example, would like to see greater inclusion of Afro-Peruvians in such training programs and the members we spoke with at the focus group support the idea of a quota. When asked what percentage of seats should be allotted to Afro-Peruvian clients, there was not a clear answer, although many suggested that the percentage should at least mirror the Afro-Peruvian percentage in the population. If these ethnic organizations can consistently provide attendees to the sessions, the possibility of quotas may be more attractive. However, if seats are held for a certain percentage of Afro-Peruvian women and indigenous women, for example, and the seats go unfilled, Mibanco will have wasted money and may have turned others away. In the short-term, SALTA should consider the viability of piloting quotas for the Afro-Peruvian and indigenous populations in both Lima and the provinces.

c. The SALTA designers should consult the ethnic organizations about self-esteem-building tools so that a few of their key techniques are implemented into the SALTA training.
### Table 6. Implementation costs

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Cost level</th>
<th>Other considerations/political costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Both Grupo ACP and Mibanco advertise SALTA trainings</td>
<td>Low</td>
<td>Grupo ACP seems to think that Mibanco does not advertise trainings as well as they do, but the synergy between them may be promising, for Mibanco brings field-level knowledge and Grupo ACP brings managerial, top-level efficiency.</td>
</tr>
<tr>
<td>MFIs paired with ethnic NGOs</td>
<td>Low</td>
<td>The greatest cost will be interpersonal and time. These entities do not have a working relationship, and it will take time to establish ties and communication channels.</td>
</tr>
<tr>
<td>SALTA incorporates techniques of ethnic organizations</td>
<td>Low</td>
<td>The major cost would be time spent at the organizations.</td>
</tr>
<tr>
<td>SALTA uses the quota system</td>
<td>Medium</td>
<td>If seats are reserved and go unfilled, the quota system will quickly be dropped. Many involved in the program may vehemently oppose such a system, and it could cause infighting among concerned actors.</td>
</tr>
<tr>
<td>Perform a savings campaign</td>
<td>High</td>
<td>This initiative may not attract new clients, as loans have been shown to be the best way to gain new clientele. Encouraging women to trust their savings to banks is tough.</td>
</tr>
</tbody>
</table>
Technical vs. Organizational recommendations

Our short and long-term recommendations largely depend on whether or not the program architecture is set or can be changed. To recap, our recommendations can be grouped into two main categories: technical/training recommendations and organizational/management recommendations.

Figure 5. Structure of Recommendations
IX. CONCLUSION

Based on our interviews with micro-entrepreneurs, institutional actors, and development experts, we are hopeful that the fusion of academic expertise and grassroots knowledge from the U.S. and Peru will create a SALTA training that motivates participants and plants the seed of self-directed learning and entrepreneurial spirit in the entrepreneurs who participate. While we recognize and support the IDB’s interest in targeting women entrepreneurs to remedy their training deficit and spur the country’s development, we find that a one-size-fits-all training for women micro-entrepreneurs fails to take into account critical differences according to business sector and geography that demand more targeted training programs. While our limited research on Afro-Peruvian and indigenous women sparked ideas for quota systems and ethnicity-specific self-esteem programs, we believe the IDB must do more research into the particular needs of these two ethnic groups to determine precisely how to incorporate them into the new training program.

The IDB aims for SALTA to enable 100,000 women-led micro-enterprises to increase their median annual sales value by 15%. Given the structure and short time period of the program, we are highly doubtful that this goal will be achieved. A more realistic goal, albeit much harder to measure, would be to assess how self-directed the learning becomes among entrepreneurs and with what frequency members actively attend other business trainings. We agree that the 20% increase in loan amount may also be a realistic estimate of success and would recommend keeping this indicator.

In light of the short nature of the training and large number of expected participants, we believe that the results of the GRADE randomized control trial should be widely read and analyzed. We believe they will accurately document SALTA’s effectiveness. Our prediction is that Component II will have a far greater ability to positively affect business growth and success than Component I. Therefore, we encourage the IDB to begin to consider how it may transfer lessons, ideas, and project design from Component II to Component I, or conversely, cut the number of Component I participants at least in half (to 50,000) and double the number of sessions (to two instead of one), so that the structure of Component I may better approximate that of Component II. The project should remain flexible to adapt to the findings of the randomized control trial in any case, to ensure that impact analysis informs SALTA implementation.
X. APPENDICES

Appendix A: Maps of Actors

In our interviews with various stakeholders it became clear to us that the many actors have very different missions and cultures. The following two maps were drawn for us and depict distinct forms of authority and hierarchy, and an analysis of potential culture clashes follows.

Map 1. Version of Carolina Benavides, Director of Nexos Voluntarios

![Diagram showing the relationship between Inter-American Development Bank, NGOs, Mibanco, Goldman Sachs, Aus Aid, Providers: Thunderbird Aprenda, Universidad Pacifico, and GRADE]

Ms. Benavides’s map of actors depicts a very top-down, hierarchical estimation of the IDB’s oversight capacity and power. She sees her own organization, Nexos Voluntarios, as offering a mere advisory role to only one of the organizations, Mibanco. She believes Mibanco, Goldman Sachs and Aus Aid are enablers and intermediaries chosen by the IDB to assist the “providers” both with funds and technical expertise. It is to be noted that Dr. Soltau does not appear explicitly in this representation and may be assumed to be included in the Mibanco bubble.
Dr. Soltau has a very different conception of his role and the relationship among actors. He posits that the IDB and Mibanco share an equal position of power, oversight and decision-making. Based on his drawing, it appears that he feels most connected with Phase 2 of the project and the randomized control trial. His drawing suggests that he is not engaged in the Phase 1 planning, which evidences his thinking that Phase 1 will be a slight variation of an already-developed product (DIME). It is evident that Dr. Soltau feels distanced from Mibanco’s “massive,” Component I project. Dr. Soltau’s office is not housed in the main Mibanco complex either, and his distanced physical location may be reflected in his conception of his own engagement in the first component. In our conversations with Dr. Soltau, we noted his excitement about the potential depth and far-reaching effects of the intensive Component II.
Appendix B: Our versions of actor maps

Note: Larger circles indicate primary stakeholders and smaller circles indicate secondary stakeholders

Map of Actors (currently)

Desired Map of Actors
Appendix C: Interview Questions

Questions asked to loan recipients:

1. What kind of business do you have? Why did you choose this kind of business?
2. When did you start your business?
3. How many employees do you have? How many stores do you have?
4. Who do you sell your products to, individuals or businesses, or both?
5. How did you start your business? With your own capital or with loans?
6. Where did you get your loan? A bank or a moneylender?
7. If you had a loan, when did you pay it off?
8. Do you currently have a loan? If so, how much do you pay a month?
9. From which bank did you receive your loan?
10. Did you receive any kind of training with your loan?
11. How many times were you invited to attend a training?
12. How many times did you go?
13. Have you received training from any other source? If so, please describe the training to me.
14. General questions for all trainings:
   - About how many people were at the training?
   - How did you like the instructor?
   - Did you feel like you got personal attention?
   - Did you go with friends or by yourself? Your spouse?
   - Did you enjoy the mixed male/female training or would you prefer an all-women training?
   - What do you remember from the training?
   - Was there any lesson or learning in particular that made an impression and/or shocked you?
   - What changes did you make in your business after the training?
   - How did you feel when you left the training?
   - Would you go back?
   - If you were able to design the next training what would you want to learn for three hours?
   - What do you think you need to learn to expand and grow your business?
   - How long would the training be? Would it be one day or two days? Is there a particular day of the week that would be best? Time of day?
   - If you had to pay for such a training, how much would you pay per hour?
   - Do you feel as if you learned a good amount of technical tools in the training, for example: 1) how to attend your client, 2) advertising, 3) how to separate personal with business finances, 4) stabilize savings in the face of fluctuating costs, 5) manage competition, 6) work/home balance, 7) expansion/multiple stores?
   - How costly was it for you to go to the training?
   - Would you go again?
   - What is the wish you have for your business in the next year, five years, ten years?

15. What sources of income do you have besides this business?
16. How often do you discuss your business plans/strategies with other female micro-entrepreneurs?
17. How do you manage your personal and business finances? Do you combine them or keep them separate?
18. Do your input costs fluctuate? Earnings?
19. How do you spend your savings?
20. How often (if at all) do you look for new locations or new merchandise for your store?

Questions asked to loan officers:

1. How many years have you been working at Mibanco in this capacity of asesor, loan officer?
2. How many of the loan officers here are women?
3. How many clients do you have?
4. What are the primary professions/industries of the region?
5. What are the average education levels of men and women in the area?
6. Are you clients based in an urban or rural zone?
7. How would you describe your relationship with your client? Are you able to advise them about business plans, new ideas, etc.?
8. What are some of the characteristics of some of your successful clients? Could you list 2-3 traits?
9. What are some of the mistakes you see your clients making in their businesses?
10. Have you been to a DIME training? What did you think of it? What were the reactions of the clients who went?
11. Did clients think that it was practical, actionable, information that took their day-to-day reality in mind?
12. Do you think the training equally benefitted men and women?
13. Do you think a “women’s only” training would be a good idea?
14. Do you have a lot of clients who are married where you think this might be a problem?
15. Did you ever help in the facilitating of a DIME training?
16. Have you ever helped advertise for a DIME training? If so, did you find that it took a lot of time out of your work? Who did you target? Clients who were moderately successful or those who needed a lot of help?
17. If you could change the time DIME was offered to best serve your clients' needs, when would hold the training?
18. Has anyone from Aprenda ever come to you to ask for your advice on the content of DIME? Would you want them to?
19. In your experience has it been hard to fill the 200 seats or easy?
20. What training do you think your clients need most?
### Appendix D: Interviewees and Location

<table>
<thead>
<tr>
<th>Individual micro-entrepreneurs</th>
<th>Women</th>
<th>Men</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Textiles (wholesale fabric)</td>
<td>3</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>* plus one married couple</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Clothing shop</td>
<td>8</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>Multi-purpose stores</td>
<td>5</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>* plus one married couple</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Bodega</td>
<td>2</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Electronics</td>
<td>3</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Miscellaneous (including spices, paper store, beauty salon, tailor)</td>
<td>1</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>* plus one married couple</td>
<td>1</td>
<td>1</td>
<td>2</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>25</strong></td>
<td><strong>8</strong></td>
<td><strong>33</strong></td>
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<table>
<thead>
<tr>
<th>Mibanco Staff</th>
<th>Women</th>
<th>Men</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan officer</td>
<td>7</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td>Branch manager</td>
<td>2</td>
<td>0</td>
<td>2</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>9</strong></td>
<td><strong>7</strong></td>
<td><strong>16</strong></td>
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<table>
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<th>Focus groups</th>
<th>Women</th>
<th>Men</th>
<th>Total</th>
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<tbody>
<tr>
<td>Afro-Peruvian</td>
<td>15</td>
<td>0</td>
<td>15</td>
</tr>
<tr>
<td>Indigenous</td>
<td>13</td>
<td>0</td>
<td>13</td>
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<tr>
<td><strong>Total</strong></td>
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<td><strong>0</strong></td>
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<table>
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<tr>
<th>Final Interview Totals</th>
<th>Women</th>
<th>Men</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>62</td>
<td>15</td>
<td></td>
<td>77</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>District of Lima</th>
<th>Number micro-entrepreneurs interviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breña</td>
<td>7</td>
</tr>
<tr>
<td>Gamarra</td>
<td>7</td>
</tr>
<tr>
<td>Carabaylo</td>
<td>3</td>
</tr>
<tr>
<td>Jesús María (market)</td>
<td>12</td>
</tr>
<tr>
<td>Polvos Azules (market)</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>33</strong></td>
</tr>
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</table>
Appendix E: Survey to Administer to Potential SALTA Clients

Dear small business owner:

We are writing to invite you to take part in a brief survey to help us design a training program for women like you who run small businesses. If you complete the survey and send it back to us, your name will be entered into a lottery for the chance to win free classes on business development. We appreciate your time and look forward to hearing your feedback!

Business

1. What is your business sector (retail/manufacturing/service)? ______
2. How long have you run your business? ______
3. How many employees do you have? ______
4. Who is in charge of your business? You____ Your husband___ Other___
5. Who participates in your business? (Check all that apply) You___ Your children____ Your husband or partner___ Associates___ Employees___
6. How would you characterize your business at present? Very successful___ Successful___ Average___ Unsuccessful___ Very unsuccessful___
7. On average, how many hours per week do you spend at work? ___

Finances

1. How many loans do you have?
2. With which banks?
3. Why did you choose the bank that you did?
4. Did you use a loan to start your business or your own capital?
5. Do you have a bank savings account?
6. Do you separate your business and personal finances or mix them?

Training

1. Have you attended a business training course? Yes___ No___
   a. Who ran it? A bank___ A technical institute___ A community organization___
      Local government or a ministry___ Other (please specify)___
   b. How much did it cost? Free____ 25 soles or less____ 25-50 soles___ 50-100 soles____ 100-500 soles____ More____
   c. How many sessions were held? One___ Two or Three___ Four or Five___
      Five or more____
   d. How long were the sessions? One hour or less___ Two hours___
      Three hours___ More____
   e. What was the topic? General administration___ Accounting___
      Customer service___ Taxes___ Exporting___ Advertising___
      Market research___ Other topic specific to my line of business___
   f. Would you recommend the training to another business owner? Yes___ No___
2. Would you like to attend a training course?  Yes____  No__
   a. What topic would you choose? Accounting___  Customer service___
      Taxes___ Exporting___  Market research___  Advertising
   b. When would you prefer the course to be held?  Evening (18:00 to 21:00)___
      Afternoon (13:00 to 16:00)___  Morning (9:00 to 12:00)___  Early
      morning (6:00 to 9:00)___  Midnight___
3. If daycare were offered during the training session, would you use it?
   Yes____  No__
   a. How much would you be willing to pay for daycare? ___
      Nothing___  25 soles or less___  25-50 soles___  50-100 soles___
      100-500 soles___  More___
4. How much would you be willing to pay to attend the training?
   Nothing___  25 soles or less___  25-50 soles___  50-100 soles___  100-
      500 soles___  More___
5. Would you prefer a lecture or discussion format?  Lecture___
   Discussion___  Both___
6. Would you like to attend with others from your friends or family?  No____
   Yes, with my husband or partner___  Yes, with my child(ren)___
   Yes, with a friend___
7. Would you like trainings to be just for women or mixed?  Just
   women___  Mixed___
8. Would it benefit you to be trained together with people from your specific sector?  Yes___
   No__

Thank you very much for participating!
Appendix F: Profile of Mibanco Clients

**ECONOMIC ACTIVITY**
Commerce, Services and Production

**FAMILY MEMBERS AT HOME**
On average 5

**SES/ SECTOR**
B, C and D

**SEGMENT**
Individual
Microbusiness

**EDUCATION**
Primary 45%
Secondary 39%
Technical 12%
Higher 4%

**CIVIL STATUS**
Married 81%
Single 16%

**AGE**
36 to 50 75%
26 to 35 20%

*Source: Mibanco*
Appendix G: Workflow Diagram: Lending Intimidation

Source: Mibanco
Appendix H: Mibanco Shareholders

Mibanco’s Shareholders

- (The Netherlands) Triodos Group 11.81%
- (Perú) La Positiva 5.21%
- Acción International 6.33%
- Other Shareholders 0.72%
- International Finance Corporation - IFC 6.50%
- Acción Investments in Microfinance SPC 9.36%
- ACP Group - Investments and Development 60.07%
- (USA)

Source: Mibanco
Appendix I: Women’s Attitudes toward Entrepreneurship, 2007

Source: Global Entrepreneurship Monitor, 2007 Report on Women and Entrepreneurship
XI. BIBLIOGRAPHY


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