

## EMPOWERING INCARCERATED WOMEN THROUGH COOPERATIVES IN A PERUVIAN PRISON

# DULCE ESPERANZA CASE STUDY

FEBRUARY 2023

## BACKGROUND

In Peru, the *Cárceles Productivas* (or “Productive Prisons”) project oversees the National Penitentiary Institute (INPE), which promotes at the national level the involvement of incarcerated people in productive activities that facilitate their reintegration into society. Legislative Decree No. 1343 regulates the promotion and implementation of Productive Prisons, establishing conditions in which incarcerated people can engage in productive activities that facilitate their reintegration into the country’s labor market and allow them to contribute to their own and their families’ economic support, as established by Peru’s Principle of Contribution to Reinsertion.

As part of the Productive Prisons project, in the Penal de Quillabamba penitentiary center—located in the province of La Convención, department of Cusco, with some 45 women convicted mostly of crimes related to drug trafficking—a group of around 20 women are engaged in productive activities in textiles (pillows, backpacks, etc.), carpentry (manufacturing wooden shelves for displaying their products), and chocolate. The penitentiary center has provided this group with



Team consolidation workshop with Dulce Esperanza in Quillabamba, Perú in 2022.

the use of a workshop with two spaces, equipment (toaster, husker, grinder, stove, freezer, and refrigerator), utensils, molds, furniture and tools, with a value of PEN 15,000. (USD\$4,500). All this investment made by INPE, including fixed costs (electricity, water, maintenance of the premises), totals PEN 30,000 (USD\$9,000). While the women wished to increase sales to contribute to feeding their children, not all their products sold.

The regulations governing Productive Prisons allow INPE to manage agreements with public and private institutions to improve the project. This is how, at the request of the Ministry of Production, NCBA CLUSA began supporting this group of women deprived of their physical liberty through the U.S. Agency for International Development (USAID)-funded Cooperative Development Program.

## ACTIONS

Since April 2021, NCBA CLUSA—in partnership with INPE and Peru’s Ministry of Production—has carried out joint work to strengthen and develop the capacities of this group of women in the Quillabamba Prison. Technical assistance has been provided to implement the following workshops with a group of around 20 women inside the prison:



Marketing workshop with Dulce Esperanza in Quillabamba, Perú in 2022.

- Startup costs and financial planning
- Creative marketing tools
- Associative business models
- Women's leadership
- Cooperative business model
- Strategic planning (marketing and member loyalty)
- Cooperative constitution (team consolidation and sustainability)
- Chocolate quality and processes improvement (grain roasting, tasting)
- Cooperative stories (success and failure factors)

In addition, advice and coaching have been provided to develop the “Dulce Esperanza” brand, improve product packaging, and increase marketing in Lima. NCBA CLUSA has established commercial alliances with other actors so that Dulce Esperanza products can be sold in stores such as Thika Thani, a natural products chain and e-commerce platform in Lima.

After a cost analysis of the product was carried out with the women, it became clear that they were operating at a loss. It was also determined that the “labor contribution” of women is given a monetary value of PEN 10 per workday, which they receive; this is lower than the official minimum wage of 52.5 PEN per day, but they do not work eight hours. The women of Dulce Esperanza make a symbolic contribution to INPE of 41 PEN per month for the use of space, equipment, tools and fixed costs.

Although the Dulce Esperanza Cooperative has not yet been legally established, with the support provided, the group has made significant progress in the production and marketing of its chocolate. They have learned to work cooperatively. They are united in their efforts to achieve common goals and have a business and associative vision

for the future.

Roxana (last name withheld), one of the women from Dulce Esperanza, said she “learned to value my family, myself and my work. My goal is to leave here [and] be something in life, to work on what I have learned inside [prison] so I can be with my children.”

With the support of NCBA CLUSA, especially the [Cooperative Business School](#) and partners like Thika Thani, Dulce Esperanza started selling their chocolate bars for PEN 8.50—instead of the previous price of PEN 6.00—and began to recover costs and generate surplus (net revenue). In 2022, USAID Peru produced a [video](#) to raise awareness of the brand and the quality of its chocolate.

If Dulce Esperanza continues to sell its chocolate at a rate of 4,000 bars per year at the current sales price of PEN 8.50 per bar, with the current low labor compensation of PEN 10 per day for the women and the fixed costs covered by INPE, a surplus of PEN 9,000 per year will be achieved, which is enough to cover the cost of inputs. But this will depend on the main buyer (Thika Thani) continuing to purchase 60-70% of the production at the current price, as well as small local buyers who are not always willing to pay a different value, which would affect the income of the women of Dulce Esperanza.

However, the break-even point is 12,000 bars of chocolate at PEN 10 each, which generates a surplus of PEN 20,000. Therefore, if the co-op wants a more solid business—even depending on INPE’s resources, machinery and infrastructure—goals must be set to sell five times more chocolate (20,000 bars) at a minimum sales price of PEN 10. For this, it will be necessary to hire marketing, accounting and sales personnel. In this way, the payment of PEN 20 per day could be doubled for each of the women who might be interested in joining the cooperative (some 40 women out of the total 45 in the prison) and receiving monthly income for their families.



Cooperative constitution workshop in Quillabamba, Perú in 2022.



NCBA CLUSA has committed to ensuring that “Dulce Esperanza” is established as a cooperative and preparing its business plan so that, in the short and medium term, it achieves economic and associative or organizational viability. In the medium and long term, considering that many of the women of Dulce Esperanza will have completed their sentences, the acquisition of their own infrastructure and machinery should be achieved so that they can continue producing chocolate. This will also allow them to have fixed assets that facilitate access to co-financing or lines of credit with preferential rates to make the use of economic-financial resources more efficient and to be a sustainable business.

The next step to achieve more sales in formal channels and greater results is to become a legal entity. Legislative Decree No. 1343—which aims to generate conditions in which the prison population can develop formal businesses— includes establishment using any model that the law allows, including the cooperative business model. A group of 25 women has chosen the cooperative model to formalize. Through participatory workshops on the cooperative model with the women of Dulce Esperanza, the bylaws have been drafted and disseminated through INPE to all the women in the prison. Thus, a small initiative born within the framework of the Productive Prisons project has grown considerably and has an even brighter future if it is formalized as a cooperative.

In response to this need, and within the framework of these legal provisions, Quillabamba prison authorities, the Ministry of Production and NCBA CLUSA have coordinated with INPE to create a cooperative made up of the Dulce Esperanza



Co-op identity and marketing workshop in Quillabamba, Perú in 2022.

women, so that they have more associative and economic sustainability. Currently operating as a pilot, this work is providing valuable experiences and lessons for dissemination to other groups in other penitentiary centers in Peru.

#### PENDING ACTIONS

- Obtain authorization from INPE to create the cooperative, which already has bylaws agreed upon by the women who would be its founding members.
- Continue with technical assistance to strengthen the women's capacities.
- Prepare a business plan that allows the women and their families to have higher incomes and better living conditions.
- Appoint, through the INPE, a representative who coordinates with other buyers to place Dulce Esperanza products and close sales.

#### LESSONS LEARNED

##### ADVANTAGES OF THE COOPERATIVE BUSINESS MODEL

Organizing as a de facto cooperative—although not yet formally established—has provided the following benefits to the women of Dulce Esperanza:

- While still deprived of their physical liberty, the Dulce Esperanza women [report](#) that their self-esteem has increased and they are better prepared to reenter society.
- Dulce Esperanza sold 4,000 chocolate bars in 2022, compared to 1,200 bars in 2021 (an increase of more than 300%)

Gladis in Quillabamba, Perú, 2022.



Dulce Esperanza group in Quillabamba, Perú in 2022.



- They have achieved the design and positioning of the “Dulce Esperanza” brand.
- They have developed new products: chuncho chocolate, hybrid chocolate, blend chocolate, coffee and honey.
- They have identified their costs, break-even point and sales target.
- They [developed a webpage](#) to raise awareness of themselves and their products.

#### ADVANTAGES FOR FAMILIES AND COMMUNITIES

The relatives of the incarcerated women have contributed to the commercialization of Dulce Esperanza chocolate through direct sales, benefiting from that income. Since sales have increased by 300%, the women have been able to contribute to their families additional income in the same proportion.

The Quillabamba community has also benefited because the service providers to Dulce Esperanza—such as those who transport inputs and final product—are local Quillabamba stores and the relatives of the incarcerated

women. Similarly, when the women obtain their freedom, they will be able to reintegrate into society equipped with a business model that helps improve their lives and those of their families and communities.

#### BENEFITS FOR THE PENITENTIARY CENTER AND SOCIETY

The Quillabamba penitentiary center has benefited from the success of Dulce Esperanza because it has been able to encourage more incarcerated women to join the Productive Prisons project—from 16 to 40. At the same time, Dulce Esperanza has aroused the interest of other public and private institutions that contribute to the development of the Productive Prisons project.

#### MAIN CHALLENGES AND BEST PRACTICES TO OVERCOME THEM

- Working within a penitentiary requires a series of requirements and authorizations for admission to the penitentiary center. These were achieved through constant meetings to explain and raise awareness



about the advantages of organizing the women of Dulce Esperanza into a cooperative.

- Initially, the motivation of the women deprived of their liberty was low. But through a series of workshops, it was possible to stir their interest to participate in the project.

- The innovative nature of this work at first made it difficult to find partners to join the initiative. Disseminating the first positive results achieved with the development of the Dulce Esperanza brand and the increase in sales, has resulted in the support of various partners such as Thika Thani, Scrap Chocolates (Adela Siancas), Coffee Private Investigation Agency LLC (Genevive Kapper) and Central de Cooperativas Agrarias Cafetaleras.



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FOR MORE INFORMATION, PLEASE CONTACT:

CARMEN ROSA CHAVEZ HURTADO  
CDP Peru Director  
[cchavez@ncbaclusa.net](mailto:cchavez@ncbaclusa.net)

VISIT [DULCE ESPERANZA'S WEBSITE](#) TO LEARN HOW YOU CAN SUPPORT THEM

1775 Eye Street, NW | 8th Floor | Washington, DC 20006  
202.638.6222 | [info@ncba.coop](mailto:info@ncba.coop) | [ncbaclusa.coop](http://ncbaclusa.coop)