Analyzing poverty-reduction initiatives led by the private and nonprofit sectors in Peru

By
Ketty Paulina Loo Lock

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Abstract

This Major Research Project looks at poverty-reduction approaches in initiatives led by organizations from the private and nonprofit sectors in Peru. Stemming from the investigator's personal experiences as a designer working in similar projects, as well as the recent decline in Peru's steady decrease in poverty rates, this investigation sought to gain a deeper and broader understanding on the social, political, and economic factors influencing poverty-reduction initiatives' capacity to generate impact and achieve long-term sustainability. The research methodology adopted a three-pronged approach: first, a thorough review of literature explored three key areas of poverty and poverty reduction, social innovation, and community-driven practices, all centered around the topic of poverty-reduction initiatives in the private and nonprofit sectors in Peru. Second, a comprehensive mapping and classification exercise examined existing initiatives in order to gauge the current state of poverty-reduction approaches. Third, a more granular exploration of the topic involved in-depth case studies of six poverty-reduction initiatives, three of which involved the investigator's personal experience. Results of the analysis are presented in the form of three considerations for improving an initiative's impact and effectiveness, and four guidelines to improve an initiative's long-term sustainability. Overall findings of the investigation lend support to the idea that the topic remains an underdeveloped field of practice and research, and that it is crucial for an initiative's success in impact generation and long-term viability to: incorporate a more local and tailored approach, address the specific socio political factors relevant to the beneficiary and the initiative's designed solution, involve the beneficiaries throughout the design and implementation process, and to define clear objectives for reducing poverty that are coherent with the initiative's definition of what poverty means.

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Acronyms and abbreviations

CAD	Canadian dollars
CDD	Community-Driven Development
COMEX	Peruvian Society of Foreign Trade
IMF	International Monetary Fund
INEI	Peruvian National Institute of Statistics and Informatics
IPE	Peruvian Institute of Economy
MYPE	Medium and small-sized enterprises
NGO	Nongovernmental organization
PTQ	Peru Te Quiero Alliance of private and nonprofit sector
SDG	Sustainable Development Goals
SI	Social Innovation
SSE	Social and solidarity economy
STS	Siderperu Technical School
UNDP	United Nations Development Programme

1. Introduction

"¿Cómo un país tan pobre puede ser tan rico?" is a very popular phrase in Peru that sums up the citizens' feeling regarding the complicated and systemic problem of poverty in the nation. In English, the phrase translates to "How can a country so wealthy be so poor?" and the phrase is often said in a sardonic tone, if at times resigned. It encompasses the disbelief and exasperation of a country with vast natural resources and a culture of entrepreneurship and resilience and yet still, 200 years after its independence, has 27% of its population in poverty and 32% more at risk of falling into poverty (INEI, 2023). I mention this phrase because, as a Peruvian Chinese, I grew up hearing it from my parents, neighbors, friends, and even strangers, because as Peruvians we took poverty as a perpetual characteristic of our country. When foreigners ask me how I would describe my country, I think of our biodiversity, of our beautiful coastal capital city, of the Andean mountain range, of Machu Picchu, of the best food in the world, and of poverty. My country's history is rife with political and economic upheavals and chaos, to the point where we have become desensitized to events that others might perceive as serious and major. Peru has gone through 6 presidents, two attempted coups d'etat, a pandemic, and a frozen global economy and inflation since 2016 (INEI, 2022). And in the midst of all that, poverty remains a complex and systemic problem that seems to be so complicated that it feels intimidating to approach or impossible to solve.

I remember that, on my first day of university as an international student in the United States, a stranger sat next to me in the big lecture hall and, once they learnt I was from Peru, asked me if I had internet back at home. A Peruvian friend of mine pursuing a Masters' degree in Canada had their thesis methodology questioned by the university's research ethics board because they did not believe Peruvians knew about the existence of LinkedIn. Stories like these are not uncommon, and at times I wonder if being classified as a developing country might have worsened all the

stereotypes, first impressions, and instant associations that people would have when they hear the word "Peru," but then I remember that phrase and I remember that, just as soon as we had finished celebrating a 13% growth in our GDP in 2021, 2022 ended with 628,000 additional Peruvians falling back to poverty (INEI, 2023).

I have been working as a design practitioner since 2018 and have had the opportunity to work in social innovation projects for transnationals and large organizations in Peru. In the last 6 years, I have become familiar with well-intended but badly-executed social impact initiatives and programmes. In 2021, for example, I worked with a rural and remote farming community nested high in the Andean mountains who had been gifted with 200 alpacas in 2019 from a mining company as part of their corporate social responsibility initiatives and the continuing efforts to establish a good relationship with the community in order to prevent obstacles to their mining operations. The initiative, called "Tejiendo el Futuro" (Spanish for Knitting the Future), was meant to give the community an additional source of revenue by shearing and selling the highly-valued alpaca fiber every year; in return, the mining company expected the community to be more agreeable to the company's desire to expand their mining operations nearby even if this could impact their health and their environment. This was considered a sustainable source of income that would promote long-term economic development and thus alleviate poverty in the community. Better yet, the farmers could take the fiber and weave it into garments, adding even more value to the raw material. If raw alpaca fiber could be sold for S/ 9.00 per kilo (approximately 2-3 CAD), a single piece of well-woven clothing or artisan handcraft made with alpaca fleece could sell for 16 times more (S/ 150.00, or 55 CAD). And yet, one year later when the company approached the community for a follow-up they found that no alpacas had been shorn, no fleece sold, no handcrafts made, nor clothing woven, fulfilling none of the achievements that the company had projected in their initiative. Adding to the bewilderment of the company, the farmers were now in a worse financial situation than before as they now had to invest time and monetary resources for

the upkeep of the animals, and this worsened the relationship between the community and the mining company to such a point that the community started small protests near the mining operations and refused to meet with any direct representative of the organization without the presence of a third-party go-between. In light of that, the mining company hired a team of external consultants to mediate this new complication, and that's where I came in, initially as a research and strategy consultant for the mining company, and eventually temporarily assuming the role of the go-between as I increased my interactions with the community. My primary goal was to discover why none of the expected results happened and based on that, to figure out the best way to salvage both the relationship and the initiative.

Just as with Tejiendo el Futuro, there are many socially-driven projects that I worked on or learnt about that ended in a similar outcome. According to a report done my Kunan (the biggest private, public, and nonprofit sector alliance in Peru whose sole purpose is to strengthen and develop the social entrepreneurship ecosystem in the country), Peru is abundant in good will and good intentions, in organizations and social entrepreneurs launching programs, initiatives, or products seeking to reduce or alleviate poverty with well-intended solutions that target a specific pain or urgency related to poverty and with specific beneficiaries in mind (Kunan et al., 2021). But just as in the case withTejiendo el Futuro, my experience has led me to believe that there are certain challenges that many of these initiatives have to overcome in order to create long-lasting positive change. Some of these challenges will be looked at in a more in-depth manner in this investigation: factors such as how they are defining poverty or approaching poverty-reduction, whether their financial models may be leaving them heavily dependent on donations, whether their initiative could be overlooking opportunities tailor their solution more effectively to their beneficiaries to are unable to overcome certain challenges, and so on. The nature of private and nonprofit organizations' involvement, excluding those that enact their programs through alliances with the public sector, mean that these initiatives can risk creating a fragile one-way beneficiary-

benefactor relationship, leaving the beneficiary with little to no say in the way the initiative is designed, implemented, and followed-through (Casey, 2018).

I often think about my experiences with projects such as Tejiendo el Futuro whenever I am at a crossroads in my professional development, because the lessons I learned in the process of trying to establish trust with the community and understand why the initiative had not been successful have ingrained in me the feeling that tackling poverty for the benefit of a group of vulnerable people, from the perspective of someone who is not in that group, leaves the designed solution with many gaps and biases that may not be obvious at first glance. For the most part, what pushes me to grow as a strategic designer in the world of social innovation is the potential that I have seen and felt when working in projects that are driven by social impact. However, these past experiences as well as the increasing awareness of my positionality as a Peruvian privileged enough to grow in Lima, the capital city, and to be able to graduate from high school and university and to be completing a masters' degree in Canada, has made me more critical of my own skills and capabilities as an aspiring social innovation designer. As time goes on I question myself more and more: are my actions and design decisions truly making a difference, or are they reinforcing a status quo that, long-term, is not beneficial to those in most need? How can I, as an outsider, as someone considered foreign to the beneficiaries' context, design a solution that can bring social change that transcends generations?

These are the questions driving my interest in exploring the intersection of social innovation, socially-driven organizations, and community-driven participatory practices in the pursuit of eradicating poverty in Peru. What does the media celebrate as an innovative social solution? What is regarded as a "success" and what is tagged as a "failure" by the design community? What kind of changes have been created due to the implementation of these initiatives? How are they tackling the complex and systemic issue of poverty without the involvement of the public sector?

And lastly, is the way that social innovation is being practiced and implemented in Peru the best way for designers to achieve long-lasting and positive impact in reducing poverty?

In sum, these are the main questions that this exploratory research aims to answer:

- Are poverty-reduction initiatives in Peru led by organizations, NGOs, or social entrepreneurs achieving the desired outcomes as set by their benefactor?
- Could approaches that involve the beneficiaries throughout the process of design and implementation improve the impact and increase the resilience of these poverty-reduction initiatives?

This MRP does not at all claim to find the solution to end poverty; rather, the intentions are to examine:

1. My own reflection on how I could have improved my designs and contributions to the impact-driven projects I worked on.
2. For the reader to perhaps reflect on how our positionality as a solution-bringer may be painting the relationship between our intended beneficiary, the solution, and ourselves.
3. To consolidate all the learnings into a supporting design framework that can hopefully help any initiative be more impactful and long-lasting; a tool that can be used by anyone, be them designer or beneficiary or a third-party observer, to gauge a design's readiness to survive and thrive.

2. Literature review

2.1. Poverty and poverty-reduction in Peru

2.1.1. History of poverty and economic development in Peru

The 80's in Peru is a period often termed as "The Lost Decade," a name that describes a period of severe economic crisis, hyperinflation, natural disasters, mass unemployment and food shortages that resulted in poverty affecting half the population (IPE, 2017). According to IMF senior economist Svetlana Vtyurina, Between 1980 and 1985, in the second administration of President Fernando Belaunde, a series of risky fiscal decisions seeking to radically boost economic growth through export tax reductions and expansion of social services led to a heavy reliance on debt and an unsustainable payment interest rate that resulted in a 110% inflation and a total public and private external debt of an estimated US$19.3 billion. In the following years the government implemented a policy of self-sustaining economy which further exacerbated the problem. By 1988, the price of goods and commodities had risen to 1722%, and the poverty rate had increased to 55% (Vtyurina, 2015).

Those 10 years of extreme social and economic crisis have since then served as a hard lesson to the government and the nation as a whole, with the following administrations assuming a stance of severe austerity that has lasted to this day (Vtyurina, 2015; IPE, 2017). A period of recovery and stabilization from the 90's until the early 2000s was realized through a series of policies focused on increasing tax collection and decreasing public expenditures, adjusting consumer goods prices and emphasizing debt administration for the sake of increasing government revenue and curbing the hyperinflation (Jaramillo, 2014).

The global financial crisis in 2008 only served to reinforce the continuing accumulation of savings and the government's tight control on expenditures led to the nation being considered one of the top emerging market economies and a regional role model in fiscal prudence and discipline. Twenty years of these sound economic measures led the nation to enter its twenty-first century financially stronger than its previous decade, and a return to the capital markets after years of absence. Poverty rates began a steady drop that has continued until 2020, when the pandemic hit (Rubiano-Matulevich, 2023).

This economic crisis and its subsequent growth and development highlight two contextual happenings that describe how poverty in Peru has been developing in the last 20 years: a period of seemingly steady economic growth and decrease in the rate of poverty from 50% to 20%, accompanied by the government's strict policy of austerity and low social spending. This is the reason why in 2020, when the pandemic hit, the vulnerabilities hidden in the economic growth were exposed and poverty, which had been steadily declining since the 90's, took a fast dive for the worse (Rubiano-Matulevich, 2023).

Economists and academics have surmised how the government has approached poverty in Peru in two avenues, from a policy perspective: first, the government's emphasis on tax collection while keeping social spending at a record low year after year (Jaramillo, 2014) means that from the citizen's perspective there has been no evident effort by the government in investing in infrastructure and programs to improve the quality of life and alleviate poverty; second, even when the government is making limited use of its allocated budget, the poverty-reduction department is not prioritized (in 2023, for example, the department had the third lowest expenditure, with just US$1 billion, with the top department spending over US$8 billion (COMEX, 2023), which further reinforced the perception that the government takes a indirect rather than a direct approach in reducing poverty (Jaramillo, 2014).

Due to this low and perhaps ineffective social spending, the economic growth and its following decrease in poverty-rate have been largely dependent on the strength of the market, specially the private sector. COVID19 brought to light the frailty of the much touted economic growth, as the weak social foundations collapsed under the global lockdown policies and pushed millions of Peruvians back into poverty and left many more at risk of falling back (Rubiano-Matulevich, 2023). This, in addition to the population's perception of government inefficacy, has led to a limited belief in the effectiveness of the government in achieving actual and permanent reduction of poverty (Altamirano et al., 2004).

This perception underlies the current challenges of tackling poverty for Peru as government instability continues to decrease trust in the government and minor disruptions to the economy put thousands of communities at risk of sliding back into poverty. In sum, any poverty-reduction approach must consider the country's history of frail economic growth, the increased risk of falling back into poverty, the enduring social inequality, and the population's high vulnerability due to the weak social support.

2.1.2. Poverty-reduction approaches in Peru

According to INEI's latest report on poverty, the government's definition of poverty and extreme poverty is tied to two monetary values: for poverty, it is the monetary value to buy the "canasta basica," which is a set minimum amount of money needed to cover basic food, clothing, education, health, mobility, and other needs. For extreme poverty, the definition is tied to the monetary value required to buy the "canasta alimentaria," a hypothetical basket containing the minimum amount of food required to sustain a household's nutritional needs. Households that do not reach a monthly income required to cover the canasta basica are classified as "poor," and those who do not have enough income to buy the "canasta alimentaria" are classified as "extremely poor." As

of 2022, the poverty line set in Peru is a monthly income of S/ 415 (approximately 152 CAD) and the extreme poverty line is a monthly income of S/ 226 (approximately 83 CAD) (INEI, 2023).

It is important to note that the government's current approach to poverty uses monetary poverty as the single definition and dimension to measure poverty (INEI, 2023), despite both local and global acknowledgement that poverty is better approached from a multi-dimensional perspective - meaning, poverty encompasses more than simple low monetary income (UNDP, 2023).

Furthermore, just as the multi-dimensional perspective posits that there is not just one single measure for what poverty is, there is also not just one single measure for what poverty-reduction should try to achieve. Barder proposes that "reducing" poverty can mean more than simply increasing the monetary income of a household. Poverty-reduction approaches can encompass measures and programmes that seek to relieve the consequences of poverty (for example, food insecurity), or target specifically one of the many variables that may cause it (for example, unemployment) (Barder, 2009). As such, poverty reduction can take a multidimensional approach not only in its definition but also in its objective.

The dangers of assuming a single-dimension definition of poverty is that, while much easier to measure, this economic-driven perspective dismisses other variables that could bring a deeper understanding of well-being and urgency and may also undermine more effective prioritization and decision-making processes (Gamboa, Mingorria and Scheidel, 2020). The United Nations Development Programme suggest adopting the multidimensional definition of poverty so that the respective poverty reduction initiatives can be more human-centered (UNDP, 2023), as each perspective carry with them unique narratives, leading to the design and implementation of policies in response to these narratives, as well as different assessments of performance and success (Gamboa et al., 2020).

In a participatory poverty assessment done by the World Bank in 2003, with over 700 participants from various regions in Peru, poor health was perceived by the participants as the main cause of poverty, while education was considered by them as the most important long-term solution (World Bank, 2003). This result diverges from the government's perspective of poverty, which points at unemployment as the main cause of poverty and a strong formal economy as its solution (Rubiano-Matulevich, 2023). This only serves to highlight the need for a multidisciplinary and bottom-up approach when analyzing and tackling poverty.

An additional consequence of the government's monetary poverty approach, combined with their preference to tackle the problem indirectly by strengthening the market and their undeterred low social spending is the government's increased dependence on the role of the private and nonprofit sectors in their struggle against poverty (Herrera, 2017). Their perceived impact and role in the eradication of poverty is twofold: first, as main agents and drivers in the economy, organizations are often involved in public policies of poverty-reduction and economic development as generators of employment and market opportunities. This, while considered an indirect approach to alleviating poverty, is often the main solution that economists and experts arrive at: the belief that to permanently eradicate poverty the main focus should be in nurturing a strong private sector (World Bank, 2023).

Second, as business models and approaches that emphasize an organization's role and civic responsibility in society become more and more popular and globally acknowledged as necessary (models such as the corporate social responsibility, the Sustainable Development Goals, social enterprises, bottom of the pyramid strategy, etc.), the role of the private and nonprofit sectors in developing countries such as Peru become more and more relevant to the implementation and financial sustainability of social programmes and initiatives that focus on filling the gaps between existing government policies and still-unmet needs (German-Caceres, Nunton-More, Suysuy-Chambergo and Nevado-Chauca, 2023). This is considered a more direct approach, as these

initiatives address a specific need and specific intended beneficiaries (International Finance Corporation, 2012).

However, although there has been much research regarding the private sector's role in poverty-reduction in Peru, most if not all of it have been focused on the sector's indirect impact on poverty reduction through their role as market and job generators - meaning, there is little literature that specifically looks at these direct approaches, by non state-controlled institutions, to permanently eradicate and/or alleviate poverty in Peru.

2.2. Social innovation and socially-driven organizations

In the last 20 years the concept of Social Innovation (SI) has become of great interest by researchers and practitioners alike. From investors to universities, from traditional NGOs to government institutions, a great number of actors and stakeholders have become involved in the effort of understanding, creating, and implementing new and innovative theories and frameworks to solve complex social problems (Popoli, 2015).

The term itself does not have a single universally accepted definition, to the surprise of no one, considering that the two words that compose this term, "social" and "innovation," each carry a wide range of different perspectives and definitions. Some experts define social innovation as a product, some as a process, and some as an achieved objective (Buckland et al., 2014). Because of this, the use of social innovation as a term to describe any particular solution can be polemic and often invites criticism. Furthermore, as social and environmental problems become more dire, the term will continue to evolve and may never be truly defined to the satisfaction of everyone. However, for the purpose of this MRP we will leave aside the theoretical and conceptual debate and focus rather on its practical application. As the interest is in exploring how Social Innovation is happening in Peru, we will leverage the broadness of Popoli's definition of not only "what" is

social innovation but also "how" it happens: we define Social Innovation as "all ideas, processes, or approaches that respond to a social need" in a way that is more effective than existing alternatives (Popoli, 2015). In this case, "effectiveness" means that the desired poverty-reduction objective has been achieved and this result contributes to a lasting reduction in poverty. From that perspective and based on the literature review, the current "existing alternatives" in the Peruvian context are, in actuality, two key circumstances that are impacting the "effectiveness" of poverty-reduction initiatives: first, that the current approach taken and fomented by the government has resulted in a superficial and frail growth instead of permanently reducing poverty in the country. Second, this research acknowledges that there inherent difficulties that socially-driven organizations face in Peru: the high failure rate of enterprises in general (with 8 out of 10 not surviving their first year according to a report by COMEX (2023)), in addition to the added financial constraints faced by mission-driven organizations further exacerbate the risk that socially-driven organizations may fail to sustain their operations for long. Combined, these two factors contribute to the idea that poverty-reduction initiatives led by hybrid organizations are in particular risk of either not working as intended or not lasting for long.

It is in the face of the ineffectiveness of existing ways of doing, then, that SI has increased in popularity, along with an increased urgency to tackle the many social and environmental issues that plague our day to day, have resulted in a surge of not only the number of initiatives but also the number of approaches and perspectives; from platforms such as crowdfunding to open source innovation, this continuously growing ecosystem has become a hotspot for organizations and entrepreneurs. Now, with many established frameworks, processes, and systems in place, the current focus of entrepreneurs, investors, financial analysts, politicians, academic experts, and CEO's is on the impact. Is social innovation creating measurable results? Are the approaches being used effective? To what point is actual social improvement happening?

2.2.1. Social innovation and Social Entrepreneurship

Considering the objective of social innovation is to generate a more effective approach to solve a social need, we can assume that there are many ways in which this objective can be achieved, be it through policy, research, technology, and others. Of particular interest to this investigation is that of Social and Solidarity Economy (SSE), which refers to any economic activity that has strong social objectives over -or along with- profit motives. This umbrella term encompasses any and all organizations with income-generating activities that seek to either respond to specific needs of communities or transform current economic models to incorporate practices based on social values and ethics (Yi et al., 2023).

If we continue with the practical definition of social innovation as an innovative approach to solve a social problem, we can think of SSE as one specific way to design and implement this approach. With that relationship in mind, social innovation can be looked at as a "what," and SSE can be looked at as one of the many "how"s in which SI can be achieved.

Figure 1. Social Innovation (SI) and Social and Solidarity Economy (SSE)
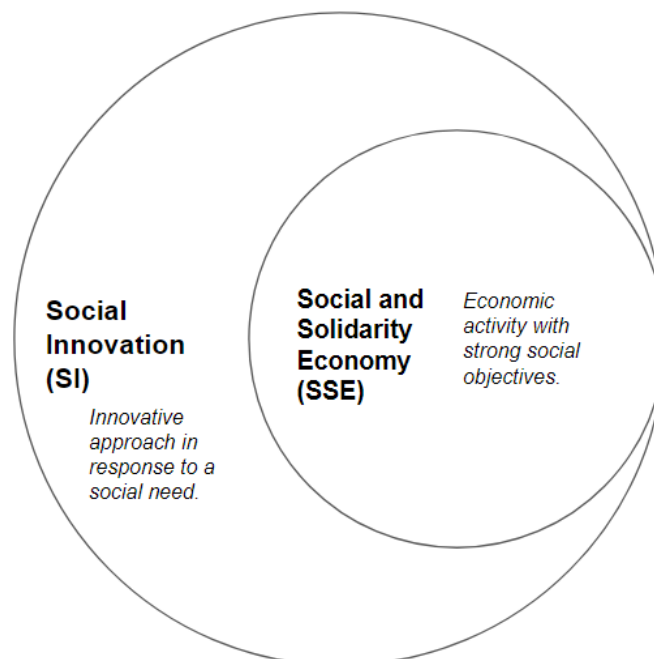
It is within the sphere of activity of SSE where we can locate all organizations with income-generating activities that support their poverty-reduction initiatives, grouped under the category of "social entrepreneurship." The shared narrative between these organizations, be it from the private or nonprofit sectors, is that, unlike cooperatives, mutual societies, and foundations, they use traditional entrepreneurial principles in order to support and manage a venture to make social change (Popoli, 2015).

Figure 2. SI, SSE, and Social Entrepreneurship
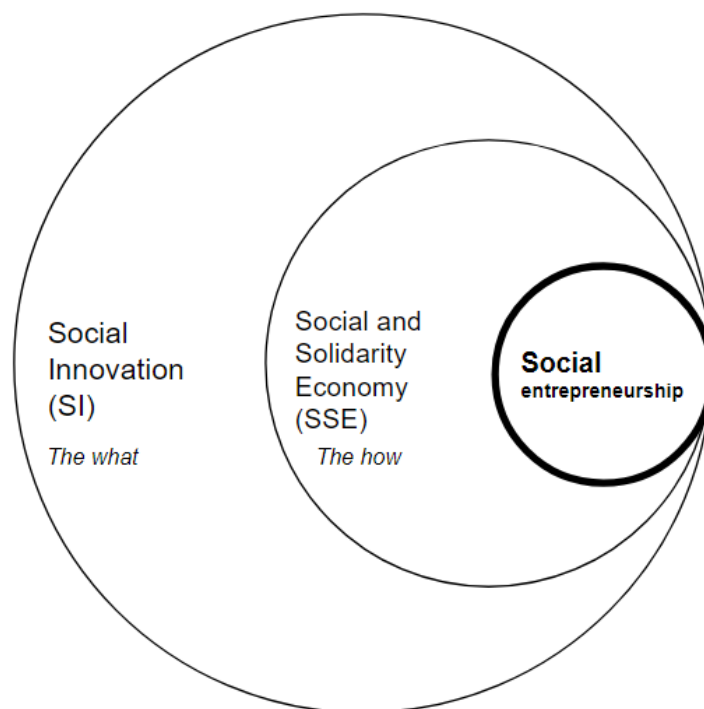
Social entrepreneurship is a curious economical, social and political phenomenon in Peru - experts in the field often point out the disparity between the high intention to start a socially-driven venture and the low survivability rate of the initiatives over time, as well as the dissonance between the economic growth indicators with the low rates of wellbeing and social development access for most of the population (Vera et al., 2016). This phenomenon, however, reflects the reality of both the private and nonprofit sectors in Peru.

2.2.2. Private sector, Nonprofit or Third sector, and Hybrid Organizations

In the last 30 years, particularly in Latin America, there has been a gradual shift in the economic landscape, with businesses stepping up in the perceived failure of the government in serving the population. In light of that, both the private and public sector are now rethinking their relationship with each other and their roles in providing social services to the most in need.

In addition, global trends have been persistent in raising the public's awareness of the social impact and environmental impact of the development of businesses (Alter, 2003). Today, as companies in Peru bear more and more societal pressure to be socially and/or environmentally responsible, it is not enough for organizations to remain satisfied with their role as market and employment generators. In response to the increased demand of the public for businesses and organizations to adopt stronger measures and take direct action to improve society and the environment (German-Caceres et al., 2023).

2.2.2.1. The private sector

According to COMEX, the Peruvian Society of Foreign Trade, the private sector is divided into 4 categories of organizations: transnational companies, large companies, medium-sized companies, and MYPE's (short for micro and small enterprises in spanish). This distinction is important because 97% of registered organizations in Peru are classified as MYPEs, while the remaining 3% are responsible for 30% of the sector's employment opportunities and almost 70% of the sector's contribution to the nation's GDP. However, it is important to note that the private sector also includes the informal economy, which accounts for nearly 75% of all employment in the country (Sociedad de Comercio Exterior del Peru, 2023).

Because of this, big companies have been lauded by both policy makers and financial experts as the key ingredient to solve the current development challenges in Peru by narrowing the gap

between the formal and informal economy, thus creating employment, providing income to more people, and reducing the country's monetary poverty (International Finance Corporation, 2023). This indirect approach is a sequence of events that has been much studied by academics and experts.

Recently, in response to trends such as Corporate Social Responsibility, the B Corp certification, and Socially Responsible Businesses, the private sector is more interested in evidencing good civic behavior to society, and it has become widely acknowledged that investing in practices of social responsibility bring only benefits, particularly to their image (German-Caceres et al., 2023). This becomes even more significant in Peru's private sector, as the organizations who most contribute to the nation's GDP and employment levels are concentrated in extractive industries whose negative impact, both socially and environmentally, have always been a point of contention (Vera et al., 2016).

However, despite the many trends regarding corporate social responsibility and corporate civic duty or the public's perception of the 4% of the private sector, consisting of medium and bigger-sized companies, as heralds of economic growth and social development, there is little research done regarding the impact that their social responsibility initiatives and programmes have in regards to the social or environmental issues they seek to solve. Rather, most of the available research has been focused on the programmes' impact on the organizations' reputational image or other such internal metrics. Specifically in regards to poverty-reduction, the general view is still focused on the private sector's role as employment generators, and have thus classified practices such has donations to communities or NGOs, internal upskilling programmes, and inclusion, diversity and other such organizational culture initiatives as social responsibility practices, leaving aside those initiatives with a direct poverty-reduction approach (Franco, 2007). And so, despite transnational and big corporations in Peru releasing their sustainability reports and marketing

content promoting their socially responsible practices, there still remain many unknowns regarding the effectiveness of these initiatives in permanently eradicating poverty in the country.

2.2.2.2. The third sector

During the 80's, in response to the economic crisis, political instability, and the perception of the Peruvian government's inability to function properly, private nonprofit organizations surged in mass in response to these turbulent times, seeking to cover basic human rights such as food, health, and sanitation. In the 90's, as the Peruvian society overcame its economic crisis and entered a phase of macroeconomic stabilization, these same organizations began assuming a bigger role in the government's prioritized efforts in tackling poverty and social development. Today, they are considered as key intermediaries or partners in the design and implementation of new social policies (Sanborn & Cueva, 2014).

The third sector, also known as the nonprofit sector, was a classification that appeared as an attempt to group those organizations with strong social motives that did not fit in the private sector nor the public one. From the Peruvian perspective, economists Sanborn and Cueva explain that the nonprofit sector covers all organizations that are private in nature (meaning, they are structurally separate from the government), are self-governed, contain activities that involve a significant degree of collaboration, and whose revenue do not support any single member (Sanborn & Cueva, 2014). It is in this sector where we can find social enterprises and other forms of mission-driven nonprofit organizations with income-generating activities.

Nonprofit organizations first presented themselves as more effective alternatives to the public sector's development initiatives. They were viewed by the government as competition for "the minds and hearts of the poor" (Priale & Caballero, 2019). As the country began to recover from their financial and political crisis, international aid began to dwindle, and the nonprofit organizations were suddenly confronted with the reality of sustaining themselves economically

with a traditional NGO financial model, which was primarily based on donations. As a result, traditional nonprofits had to transform themselves in order to survive, and so started to prioritize income-generating activities that could support their impact-generating activities (Priale & Caballero, 2019). This mindset was further nurtured with the entrepreneurial spirit that has always been characteristic of the Peruvian culture (approximately one of four Peruvians are entrepreneurs), and so it was that social enterprises and similar business-and-mission models became so prevalent in this sector (Vera et al., 2016).

However, there is little research regarding the contribution of the third sector in the economic growth of the country, nor is there a good estimate of its size due to the legal ambiguity of its definition. Due to this, this sector is often overlooked and perceived as irrelevant in comparison to the private and public sectors, despite the fact that nonprofit organizations are lauded by their capability to reach difficult-to-access communities and their impact-first mentality, which puts them as pivotal agents in not only strengthening the weak social services system of the country but also in delivering direct poverty-reduction initiatives to the most needed (Sanborn and Cueva, 2000). It becomes paramount, then, the need to gain a better understanding and a more accurate perception of this sector's contributions to the development community in terms of types of approaches, effectiveness, and challenges.

2.2.2.3. Hybrid organizations

In order to avoid confusion, we refer to Alter's typology of social entrepreneurship, as it provides a classification that includes socially-driven organizations from both the private and the third sectors, allowing us to think of social entrepreneurship as a spectrum that can include nonprofit organizations as well as transnational corporations. While organizations from the nonprofit sector are clearly socially-oriented, we cannot dismiss the role of corporations and other private for-profit organizations in the current direct poverty-reduction approaches. With Alter's typology we are

able to include organizations from both sectors as agents of social innovation under the umbrella of "social entrepreneurship." Under this typology, Alter proposes that there are four types of organizations that have both business and mission models (refer to Figure 3) (Alter, 2007).

Figure 3. Types of organizations that do social entrepreneuship
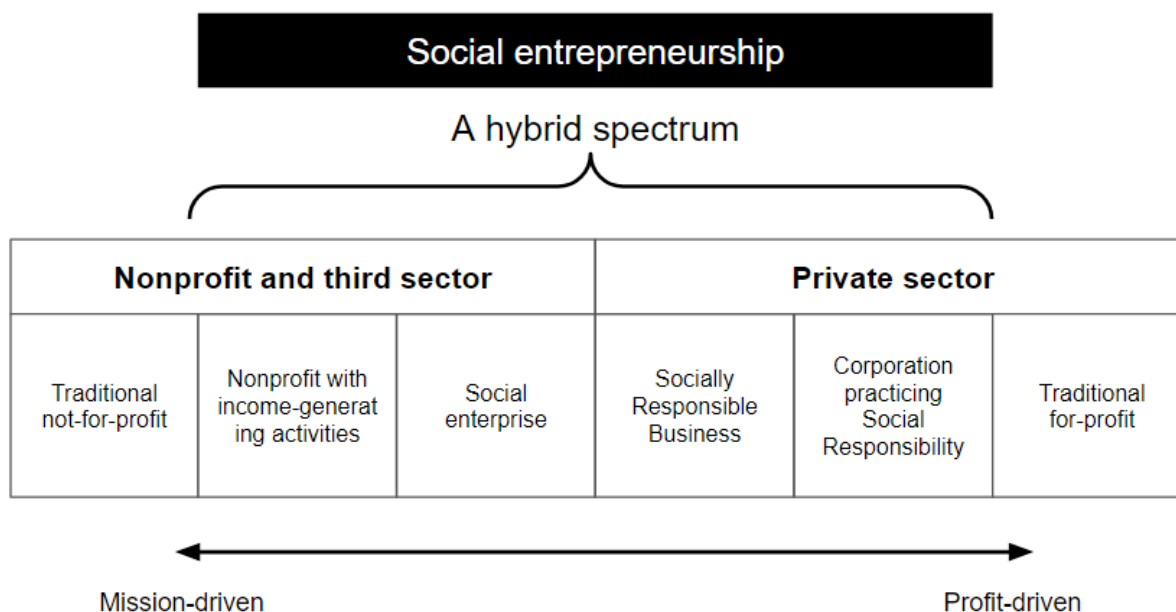
Alter's typology of social entrepreneurship defines the range as an spectrum, where on one end are organizations that are more mission driven, and on the other end are the organizations that are more profit driven. The spectrum allows us to think of organizations as capable of being completely profit driven, completely mission driven, or of being both mission and profit driven (this is where social entrepreneurship exists). For the organizations that are inside this umbrella of social entrepreneurship, this spectrum allows them to place a weight on which end of the spectrum they prefer to be at.

- *Nonprofit with income-generating activities:* these organizations have one or more sources of revenue through commercial activities; however, they do not operate as a business, and this source of income is often not a significant amount. As nonprofits, profits are either

meant to cover part of or to be reinvested back into the operation of the organization's impact activities (for example, Recidar is a nonprofit that collects used clothing and appliances, fixes them, and sells them to people living in extreme poverty for a symbolic fee. The fee provides dignity for the people in need of the items and is reinvested back into the operation costs of the organization).

- *Social enterprise*: these organizations operate as a business venture but for the purpose of generating social value. Unlike nonprofits, their income-generating activities use market approaches; unlike socially responsible businesses, social enterprises have a clear and specific mission motive and their ventures are meant to support or scale their impact activities (for example, Pieta is a Peruvian fashion label created to bring dignity to Peruvian prisons and help inmates reinsert themselves back into society; they work with prisons and help inmates to independently generate income and develop their skills while allowing for faster rehabilitation by designing and making clothes that are sold through the Pieta platform).

- *Socially responsible business*: these organizations are operated as a business but they balance their profit-making objective with making business decisions that may contribute to a broader social good, most often incorporating ethical practices throughout their operations such as sourcing from fair trade-certified organizations or reducing the use of water in their manufacturing (for example, Natura is a Brazilian corporation that makes and sells skincare products across the globe; this organization has a very well-known circular economy and fair-trade policies for their manufacturing and commercial process).

- *Corporations practicing social responsibility*: these organizations are primarily profit-driven but engage in strategic philanthropic activities in order to improve their reputation while at the same time contributing to public good (for example, BCP is Peru's largest private bank and they have several financial literacy programmes to help first-time small entrepreneurs navigate the complex legal and financial system of entrepreneurship).

This classification allows us to connect the social innovation conceptual framework with the organizations from the private and nonprofit sectors that are implementing direct poverty-reduction initiatives, thus grouping the actors that this MRP intends to focus on.

2.3. Beneficiary involvement practices

2.3.1. Community-Driven Development

In 2002 the World Bank published the last of a three-part book series called Voices of the Poor, which presented the results of an investigation that involved 60,000 interviews in 60 countries to people categorized as poor (Narayan & Petesch, 2002). This comprehensive research about poverty and poverty-reduction initiatives is often used in the community development as a staple argument to increase the adoption and implementation of practices and mechanisms such as the Community-Driven Development (CDD), a development framework that emphasizes communal ownership of resources and control over decision-making processes for poverty-reduction programmes and initiatives directly impacting communities (Dongier et al., 2003). These are in response to people in poverty demanding for development processes to be driven by their own communities in order to increase the autonomy and self-determination with which the beneficiaries may shape their own destinies and local ownership of funds to end corruption (Narayan & Petesch, 2002).

The focus of CDD is on radical decentralization - to give the power of decision to those who are usually denied it. Its principles are based on inclusion, transparency, and self-determination, as it is founded on the premise and assumption that local agents are more knowledgeable and have a better understanding and information regarding the problems and needs that they themselves are struggling with, more than anyone else (Casey, 2018). Its been used by government institutions and foreign aid donors when tackling poverty because of its promises to provide a

model that can safeguard decentralized service delivery - meaning, the framework, in theory, has the potential to make poverty-reduction initiatives last longer and become self-sustainable and self-government to the point where a community can, by itself, continue to work towards eradicating poverty rates within the community even in the face of a weak social support system and political and economical instability, which is often the reality in the countries where these communities exist (Casey, 2018).

As such, the use of CDD and similar frameworks in poverty-reduction programmes and its effectiveness in definitely eradicating poverty has been a topic of much discussion within academics, practitioners, and policymakers. On one hand, the appeal of such approaches lay in its potential to increase the efficiency and sustainability of projects by making them more responsive to local priorities, developing capabilities, relationships, and democratic governance processes that will serve to support the continuing operation of the initiative. On the other hand, critics cite the lack of extensive evidence to support the claims (as there seems to be strong evidence both for and against CDD), as well as the complexity and lack of clarity on what CDD is, as there seems to be no universally acknowledged single definition of what, where, and how CDD is meant to be designed and implemented (Gillespie, 2004).

The "Big Development" period (a time of economic growth driven by government economic policies of large scale development and central infrastructure), along with the Bretton Woods Agreement in 1944 and the subsequent creation of the International Monetary Fund and the World Bank, established a global economic system that favored a top-down, centralized development approach towards economic growth (Casey, 2018). While this approach was later replaced by more decentralized and participatory practices in the 90's in the global north, in developing countries like Peru a decentralized economic planning remains a foreign concept. The current economic principles that guide Peru's economic decision-making is a result of that period: central

planning, market access dictated by government authorization, industry protectionism, and economic dependence on politics (Morveli et al., 2013).

It has been acknowledged that the Big Development produced mixed results on poverty-reduction in developing nations. In Peru, the remnants of the Big Development and the consequences of combining a centralized economic approach with a weak social support system has led to an uneven distribution of profit, high income inequality, and neglected development in rural areas leading to a centralization of public goods and services in the big urban cities (Herrera, 2017). As such, CDD frameworks that push for inclusion and democratic systems in a country like Peru have been perceived as the most favorable solutions to target remote rural areas. Conceptually, CDD principles seek to correct these gaps by focusing on local capabilities and strengthening community resilience through collective action. CDD-led initiatives focus on small, bottoms-up, and highly localized interventions, targeting specific communities rather than pushing for big, systems-wide changes.

There exists current government or foreign aid backed community groups that were established following the principles behind CDD, focusing on building capabilities and democratic management structures in specific communities of high poverty rates and little to no access to public services. The success of these attempts scaled these interventions until they became operating models spread and implemented with localized modifications in other communities (Moverli et al., 2013). In actuality, similar known models in Peru and Latin America operate using some of the principles of CDD:

- *Asociaciones de productores:* roughly translated from Spanish as farmers' associations, these associations gather poor farmers living in specific remote rural areas for the sake of creating business plans and collectively decide on land development, consolidating alliances and increasing market access.

- *Panderos*: similar to rotating savings and credit associations, these are informal gatherings of people where members deposit monthly to a mutual fund (kept by the pandero manager) and each month a member receives the funds collected that month.

- *Ollas comunes:* literally translated as "communal pots," these are similar to soup kitchens in the sense that they provide food at below-market price to people with little to no income. Their difference from soup kitchens is that ollas comunes are run like a community-managed restaurant-like business rather than a charity or volunteering activity.

In Peru, these groups and associations have served to either empower specific communities in situations where their voices are often not considered, or provide access to a service where there is usually none. Additionally, they tend to operate following democratic resource management structures and collective decision-making processes. The existence of these types of organizations, and the implementation of CDD principles in them, have resulted in certain economic gain and more importantly, increasing access to public goods and services in areas where these don't usually reach (Vidal-Rojas et al., 2016).

However, despite the popularity and potential that CDD has as a seemingly ideal solution for Peru, where there is no known studied case of CDD and similar frameworks being applied to poverty-reduction initiatives that originate from hybrid organizations. The examples mentioned previously were either backed and funded by the public sector, traditional not-for-profits, or foreign aid organizations such as the World Bank (Kunan, 2023).

2.3.2. Participatory design frameworks

Just as CDD and similar frameworks are used in the development community when accounting for service-delivery of social initiatives, in the world of social innovation and human-centered design there are many practices and perspectives that study new ways to use design as a

strategic tool to tackle social challenges. As the importance of design has become more and more relevant and widely promoted in the social innovation communities, the human user is becoming even more central to problem-solving and other activities around design work (Voorberg et al., 2014).

Conventionally, in the practice of using "design thinking" and "human-centered design," which are frameworks where design principles are used to understand a problem, frame a challenge, and design a solution, there is a clear delineation of user engagement that sets a boundary between the user (as someone to involve in the stages of understanding the problem and testing the solution) and the "design expert" (as someone who retains control and expertise over the entire design process). This limited form of engagement, which at first glance may seem logical and more than enough, does put the "user" as a passive temporary participant in a process where the resulting product or service will ultimately affect them. In light of this, more radical approaches have become prominent in the design community, as the desire to place the user in a more equal relationship arises. Terms such as co-design, co-creation, and similar, have now become connected to the bigger umbrella concept of Participatory Design, a practice of the design discipline that challenges the designer to consider the end-user as an invested design partner (Britton, 2017).

The principles of participatory methods place the user or beneficiary as a partner in the design process rather than an expectant receiver of the final results or a source of information. Co-creation, for example, is the process of involving all relevant and impacted stakeholders in the development of interventions, problem-solving, and decision-making processes (Lazo-Porras, Perez-Leon, Cardenas, Pesantes, Miranda, Suggs, Chappuis, Perel, and Beran, 2020). The objective of this practice, as with other similar participatory design frameworks, is to provide a mean for the end-user to voice their experiences and concerns, and to have certain say in the development of the product so that the final designed solution may be more widely accepted and

adopted - thus the engagement and form of involvement often goes beyond just listening to their opinions and actively tries to foster genuine participation, meaning that participatory design extends the purpose of user-designer collaboration to not just specific activities in the pursuit of a pre-designed goal but to the definition of the goals themselves (Britton, 2017).

In the Peruvian context, navigating the uneven and confusing relationship between expert and beneficiary becomes even more challenging when the design projects touch on complex social problems, as is the case with poverty. Being able to access and reach remote communities, establishing trust and communication with community leaders, bridging language, education, and technological barriers, and building a collaborative relationship while navigating power imbalances, these are only a few of the contextual challenges that designers working with hybrid organizations would have to face in order to establish a partnership with their intended beneficiaries (Andia et al., 2022). Furthermore, there is little to no studies done regarding the use of participatory design methods for the purpose of social innovation in Peru - most available literature mention co-design, co-creation, and other participatory design practices as methods used in the design processes, however these research articles focus on the impact of the designed solution. There is no comprehensive research focused on the concept, theories, perspectives, and effectiveness of the methodology itself, despite its rising popularity in the design and social innovation community.

Ultimately, it is important to note that the creation and subsequent development of these methods and practices have taken place mostly in the Global North, which highlights the need to adjust or create new and similar frameworks to engage with the Global South. Although participatory and co-design frameworks have been used in the private sector in the Peruvian context, there is little evidence of them being extensively used in direct poverty-reduction initiatives designed by hybrid organizations. Furthermore, just as CDD suffers a lack of conceptual clarity and a clear distinctive unique framework instead of principles applied in the manner most befitting to the stakeholders,

participatory design also needs to deal with the same question as CDD: how much participation is enough? As it finds itself having difficulties at times making a clear separation between user research, ethnographic methods, and other such design practices that also involve user participation, it becomes difficult for design practitioners to define an appropriate level and form of engagement with the end-user: whether participatory means participation in the sense that the beneficiary has a limited area of influence that is dictated by the expert or it means that they themselves become co-designers of the process, or whether the engagement is meant to happen solely during the formative phases of the design process, and what role is given to the beneficiary once the service, product, or initiative is ready to be implemented, there remains uncertainties in the application of participatory design practices that make it difficult to conduct research on its effectiveness when applied in real life cases in Peru.

Likewise, CDD and similar development frameworks that focus on the implementation and delivery of service, while showing plenty of potential to generate long-lasting impact and reducing poverty, have shown little evidence suggesting actual results of empowering people and permanently reducing poverty. Facing challenges on obtaining funding continuously, long-term sustainability, lack of conceptual clarity and thus implementation, engaging with government agencies, and difficulties reaching marginalized groups has led to CDD poverty-reduction programs having mixed-results (Wong, 2012). The two types of frameworks may seem to come from two different fields of research and practice but they intersect in the social innovation world specially when tackling the systemic issue of poverty and when looking at their specific use in the entire design and implementation process (service design in the case of participatory design, and service delivery in the case of CDD and similar development frameworks). For that reason, it is important to understand how the two may co-exist to strengthen poverty-reduction initiatives in incredibly difficult environments.

3. Methodology

The intention of this investigation is to get a better sense of the general condition of poverty-reduction initiatives led by hybrid organizations in Peru and provide a tentative set of design and implementation guidelines to increase the effectiveness and long-term sustainability of such initiatives.

The resulting analysis and supporting design framework was generated from the consolidation of a comprehensive and systemic understanding of the challenges, needs, and current context around the topic, as well as a thorough reflection based on personal experiences and specific cases of initiatives. For that purpose, this research employed a mixed-methods approach that involved three stages:

1. A comprehensive literature review: In order to gain a thorough understanding of the existing body of knowledge around the topic, a systematic search for academic journals, books, and reports by reputable organizations and government agencies was conducted. The search was done through academic databases, online repositories, and organizational websites.

2. A cursory mapping of initiatives: For the purpose of obtaining a general overview of the current landscape of poverty-reduction initiatives led by hybrid organizations, a search and categorization of 50 poverty-reduction or poverty-alleviation initiatives led by hybrid organizations utilizing a modified version of Barder's classification system of poverty-reduction approaches based on characteristics such as the type of hybrid organization (a nonprofit, a corporation practicing social responsibility, a social enterprise, or a socially responsible business), the scope and reach of the initiative (targeting as much people as possible vs. a highly specific beneficiary profile), directness of the approach (targeting a

direct cause or pain vs. a factor related to a cause or pain), intervention type, and type of solution.

3. In-depth qualitative analysis: With the objective of conducting a deeper dive into a select smaller sample of poverty-reduction initiatives led by hybrid organizations and reflect on the challenges, needs, pains, and effectiveness of the initiatives this investigation focused on 6 poverty-reduction initiatives, leveraging my personal experiences for 3 of them. Publicly available data such as annual reports, company websites, mentions in research articles, and media content were used to analyze the other 3 initiatives where I had no involvement. The reason to have both personal and external cases is to be able to employ two different lenses when analyzing the initiatives: one, as an internal stakeholder, and the second, as an external observer; this way, whether one is entrenched in an initiative or appraising it as a bystander, these two lenses will help provide useful guidelines and considerations for anyone. Their selection was based on the following criteria:

- They are led by hybrid organizations (according to Alter's classification of organizations practicing social entrepreneurship (Alter, 2007)).

- They have been or are meant to be implemented in Peru.

- Their primary objective is to alleviate or reduce poverty (according to Barder's definition of poverty-reduction approaches (Barder, 2009)).

Data from all three stages will be analyzed and synthesized through thematic analysis in order to identify recurring trends, patterns, themes, challenges, and successes, reflecting on both the negative and positive lessons the three stages provide when considered in tandem.

3.1. The classification system

The purpose of this classification system is to provide more clarity and organization when looking at poverty-reduction initiatives in Peru, considering the fact that despite the increase of such

initiatives by hybrid organizations there is no legal framework, policy, agent nor institution overseeing them. In addition, as there is such little current literature on this topic, there is no specific conceptual framework that could help non academics connect different initiatives from different types of organizations to have a more nuanced understanding and a general sense of the current poverty-reduction approaches, goals, methods, and potential impact. For that purpose, this system proposes the utilization of Alter's typology of hybrid organizations (Alter, 2007), Barder's list of questions to compare poverty-reduction approaches (Barder, 2009), as well as other few characteristics relevant to the Peruvian context:

1. *Type of organization:* I used Alter's typology of social entrepreneurship and adapted the definitions for each of the four types of hybrid organizations to the Peruvian context.

   - Nonprofit with income-generating activities - any organization that describes itself as an NGO, not-for-profit, or non-profit, with income sources that come from activities they realize and are not from donations and grants.

   - Social enterprise - any organization that describes itself as a social enterprise and has a mission-driven business and operation model.

   - Socially responsible business - determined by either a B-Corp certification or a nomination by Peru Sostenible's Socially Responsible Business Distinction. Peru Sostenible is an association of Peru's biggest corporations that was established in the 90's for the purpose of encouraging the private sector to adopt ESG practices (environmental, social, and corporate governance). B-Corp is a certification managed by a well-known global nonprofit network that is given to businesses that meet the highest criteria and standards of social and environmental performance, transparency, and accountability (Kunan, 2023).

   - Corporation practicing social responsibility - medium and large-sized companies with initiatives that are part of their corporate social responsibility efforts.

2. *Nature of approach*: based on the context of how poverty-reduction has been approached historically in Peru, this category classifies the initiatives on one of two forms of poverty-reduction approaches - direct approach, for those initiatives that target a clear cause or symptom of poverty (e.g., the initiative gives food to beneficiaries suffering from food insecurity), and indirect approach, for those initiatives that seek to catalyze economic and social development in a more roundabout manner (e.g., the initiative provides information regarding microlending options to people in poverty so that they may apply for loans if they want to start an entrepreneurship).

3. *Speed of intended impact*: based from one of Balder's trade-offs of poverty-reduction approaches, this category classifies the initiatives based on whether their activities are meant to reduce or alleviate poverty in a short time period (e.g., the initiative hires the beneficiary, thus providing them with a source of income immediately) or in a longer time as it seeks to have a more long-lasting impact (e.g., the initiative provides training workshops and mentorship to the beneficiary for 6 months to help them start an entrepreneurship).

4. *Scope and reach:* taken from Balder's three trade-offs, this category consists in a depth vs breadth approach regarding the approach's preference of targeting a broad and more generic beneficiary profile vs. a deeper, smaller but more specific target profile.

   - Deep: the approach is intended to a highly specific and often small group of people, with detailed and distinct descriptions of their intended beneficiary in terms of location, poverty-reduction objective, etc. For example, the initiative is for single mothers living in extreme poverty in the district of Carabayllo in Lima who are having trouble finding a stable source of income.

   - Broad: the approach prefers to target and benefit as many people as possible, definitions of their intended beneficiary are more general in terms of need, location, and/or poverty-reduction objective. For example, the initiative is for young

Peruvians between 18 - 20 years who have finished their high-school education but have trouble continuing their studies in higher education or finding a job in the formal economy.

5. *Theme or poverty dimension*: based on the multidimensional poverty perspective, this category classifies the initiative on the general theme of their approach (eg., the initiative deals with entrepreneurship, employment, health, education, water and sanitation, etc.).

6. *Type of intervention*: this category is meant to help classify and organize the different forms in which the initiatives are trying to achieve their poverty-reduction objectives. Basically, what is the solution? Choices are created by thematic clustering based on a general description of what the initiative does (eg., it provides goods and/or services, it creates jobs, it builds skills and capabilities, it facilitates market access, etc.).

3.2. The initiatives selected for case-analysis

3.2.1. Tejiendo el Futuro (Personal experience)

Type of hybrid organization: Corporation practicing social responsibility

Type of approach: Indirect

Speed: Slow

Scope: Deep

Theme: Entrepreneurship

Type of intervention: Provision of goods and services

This case concerns the introductory anecdote I mentioned at the beginning regarding alpacas, a community of farmers living in one of the poorest regions in Peru, and the mining company operating nearby. Tejiendo el Futuro is spanish for "Knitting the Future," and it's the name of the poverty-reduction programme launched in 2019 between Nexa Resources, a Luxembourg-based

mining company with operations in Latin America, and the community of Pucayacu, a town located in Pasco, nestled high between the Andean mountains (Nexa Resources, 2021; Perumin, 2020).

The initiative: A gift of 200 alpacas, a South American camelid mammal that produces a highly valued fiber used for luxury clothing. The gift, along with a series of workshops and instructional videos on how to take care of the animals, were intended to provide the poor farmers in Pucayacu with a new venue of income, as they could now shear the alpacas every year and sell the fiber, which was a highly valued material in the luxury clothing industry. A second objective, from Nexa, was to establish good relationships with Pucayacu in order to prevent possible obstacles in their mining operations, as the farmers lived nearby one of their mines. The results of the programme two years after the gift were that, instead of lifting the community from poverty, the farmers were now stuck with 200 animals they had to take care of in addition to their farming activities, requiring now more resources than before. In two years no significant amount of fiber had been sold despite the promises that Nexa had made that the gift would be Pucayacu's best solution to lift them from poverty.

My role: A strategic design consultant hired by a third-party intermediary in 2021 after relationships between Nexa and Pucayacu deteriorated to the point where the farmers refused to deal directly with Nexa representatives.

3.2.2. PTQ Nutrido (Personal experience)

Type of hybrid organization: Corporation practicing social responsibility

Type of approach: Direct

Speed: Quick

Scope: Deep

Theme: Entrepreneurship

Type of intervention: Provision of goods and services, Organizational restructuring

Ollas populares are an essential community institution in Lima, a common staple in the poorest communities in the capital city. The ollas populares are, in actually, a structured and highly organized gathering of women who live in the same neighborhood and who meet every day to leverage their numbers in order to share cooking supplies and cook large quantities of food, thus using stable foods more efficiently and selling the surplus dishes at an extremely low and accessible price. For many people in these neighborhoods, these dishes are often their only plate of food for the day. In 2020, when COVID-19 hit and many businesses in Peru were forced to cease their operations, the level of unemployment in the country rose significantly. Furthermore, the informal economy was also paralyzed at that time, leaving many Peruvians without a source of income. The Ollas found themselves in a complicated situation as more and more people in Lima were left without an income and fell back into poverty, increasing the level of food insecurity in the city. They had to serve a bigger group of people in need but had no way to achieve that.

The initiative: In response to the pandemic, Peru's biggest organizations from both the private and nonprofit sectors formed a coalition called Peru Te Quiero (PTQ, Spanish for I Love you Peru) in order to deploy resources and launch social initiatives to try to alleviate the most urgent consequences of the pandemic. One of their activism branches was food insecurity and the initiative, called PTQNutrido (PTQ Nourished), was launched in 2020 and its purpose was to provide resources to a group of Ollas comunes in Lima and transform their organizational structure in order to prepare them to survive and thrive throughout the pandemic (Peru te quiero, 2020; Calidda, 2020).

My role: A strategic design consultant hired by PTQ to lead the research and design of the new operations model of the Ollas comunes, a model that was called "Ollas 2.0" alluding to an evolution or iteration of their then current model.

3.2.3. Inclulab (Personal experience)

Type of hybrid organization: Social enterprise

Type of approach: Indirect

Speed: Slow

Scope: Broad

Theme: Employment

Type of intervention: Job creation, Networking - Relationship building

In 2019, Fabian Chira, former captain of the Peruvian national little people soccer team, decided to tackle one of the biggest employment challenges in the private sector: make it easier and more widely accepted for companies to hire people with disabilities. With that goal in mind, he created Inclulab, a social enterprise that advocated for the inclusion of people with disabilities in the formal economy (Inclulab comes from the words Inclusión Laboral, Spanish for labor market inclusion). Despite a recent law that required big medium-sized and big companies to have a certain number of people with disabilities as part of their staff, only 5% of the companies comply with it, which leaves a lot of professionals with disabilities in a vulnerable situation. However, companies still believe that hiring and retaining a person with disability is a hassle, and its costs outweigh the benefits.

The initiative: Inclulab had been working directly with the disability community in order to increase their employability in the formal economy; however, they felt that they needed to have a more direct approach to the stakeholders that could create a bigger impact: with the employers

themselves. With that in mind, the initiative was a new consulting and coaching service intended to bridge the employer with the potential employees and kickstart within the organization a journey of inclusion - the service consisted in a series of awareness workshops, coaching through hiring processes, measuring the organization's disability inclusivity, and create and manage long-term inclusion projects as the organization's strategic partner (Garcia, 2021).

My role: A third-party strategic design consultant working with Inclulab to create the new service's value proposition, a system of modular services, the content and tentative operation model for each service, and an MVP (minimum viable product, a bare-bones version meant to test and validate the concept and attract potential clients) version for each service.

3.2.4. Siderperu Technical School

Type of hybrid organization: Socially Responsible Enterprise

Type of approach: Direct

Speed: Slow

Scope: Broad

Theme: Education

Type of intervention: Provision of goods and services

"Nini" is a term used in Peru to describe those who are not studying nor working (short for "Ni estudia, ni trabaja," Spanish for "Does not study nor work"). The term has a negative connotation, as these individuals are considered unproductive members of society, despite the fact that the primary cause of this problem is the high churn or school desertion rate due to financial or personal problems (Alcazar et al., 2020). Most affected are unable to continue their studies because they suddenly cannot afford them or cannot physically continue their classes - this problem disproportionately affects women and people with disabilities, and it's more prevalent in

rural areas than in urban ones. Their lack of a complete higher education drastically decreases their chances to find a job, and thus these people are often either living in poverty or at high risk of falling into it.

The initiative: In response to this problem, Siderperu (a B-Corp certified company that manufactures steel and iron in Peru) launched a series of programmes and initiatives meant to help young Peruvians find a foothold into the formal economy as technical professionals called Technical School (STS). STS is an integrated program that offers full admission and scholarship to 50 young Peruvians who just finished high school to study one of two technical careers within Siderperu's manufacturing facilities. At the end of their studies, the students receive a certification in either Industrial Mechatronics or Industrial Administration, and are offered the opportunity to do their post-graduation year-long internship in a paid apprenticeship with Siderperu (Peru has a tradition and unspoken rule in the formal economy that recent bachelor graduates are expected to have at least one year of internship experience, these are often unpaid or paid with below-the-minimum wages). For those who want to continue to pursuit higher education, STS offers connections and academic agreements with known universities in Peru so that the students may transfer their academic credits. After their internship, the students receive not only a certificate but a complete "título a nombre de la nación" (Spanish for Title in The Name of the Nation, this distinction in the world of Peruvian academics is different from a Bachelor's degree and considered an upgrade to it or a slightly higher degree, thus more attractive to employers, because they often require a thesis or an equivalent professional experience).

3.2.5. Awamaki

Type of hybrid organization: Social enterprise

Type of approach: Direct

Speed: Slow

Scope: Deep

Theme: Entrepreneurship

Type of intervention: Capacity building, Job creation

It is known that poverty in Peru disproportionately affects those who live in remote and rural areas, and it affects in particular those who live within the Andean mountains due to its difficult environment - the mountain range territories in Peru have harsh cold climates, high elevation making farming difficult, and underdeveloped infrastructure system which exacerbates the issues already caused by Peru's centralism, exploitation of land and natural resources for the extractive industry, and many other factors come into play that lay the foundations for the current high rate of poverty affecting The Andes.

The initiative: as one of the many poverty-reduction initiatives focused on the poor farming communities in the Andes, Awamaki is a community-driven social enterprise that support and develop women-led textile artisan cooperatives, give them market access to sell their products to international clients, as well as create sustainable and experiential tourism programmes to highlight their artisanship and cultural heritage. Awamaki works exclusively with indigenous women in poor communities, building their skills to work with Alpaca fiber and transform the raw material into highly-coveted handmade textile pieces. In addition, their business partners and connections to international markets allows the artisans to sell their products at a much higher price than the local market price. Lastly, to leverage and bring appreciation to their indigenous heritage and artisanship, Awakami serves as a tourism platform for international clients that want an unique and sustainable tourist experience - offering a service where travelers stay in the communities' residences and accompany them throughout their day. All in all, once the women-led cooperatives are established with Awamaki, the women have two new and significant sources of income.

3.2.6. Yaqua

Type of hybrid organization: Nonprofit with income-generating activities

Type of approach: Direct

Speed: Quick

Scope: Broad

Theme: Water and Sanitation

Type of intervention: Provision of goods and services

One of the 17 Sustainable Development Goals (SDG) that many governments and companies around the globe are using as the latest framework to work towards and measure sustainability in each country is Clean Water and Sanitation, placed in 6th place. Access to water supplies and sanitation has long been considered an important dimension of development and poverty-reduction due to its direct impact on health and wellbeing, particularly when measured by location, gender, and ethnicity. Peru, despite its significant positive economic growth in the last 30 years, is lagging behind other countries in South America in increasing access to water and reducing the geographic and demographic disparities to that access (Eagin & Graham, 2014). Unlike in more developed countries, water infrastructure in Peru, even in the capital city of Lima, is underdeveloped to such an extent that tap water is not considered safe to drink, not even after it is boiled. Access to water, in this case, does not mean just infrastructure to bring in water in places where this infrastructure does not exist, but it also means access to drinking water and in the Peruvian context this implies either two separate or a single complex source of water. It is no surprise, then, that the further away one is from Lima, the less access to drinkable water one has.

The initiative: Yaqua is a nonprofit that sells drinkable water in bottle form as well as other water-related products and uses the 100% of their profits to fund water infrastructure projects in places that have no access to it. Their name is based on "Yaku" the Quechua word for water, and "Agua,"

its Spanish counterpart. So far, they have helped complete 6 full water-related projects in remote and rural areas since 2014, benefitting a total of 1,600 households by giving them free and direct access to drinkable water. Their projects are diverse and adaptable to the local context - some projects involve the purchasing and installation of a simple water filtration system while others may involve building an entire infrastructure of water supply, including water treatment, wastewater collection, and stormwater management. In 2022 Yaqua expanded their project portfolio, working with a group of Ollas populares to try new water filtration technologies, installing quality-control monitoring systems in rural water treatment facilities, conducting a follow-up research to a past project, and so on.

4. Results of the reflection and analysis

This study aimed to gain a comprehensive understanding of the current landscape of Peruvian poverty-reduction initiatives led by hybrid organizations (organizations from the private and/or nonprofit sector that have both mission and profit objectives). This was done by mapping and classifying existing initiatives, analyzing case studies, and reflecting on relevant personal experiences with the objective of identifying key lessons from past and current efforts, knowledge which can hopefully be of use for future poverty-reduction initiatives to design more successful approaches.

First, for this analysis, and based on this investigation's understanding of the challenges and context for poverty-reduction in Peru and the role of hybrid organizations, the definition of success is defined as a two-part concept: greater impact, and long-term sustainability. The first one encompasses the initiatives' ability to achieve its poverty-reduction objective. The second one refers to the initiatives' capacity to ensure their impact activities can endure throughout and

perhaps even beyond the planned intervention period, even in the face of unexpected obstacles. Based on the analysis and literature review, this investigation proposes that the accomplishment of these two elements is what makes an initiative "more effective than its current alternatives," thus fulfilling the criteria of social innovation as described previously. Furthermore, in based on the Peruvian context in which poverty and poverty-reduction exist, an effectively impactful and sustainable initiative will perhaps contribute the most to permanent poverty reduction, meaning not only a decrease in poverty rates (which has been achieved) but also a decrease in the risk of falling back into poverty (which has seemingly not been achieved according to the analysis).

Thus, the following results are a synthesis of the key lessons both positive and negative and are presented in direct response to these two concepts: a set of considerations thought to help initiatives achieve their desired impact, and a set of guidelines that could hypothetically help initiatives be more resilient and maintain their activities over a longer period of time. It is important to note, however, that these considerations and guidelines remain thought exercises at this point in the investigation as they have not been tested in real life cases.

Figure 4. Considerations and guidelines to improve an initiative's success
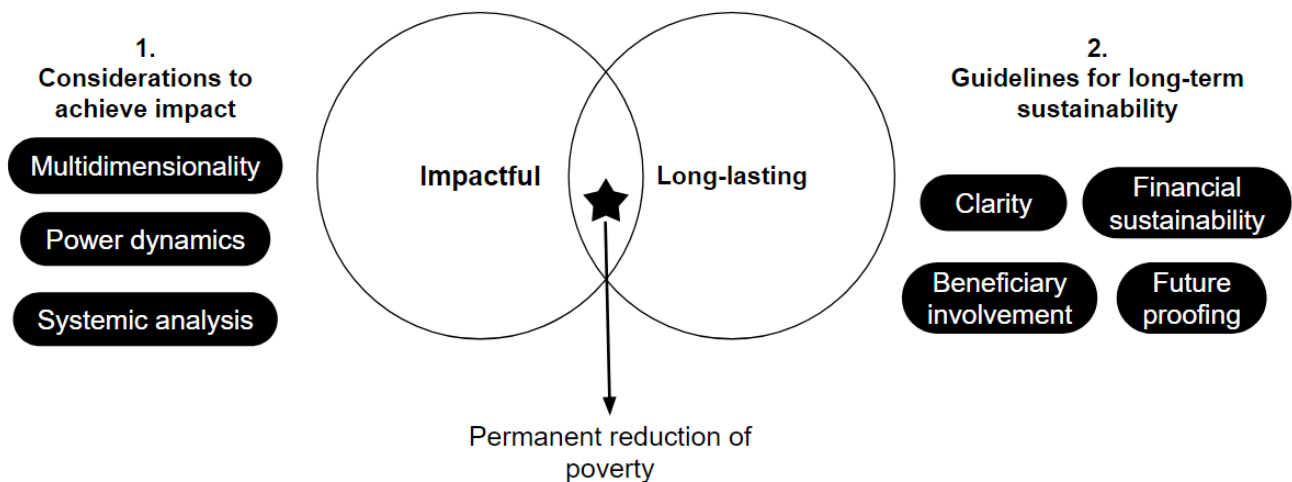
4.1. Conjectural considerations to achieve impact

4.1.1. The importance of a multidimensional perspective on poverty

The literature review and the mapping and classification seemed to imply that there is a common theme observed in many poverty-reduction initiatives, which is the emphasis on defining and working on poverty as a lack of money. The initiatives often aimed to directly address this lack of income by focusing on solutions that directly increase an individual's income such as through job creation, increasing employability, or facilitating entrepreneurial activities for beneficiaries. This perspective most likely originates from the strong association between poverty and income in Peru as seen in recent economic policies, and thus, it seems straightforward to believe that the best way to eradicate poverty is to increase the amount of money that people receive.

However, it is important to consider the dangers of following such a limited definition of poverty. The recent decline in Peru's poverty reduction rates could suggest that the current efforts are not achieving true permanent poverty - although in the last 20 years poverty has been shown to be decreasing, the steep rise due to the pandemic has made it clear that the social support and foundation underneath these efforts are not strong enough to maintain the results in the face of crisis. Persisting in this approach and encouraging initiatives to maintain this unidimensional perspective could lead to missed opportunities to strengthen the vital social support systems that prevent people from falling back into poverty.

Additionally, the monetary poverty approach risks a homogenous and inaccurate understanding of the causes and experiences of poverty that vary across the different regions and communities, which could lead to initiatives pushing broad and generic solutions that miss the opportunity to tailor their design to specific needs and circumstances of the local communities. For example, in Tejiendo el Futuro the client assumed that the most urgent problem for the community of farmers

in Pucayacu was that they were poor, without really understanding the root causes influencing the problem nor the community's priorities regarding their circumstances. With that assumption, a donation of 200 alpacas seems like a straightforward and reasonable solution: if the community is poor, give them something they can generate money with. The assumption was the following: more alpacas, more income, thus the problem of poverty should be solved.

In reality, the circumstances of poverty in Pucayacu were not as simple as the lack of money - their poverty was not caused because they lacked jobs or were unable to sell their produce. It was a symptom of underdevelopment in a centralized country: Pucayacu had no paved roads, no stable access to utilities like electricity and sanitation, and their closest health center was a small health post manned by one nurse located 1 hour away by car. If Nexa wanted to improve their quality of life, a single paved road connecting their town to the nearest highway or even another paved road would have alleviated one of their symptoms of poverty more permanently than the gift of free alpacas.

One of the reasons why their initiative did not work as intended was because the alpacas, instead of becoming a stable source of income, became a financial burden on the farmers. Not only did they not have experience taking care of the animals and extracting their fiber (the initiative had initially planned for a series of workshops to build their capabilities), but alpacas required very pure sources of water in order to remain healthy. Pucayacu's nearest source of water was a river whose water had been recently contaminated by Nexa's nearby mining operations. Furthermore, without a paved road it became hazardous for alpaca fiber merchants to travel to Pucayacu in order to purchase their collected fiber.

A similar case can be said about Inclulab, when they initially had the intention to help companies find professionals with disabilities in order to incorporate them in their workforce and fulfill the corporate inclusivity quota as mandated by government policies. However, the organization

quickly found out that, despite having successful cases of job placement for their beneficiaries, the attrition rate of people with disabilities was so high that at the end of the year their client companies were still not able to fulfill their quota.

Even when looking at monetary poverty, understanding the context and the causes for the lack of money is important - in the case of Inclulab's beneficiaries, their difficulties in not just finding but keeping a job due to their disabilities was their primary reason they were living in conditions of poverty. However, if the solution had stayed at just job creation there would have been no significant impact. Inclulab had to understand their beneficiaries' priorities and the issues surrounding the problem, which in this case was their client organizations' unpreparedness to provide a proper workplace and organizational culture that was inclusive of their disabilities, as current disability laws only required inclusive construction for safety purposes and not for working conditions.

The multidimensional perspective on poverty allows for much more flexibility in understanding the problem and designing a solution that works in the entire system around a localized condition of poverty. Thinking of poverty as more than lack of money and thinking of poverty-reduction as more than simply giving money can help designers and benefactors have a more accurate picture of the problems and circumstances surrounding poverty and design a more targeted solution based on their understanding of the root causes and not just the superficial symptoms. More importantly, it could guide the conversation between stakeholders towards improving the quality of life of their beneficiaries in a more permanent manner. An important question we could ask ourselves is not "how do we increase their monetary income" but rather "how do we improve their quality of life?"

4.1.2. Navigating power dynamics with vulnerable groups

One of my main reflections after the experiences I had with PTQNutrido and Tejiendo el Futuro was regarding the way in which my team, the client, and the beneficiaries navigated the different relationships we had with each other. At times, looking back at these experiences and learning about how other initiatives involve their beneficiaries makes me think that even using terms such as "client," "expert," and "beneficiary" may have caused us to start on the wrong foot. There was a highly delicate situation in Tejiendo el Futuro, as by the time I entered the project almost all communication channels between Nexa and Pucayacu had broken. My role was meant to be a third-party kind of intermediary, but even then I think that we were all aware that I was hired by Nexa and not the Pucayacu community. It required a long period of intentional and continuous effort from both my team and the community to establish a certain level of trust and communication. And even after a more effective working relationship was created, there remained the fact that my involvement was not permanent and after a time my team would have to leave and the farmers would have to work directly with representatives from Nexa once again.

The nature of most poverty-reduction initiatives implemented by hybrid organizations mean that these could exhibit an inherent asymmetry in how the stakeholders are positioned in relation to the initiative. By this term, I refer to the dynamic that exists where beneficiaries are positioned as passive recipients of assistance, while designers, consultants, and the stakeholders owning the design and implementation process of the initiative are positioned as expert authorities giving out said assistance. Additionally, benefactors can be positioned as prioritized stakeholders with the sole power to sustain the initiative's life - thus leaving the beneficiaries dependent on the benefactors and in the hands of the experts. Based on the analysis, it could be that this dynamic might be more prevalent in initiatives taken by those corporations practicing social responsibility, as these kinds of hybrid organizations might be driven by priorities beyond social good, and thus

have less incentive or motivation to advocate for a different dynamic that might not benefit them as much.

By that logic, a different dynamic could exist in the cases of initiatives led by the other types of hybrid organizations as their mission-driven business structure makes it easier and more natural for these kinds of organizations to have initiatives that are central to their impact activities, which in turn are representative of their mission, and thus potentially mitigating this asymmetry of power and knowledge.

For example, Nexa launched Tejiendo el Futuro to safeguard their mining operations and prevent obstacles by establishing good relationships with nearby communities as well as to improve their reputation as a key stakeholder in the extractive industry. On the other hand, Yaqua as a whole organization was created with the sole purpose of increasing access to drinkable water in remote and poor areas of Peru. The importance placed on the initiative differs depending on the priorities of the organization, and this, in turn, lays the foundation for what role the expert has to play, and what expectations the benefactor may have regarding their intended beneficiaries. Nexa saw the community in Pucayacu as an opportunity as well as a potential liability; Siderperu saw their students as partners in their efforts to have ethical and sustainable business practices.

In sum, two key takeaways for this consideration emerge from the results of the analysis: First, awareness of each stakeholder's positionality and how these could be reinforcing asymmetric power dynamics that could negatively impact the effectiveness of the initiative. Second, the importance of navigating benefactor and beneficiary expectations and priorities; it seems crucial for designers (and in truth, all stakeholders should be equally aware of this knowledge) to know and understand both the priorities and resource constraints of the benefactors while also taking into account the expectations and needs of the beneficiaries. While striking this balance may seem challenging, this investigation seems to indicate that it is definitely not insignificant.

4.1.3. Addressing the system affecting the solution and the beneficiary

When Awamaki began working with communities in the Andean mountain range they realized that their initial idea of gathering women and building cooperatives would be a more complex issue than they initially thought. A similar situation happened with Yaqua and with Tejiendo el Futuro, and the common link between these three cases was that the long-term success of these initiatives depended on a high level of involvement from the community they wanted to help. An unforeseen circumstance of that key element appeared when each organization did some follow-up work some time after the implementation of their respective initiatives. As mentioned in Yaqua's annual reports and based on my personal experience in Tejiendo el Futuro, this unexpected factor was the high transiency of andean farming communities (Yaqua, 2023). As a consequence of the centralized development trend in Peru that increased the inequality between urban and rural areas, a more nuanced repercussion of this unequal development was the fact that the country was socio politically and geographically divided in three big territories: the highly developed coast, which comprised of the major cities including the capital city of Lima, the difficult-to-reach rainforest, which contained most of the country's biodiversity and natural resources and where most indigenous people lived, and the underdeveloped Andean mountain range, which neatly divided the wealthier coast from the resource-heavy rainforest. Because the Andes were high in altitude, had harsh climate, and it was where most extractive activities took place, the entire region was a difficult place to live.

One of the end results of this is that it was common for people to migrate between the coast and the rainforest, using the mountain range in between as a temporary stop in their journey. This meant that communities often changed, with people moving in for a while before leaving. It became difficult for initiatives like Awamaki and Yaqua to establish new community-driven projects when in a year or two the beneficiaries involved in them would be gone.

Building on this, the third consideration emerges. This lesson and piece of reflection is related to the multidimensionality perspective on poverty in the sense that both advocate for going beyond a cursory understanding of poverty; however, in addition to that, this consideration also emphasizes the need to comprehend the local socio political landscape that may significantly influence the effectiveness of any initiative. Insights into Peru's history of poverty reduction and governmental approaches can help identify cultural and sociopolitical factors that influence development decisions in this country. Being aware, for example, of the continuing trend of poverty-reduction initiatives emphasizing entrepreneurship and employment while also knowing that without a strong social support system the initiatives will be unable to have a real and long-lasting impact in truly eradicating poverty, may perhaps encourage hybrid organizations to think deeper regarding the impact they wish their initiatives to have, and whether their initial idea for intervention is thorough enough to tackle the systemic issues that are most relevant for the implementation of their designed solution.

Examining specific examples can illustrate this point further. Consider, in this case, the documented trend of centralized development leading to increased inequality between urban and rural areas in Peru which, in turn, result in the concentration of goods and services in the capital city of Lima. A step further into this analysis leads us to how this inequality is reflected in how hybrid organizations are distributed (most are probably located in Lima) and where their initiatives are implemented, as research suggests a inverse relationship as presence of initiatives decrease as distance from the capital increases, while poverty rates correspondingly increase as distance from the capital also increases.

Without a deeper and more extensive understanding of the context in which their solution would exist, Yaqua would not have thought of just how broad and flexible the concept of water access was, nor would I have realized that simply having the alpaca fiber was not enough to sell it. Identifying narratives and development patterns both problem and user-wise can lead to more

tailored and effective initiatives, as well as a more holistic approach by tackling the challenge from multiple angles and addressing potential obstacles so that the interventions can have a greater chance of achieving lasting change.

4.2. Tentative guidelines to improve long-term sustainability

The following four components can be seen as a supporting set of design values for poverty - reduction initiatives in Peru. Each component is presented and further detailed through two perspectives or "layers:" the first one is meant for external observers, interested parties, potential beneficiaries, investors, etc. This layer is meant to guide any individual who may be interested in an existing poverty-reduction initiative and would benefit from gauging the initiative's effectiveness and preparedness through information that is often available publicly (such as content from the organization's website, annual reports, media mentions, research articles, etc). The second layer is meant for internal stakeholders whether they are design practitioners, the benefactor, beneficiary, or any other individual involved in or impacted by the design or implementation of the initiative; this layer's purpose is to serve as a tentative supporting design checklist (supporting in the sense that it does not intend replace existing design frameworks but rather to hopefully contribute to the design process).

These components are a result of the synthesis of risk, success, and failure factors based on the literature review, the mapping of the initiatives, and the case analysis. In short, the first layer inspires the observer to ask the question "am I able to find this information publicly and understand it easily?" and the second layer begets stakeholders to ask the question "have I incorporated these ideas in the design and/or planning of the initiative?"

4.2.1. Component 1: Clarity of approach

This investigation supports the idea that there is a lack of consensus within the field of poverty-reduction regarding the current state, definition of concepts, practices, and so on. This affects areas such as design and implementation strategies, typologies of approaches, definition of poverty, understandings of community-involvement and participatory design, classifications of socially-driven organizations, and others.

Despite its rise in popularity in response to the current social climate and its potential positive impact in the quality of life of those who are in most need, the field of poverty-reduction initiatives led by hybrid organizations is still an under-researched area and an underdeveloped discipline. Further research is necessary to contribute to the practice and improve transparency in how these initiatives are addressing poverty challenges. As such, the analysis suggests that clarity is a crucial component in strengthening the effectiveness of such initiatives. Clarity, then, is presented as a component related to long-term sustainability, as it could help an initiative be more durable by providing a clear focus and direction, measurable indicators of success that are cohesive to the initiative's approach, transparency and thus accountability, and a more efficient allocation of resources.

1. First layer:

   - Specificity and clarity of poverty-reduction challenge (how easy is it to classify it according to this investigation's classification system? In the mapping of the initiatives, many did not provide enough information or the information provided was so vague that it was impossible to completely classify them).

   - Dimensionality of poverty (is their approach and definition of poverty mentioning only monetary poverty? Most initiatives approached poverty through the monetary

perspective, but for some of them this was only clear once one looked at length at the objectives of their poverty-reduction initiatives).

2. Second layer

- A shared understanding of what the poverty challenge is (are all stakeholders on the same page regarding the problem the initiative is meant to tackle? For example, in PTQNutrido the benefactors believed the challenge or the focus was financial independence and empowerment of the women participating in the operations of the Ollas; for these same women, they believed that the initiative's challenge or main problem was food insecurity for the people they were serving).

- A multidimensional perspective of poverty (is the design considering not just the fact that poverty exists but also taking into account the most pressing needs, pains, or obstacles that poverty is causing to the beneficiary's quality of life? Yaqua is one of the few initiatives that have not mentioned at all the term of monetary poverty, and have instead focused on the need that is impacting the beneficiary's quality of life the most: access to clean and drinkable water. This allows them to be much more flexible in their solution as well as more specific in their success and impact metrics).

4.2.2. Component 2: Future proofing

The PTQNutrido initiative was initially proposed to last up to 6 months, and began its first stages of implementation in February of 2021. Two months later the whole PTQ movement disbanded suddenly with no notice and the initiative, which had already begun to make changes in two Ollas' organizational structure and operations models, was cut short, leaving the two Ollas with an incomplete transformation journey they now had no idea how to continue or reverse and the other Ollas still waiting for their turn as they had not been communicated of these changes. This

experience is different on how Inclulab's initiative was designed and implemented: the partnership with Inclulab was initially planned as a short and extremely express collaboration. With that in mind, the design challenge had an additional layer - we had to prepare the deliverables of the design in a way that Inclulab would be able to continue without any further input from us; it also needed to consider alternatives in case the resources ran dry, since Inclulab was a newly-formed social enterprise who was still solidifying their workforce and value proposition. The resulting initiative was designed in such a way that the most important pieces could still be rolled out if there was only one person remaining in the company and no money or funding to invest in it.

Given this dynamic nature that research suggest is characteristic of both social enterprises and of impact-driven initiatives, coupled with the documented volatility that is seemingly characteristic of Peru's economic and political landscape, this component explores the concept of future-proofing through two angles.

The first angle focuses on an initiative's capacity to anticipate and adapt to potential changes, both foreseen and unforeseen. The hypothesis is that by fostering this adaptability, initiatives may be able to better navigate the evolving social, economic, and political environment.

The second angle examines an initiative's long-term vision, not just in terms of ambitions and future goals but of thorough planning beyond the initial implementation. This includes clarity regarding the initiative's lifespan as well as a plan for its transition or conclusion. The relevance of this angle is that it could facilitate better planning, prioritization of activities, and allocation of resources. Additionally, it may also encourage stakeholders to articulate an exit strategy that considers a detailed plan for transitioning the initiative to existing support systems, outlining follow-up procedures, advocacy efforts, and other activities that would encourage maintaining the impact activities beyond the benefactors' planned intervention period.

1. First layer

- Mention of future and post-implementation plans (does the initiative mention follow-up or impact measuring protocols that measure success as the achievement of objectives rather than achievement of implementation? In the annual reports of Siderperu's Technical School the most highlighted metric of success was the number of students who had been gifted with the scholarship - however, there was no mention of the ratio of students who finished the program, nor how many were able to find a job related to their career after they graduated. In contrast, Yaqua has specified that their projects have a yearly follow-up element to ascertain the continuing operation of their water-related solutions and to measure the impact of their initiatives throughout time).

- Mention of potential risks and measures to remain resilient in the face of unexpected changes (the same way in which most initiatives highlight their potential impact by leveraging local resources and opportunities, has the initiative mentioned any existing risky dependence in their business and impact model? Awamaki's entire impact model was based on tourism and international trade, two industries that were completely paralyzed for months during the pandemic lockdown in Peru in 2020 and 2021. While clearly the pandemic was a crisis that no one in the world expected or was prepared for, the fact is that Awamaki's impact model remains highly dependent on individual transactions and seasonal peaks of tourism).

2. Second layer

- Having a clear beginning and end in the initiative roadmap in a way that is consistent with its objectives (is the initiative meant to operate indefinitely, or is it a one-time intervention? Does the implementation have a rolling structure with an end objective but no end date? Yaqua's projects are one-time interventions with clear end dates, which is why they have a transition plan as part of their exit

strategy which involves the creation of a separate public administrative body in collaboration with the local government and the community that allows for their implemented solution to continue operating with no input from Yaqua.)

- Designing for best case, most likely, and worst-case scenarios (how do we make sure that impact can still happen in case there is no money, or no time, or no resources? What are the most important assumptions we are making regarding the success of the initiative, and what happens if those assumptions are proven wrong? In Tejiendo el Futuro, the ideal designed solution involved a complex series of training workshops, creating a brand, developing a website, and a process of ongoing improvement on the business and operation model of the intervention. However, the team at that time did not think to consider alternative solutions even if there were concerns regarding the complexity of the solution and its dependence on the continuous commitment from the community. In retrospect, the intervention would have benefited from this thought exercise of worst case scenarios - even if there was only one final design and no resources to develop alternative ones, this question would have still helped prioritize activities, modify the design to make it more flexible, and plan for unexpected and expected obstacles).

4.2.3. Component 3: Community involvement in service design and service delivery

While research on the effectiveness of using participatory and community-driven frameworks in poverty-reduction initiatives in Peru remains limited, there seems to be a growing interest in increasing the involvement of beneficiaries throughout the design and implementation process. Furthermore, as initiatives begin to consider exit strategies and the long-term operativity of their

solutions, it becomes even more essential to ensure a smooth transition of the initiative from the organization to the community and promote long-term sustainability. The analysis in this investigation identified two key concepts in understanding what involvement could mean in regards to poverty-reduction efforts.

- <u>Depth of involvement:</u> This concept refers to the nature and degree in which involvement occurs. In this manner, involvement can be considered as a spectrum of intensity, ranging from simple attendance (a more passive and small degree of involvement) to co-ownership (a more active and bigger degree of involvement). With options in between such as participation, collaboration, and co-design, the analysis supports the idea that determining the optimal level of involvement that would best serve the initiative and fit both the benefactor and the beneficiary's expectations is crucial to ensure the initiative's longitudinal efficacy.

- Scope of involvement: This concept refers to the comprehensiveness of defining intentional beneficiary involvement. It focuses on aspects such as the number and profile of beneficiaries to be involved, as well as the stages of the design and implementation process where their involvement is most valuable (this can encompass phases such as initial research, design, testing, or the entire project lifecycle). For example, the Tejiendo el Futuro case study highlights the potential dangers of incomprehensive beneficiary selection - while Pucayacu's community leaders, who were all men, expressed their desire to be the sole participants in the initiative, its success depended on the inclusion of women, whose role in the community were central to the implementation and continuation of the initiative.

Although fully relinquishing control of poverty-reduction initiatives to beneficiary communities (as is often encouraged in the case of co-ownership) may seem difficult for the implementing organizations, insights gained from analyzing and reflecting upon the case studies lend support

to the idea that encouraging beneficiary involvement is essential to an initiative's success and it empowers vulnerable populations in Peru who have often experienced ineffective top-down solutions imposed on them.

Having a comprehensive engagement strategy, even if it does not include a complete transfer of ownership, can foster a sense of ownership within the community, increasing commitment and accountability for the success of the initiative. This investigation proposes the use of both Community-Driven Development (CDD) and participatory design principles, as they complement each other in a way that encourages a more holistic approach of involving the end-user in the initiative. Participatory design principles can be best applied in the process of service design, while CDD seems to be well-suited for service delivery. By strategically integrating both disciplines in this field, beneficiary involvement can be accounted for throughout the entire lifecycle of the initiative, from design to implementation.

1. First layer

   - Mention and detail of community involvement (does the initiative mention and emphasize whether they are community-driven or have community involvement? do they provide specifics on what they mean when they mention those terms? Awamaki, for example, explicitly states that they are a community-driven social enterprise, and they give detail on what that means. For them, the involvement takes the form of a partnership, meaning they build cooperatives of women that are then managed by the members without input from Awamaki. When creating experiential tourism packages, Awamaki works with the cooperatives in order to define photography guidelines; at the same time, the cooperatives are the ones who decide on the rotation of guides, their hours and days of availability for the tourists, which are then communicated to Awamaki. On the other hand, Siderperu

Technical School makes no mention at all of having community or beneficiary involvement in their processes).

2. Second layer

- Defining and having a shared understanding of the depth and scope of involvement (What are the expectations of the benefactor? What are the expectations of the beneficiaries? What is the context of community development for the beneficiaries? At times when the beneficiary profile is so broad, there is no clear body of "community," which makes the identification of key beneficiary stakeholders more difficult. For example, Inclulab's scope of beneficiaries are the entire disability community in Peru. While that community may have well-known figures, the members are independent and there is no governing body or structure that dictates their behaviors or makes decisions on their behalf. On the other hand, Tejiendo el Futuro's target community was specifically the group of farmers living in Pucayacu. As a small group of people, the residents of Pucayacu had their own town committee where elected leaders would make decisions on behalf of the rest).

- Incorporation of participatory design practices beyond the research phase (is the initiative involving the beneficiary in the design or implementation phase? How are these interactions happening? How limited and of what quality is their involvement? Sometimes, due to the blurred lines between human-centered design, design thinking, and participatory design, initiatives that claim to involve the community limit such involvement to the end-user's participation in singular, confined, and often guided in such a way that they reinforce the existing power imbalances. For example, in PTQNutrido the members of the Ollas populares were involved only during the research phase and their participation was limited to in-depth interviews where they could only share a limited view of their experiences, needs, and challenges. Despite the fact that the initiative would eventually be

owned entirely by the Ollas, the design and implementation process had only two points of involvement with the beneficiaries: during the research phase, and then when the solution was fully designed and ready to be launched).

4.2.4. Component 4: Financial sustainability

The exercise of mapping the current poverty-reduction initiatives by hybrid organizations in Peru revealed that there seems to be a limited transparency regarding the financial models these initiatives are built on. The analysis identified a trend in this regard where initiatives either lacked clear information about their funding plans or seemed to be heavily reliant on donations and grants. Furthermore, some of the mapped initiatives as well as some of the cases may have overestimated the financial viability of the proposed income-generating activities in their designed solutions, and these optimistic projections were then integrated as certainties when developing broader financial and operational models.

For example, Tejiendo el Futuro's failure to achieve its objective in its first attempt was in part because of the benefactor's lack of deep understanding of the alpaca textile market in Peru, which led to a necessary pivot in their approach during their second attempt. The consulting team of which I was part of discovered that in this particular market the alpaca fiber buyers only visited remote communities like Pucayacu once a year, which limited the farmers' selling and negotiating opportunities. Furthermore, the market seemed to be dominated by two major corporations which, according to the accounts of buyers, artisans, and other alpaca farmers, controlled 99% of the trade. This lack of competition meant that Pucayacu had no leverage in price negotiations, which in essence left the community restricted to one annual sale at a predetermined price of which they had no say in, requiring them to stretch a source of income that was generated in one single day throughout the rest of the year.

Overall analysis suggests that financial self-sustainability is a crucial but yet seemingly not prioritized consideration in the design of poverty-reduction initiatives. Several factors contribute to this component's relevance: first, it could help reduce the current trend of depending on external funding which would directly increase the initiative's potential for long-term viability. Second, focusing on financial sustainability can help initiatives navigate known pitfalls: by integrating financial considerations throughout the entire design process, poverty-reduction initiatives can mitigate the risk of replicating some of the shortcomings observed in past governmental poverty-reduction approaches, where heavy focus on superficial economic improvements without addressing the social support systems needed to sustain those gains led to a cursory growth without true and permanent improvement of people's quality of life. A clear example of this is Tejiendo el Futuro, where the original's initiative of gifting alpacas ultimately created a burden within the community with a resource-intensive animal that required specialized care and conditions that the community had difficulties fulfilling. Similarly, Awamaki's reliance on external donations reiterates the importance of encouraging self-sufficiency - should such funds decrease, the initiative's ongoing poverty-reduction activities as well as the livelihoods of the eight cooperatives that depend on it could be jeopardized.

1. First layer

    - Transparency of funding sources (do their annual impact reports specify how profitable the initiative is and how it is being funded? Looking at Awamaki, their annual reports for the last three years have made it clear that, while they are able to generate income selling the artisan products, the majority of their operational costs required to maintain their initiatives are covered by individual donors and foreign public fundings. However, Siderperu's Technical School provides no information on how they are funding their scholarships or the operation of the entire technical school. While the lack of information does not necessarily mean that their

financial model is at risk, it does bring up questions on why this information is not publicly available).

2. Second layer

- Designing a financial model that can eventually be self-sufficient (does the initiative have a current and ideal funding model planned out? This may seem like a simple question, but reflecting on my personal experiences, in my role as an external consultant I at times did not consider how the initiatives would be funded, I simply assumed they would - in organizations like corporations practicing social responsibility, the initiatives are often funded by the profits of the corporation; this is one of the reasons why in Tejiendo el Futuro the initiative was so complex - it was because Nexa Resources was willing to fund the entire initiative in order to fix their mistakes. However, the initiative would eventually turn into a new entrepreneurial activity completely managed by the community in Pucayacu, and when the team realized that fact, it became imperative to figure out a funding model that would not require a permanent involvement of Nexa nor demand non existing resources from the community).

5. Conclusions

My professional background as a Peruvian strategic designer influenced my initial interest in approaching this topic in this Major Research Project. Being able to work within poverty-reduction initiatives led by hybrid organizations, as well as social innovation projects from both private and nonprofit sectors, has provided me with valuable firsthand experience. This investigation served as a personal reflection journey, allowing me to analyze these experiences and gain a deeper and more nuanced understanding of the topic. The original intention for this undertaking was to

further my professional development and become a better designer, as well as potentially contribute to the knowledge base of designers in a similar position.

This research approached that objective by first examining three key areas interconnected with the topic for the purpose of exploring a systemic perspective on poverty-reduction initiatives led by the private and nonprofit sectors in Peru. These areas were: poverty and poverty reduction, social innovation, and community-driven practices. Then, leveraging that foundational understanding, the investigation proceeded to a closer examination of the field by mapping and classifying existing initiatives, and then by an in-depth analysis of six specific cases, of which three I participated in directly.

On a personal level and on a general note, the process of investigating this topic has been deeply rewarding. Despite the fact that the ideas presented remain as hypothetical ideas and yet to be tested, the acquisition of valuable knowledge to continue my growth into becoming a better designer stands as a significant achievement. My hope is that, as Peruvian society evidences growing interest in hybrid organizations and impactful projects, this specific field will continue to attract research and practical attention.

The following items outline the key findings gleaned from this investigation:

1. Peru has had a period of significant economic development and reduction of poverty rates. However, the country has a high level of vulnerability to poverty due to the lack of a solid social support system. Meaning, although there are less people living in poverty, the risk of falling back into it is so high that at any signs of crisis the rate of poverty goes up.
2. It is important to consider poverty from a multidimensional perspective, to think of poverty and poverty-reduction as seeking well-being rather than simply increasing monetary income. The multidimensional perspective is more human-centered, as it places human indicators of wellbeing above economic measurements of poverty.

3. In the same vein as how poverty can mean more than monetary poverty, poverty-reduction can mean more than immediate redistribution of income or provision of goods and services. There are many ways to look at poverty, just as there are many ways to pursue poverty-reduction.

4. Historically, in Peru, poverty-reduction has taken form of one of two types of approaches: indirect, which applies to approaches tackling poverty in a more broad, systemic, and roundabout manner such as by increasing employment or strengthening the market; or directly, applied to approaches that targeted a very specific cause or symptom of poverty, such as access to drinkable water or food insecurity.

5. The role of the private and nonprofit sectors in poverty-reduction efforts in Peru has been mostly conducted through indirect approaches (the private sector taking the spotlight as key stakeholders of the formal economy), although current global trends have pushed these two sectors to play a more active role in improving the well-being of society.

6. The use of Community-Driven Development, participatory design, and similar frameworks which emphasize the involvement of the end-user in the design and implementation process for poverty-reduction initiatives in Peru has not been studied much. Globally, studies point out that such frameworks, while they have a high potential in increasing the positive impact of a socially-driven initiative, have in actuality mixed outcomes.

7. In light of the lack of a developed practice, community, or discipline of direct poverty-reduction initiatives led by hybrid organizations, using the classification system has provided a much-needed layer of initial analysis that could be useful for the future development of the practice.

8. In response to the initial research questions for this investigation:
   a. Clear objectives and success metrics are required in order to fully evaluate if poverty-reduction initiatives in Peru led by hybrid organizations are achieving their

desired outcome. The proposed set of considerations are guidelines are an attempt to facilitate the creation of these objectives and success metrics.

b. The principles behind CDD and participatory design frameworks bring much potential in the improvement of poverty-reduction initiatives. Furthermore, as in the Peruvian context these initiatives are challenged by distrust, lack of transparency, power imbalances, and expert biases, there is definitely a strong need for a more thorough and equal interaction between the beneficiaries and the team leading the design and implementation of a poverty-reduction initiative.

6. Limitations and Recommendations

This is an initial and superficial undertaking of a problem as complex as poverty and trying to understand how poverty has been developing in Peru. As a Peruvian, I am not neutral in my observations and focus in this investigation - I have proceeded while aware of my positionality of not only a Peruvian but a design consultant that has been involved in a number of poverty-reduction initiatives from the private and nonprofit sector.

In the absence of primary research, this research relies on secondary data and my own lived experiences. Sources such as published literature and publicly available data were used for the analysis, in addition to my personal experiences as an internal stakeholder for some of the cases utilized for case-analysis.

Next recommended steps to continue this research would be to incorporate primary data collection in order to contribute to the results with deeper insights and understand the lived experiences of other stakeholders, particularly the beneficiaries and representatives of hybrid organizations with poverty-reduction initiatives. In addition to primary research, I suggest a trial period where these guidelines can be used intentionally in both the design process as well as an

appraisal of a poverty-reduction initiative in order to test its intended usefulness as well as the
ease of use and understandability.

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