

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**PERU**

**AGRICULTURAL COMPETITIVENESS PROGRAM III**

**(PE-L1126)**

**LOAN PROPOSAL**

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1. Policy letter	<a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=38016411">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=38016411</a>
2. Means of verification matrix	<a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=37812351">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=37812351</a>
3. Results Matrix	<a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=37807608">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=37807608</a>
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1. Comparison of commitments in the three programmatic PBLs	<a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=37816840">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=37816840</a>
2. Impact monitoring and evaluation plan	<a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=37817663">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=37817663</a>
3. Safeguard Policy Filter Report	<a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=37819177">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=37819177</a>
4. Environmental and social strategy	<a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=37819054">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=37819054</a>
5. Report on disbursement compliance of the first programmatic PBL (2160/OC-PE)	<a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35837718">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35837718</a>
6. Report on disbursement compliance of the second programmatic PBL (2531/OC-PE)	<a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=36221900">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=36221900</a>
7. Competitiveness of Peruvian agriculture	<a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35838932">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35838932</a>
8. Agricultural competitiveness and development of chains and clusters	<a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35839504">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35839504</a>
9. Diagnostic assessment and support for formulation of the modernization component of the Agrarian Innovation System	<a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35839987">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35839987</a>
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11. Economic assessment report	<a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=37814351">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=37814351</a>
12. "Agricultural Productivity Growth, Efficiency Change and Technical Progress in Latin America and the Caribbean." C. Ludena	<a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35838847">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35838847</a>

13. Agricultural Policy Framework 2009-2012 – Escobal and Zegarra  
<http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=37819196>
14. Structural changes in the Peruvian agricultural sector  
<http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=37821332>
15. Report on the environmental intervention strategies of the program  
<http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=37850830>

## ABBREVIATIONS

AGROIDEAS	Programa de Compensaciones para la Competitividad [Competitiveness Reward Program] (formerly PCC)
CENAGRO	National Census of Agriculture
CNBAF	Centro Nacional de Biotecnología Agropecuario y Forestal [National Center for Biotechnology in Agriculture and Forestry]
CONICA	Comisión Nacional de Innovación y Capacitación para el Agro [National Commission for Agrarian Innovation and Training]
DGCA	Dirección General de Competitividad Agraria [Bureau of Agricultural Competitiveness]
DGTP	Dirección General de Endeudamiento y Tesoro Público [Bureau of the Public Debt and Treasury]
EMBI+	Emerging Markets Bond Index Plus
GCI-9	Ninth General Increase in the Resources of the Inter-American Development Bank
GDP	Gross domestic product
INIA	Instituto Nacional de Innovación Agraria [National Institute of Agrarian Innovation]
MEF	Ministry of Finance
MINAGRI	Ministry of Agriculture and Irrigation
NPV	Net present value
OEEE	Oficina de Estudios Económicos y Estadísticos [Office of Economic and Statistical Studies]
OPI	Planning Office of the Ministry of Agriculture
OTE	Specialized Technical Entity
PBP	Programmatic policy-based loan
PESEM	Multiyear Strategic Sector Plan 2012-2016
PROSAAMER	Program of Support Services to Gain Access to Rural Markets
SIEA	Integrated Agricultural Statistics System
SNIA	National System for Agrarian Innovation
UCPS	Sector Loan Coordination Unit

**PROJECT SUMMARY**  
**PERU**  
**AGRICULTURAL COMPETITIVENESS PROGRAM III**  
**(PE-L1126)**

Financial Terms and Conditions			
<b>Borrower:</b> Republic of Peru		<b>Flexible Financing Facility*</b>	
<b>Executing agency:</b> Ministry of Finance (MEF)		<b>Amortization period:</b>	Bullet payment on 15 April 2019
<b>Source</b>	<b>Amount</b>	<b>Original weighted average life (WAL):</b>	5.72 years ***
<b>IDB (Ordinary capital)</b>	US\$25 million	<b>Disbursement period:</b>	12 months
<b>Local</b>	0	<b>Grace period:</b>	Bullet payment on 15 April 2019
<b>Total</b>	US\$25 million	<b>Interest rate:</b>	LIBOR- based
		<b>Inspection and supervision fee:</b>	**
		<b>Credit fee:</b>	**
		<b>Currency of approval:</b>	U.S. dollars from the Bank's Ordinary Capital
Project at a Glance			
<b>Program objective:</b> The objective of the program is to help consolidate the agricultural growth process in Peru by improving farmers' average productivity and increasing and diversifying agricultural exports. The specific objective is to make small and medium-scale agricultural producers more competitive, especially the beneficiaries of the Competitiveness Reward Program (AGROIDEAS), by increasing their productivity and the value of their sales.			
<b>Special contractual conditions:</b> Disbursement of the loan proceeds will be subject to fulfillment of policy reform measures as specified in Chapter I, Section B, and in Annex II, Policy Matrix (see paragraphs 1.31, 1.32, 1.33, and 1.34); see also Results Matrix, Means of Verification Matrix, and Policy Letter (paragraph 3.3).			
<b>Exceptions to Bank policies:</b> None			
<b>Project consistent with country strategy:</b> Yes [X] No [ ]			
<b>Project qualifies as:</b> SEQ <input type="checkbox"/> PTI <input checked="" type="checkbox"/> Sector <input checked="" type="checkbox"/> Geographic <input type="checkbox"/> Headcount <input type="checkbox"/>			

- (\*) Under the Flexible Financing Facility (document FN-655-1) the Borrower has the option to request modifications to the amortization schedule as well as currency and interest rate conversions, in all cases subject to the final amortization date and original weighted average life (WAL). In considering such requests, the Bank will take into account market conditions and operational and risk management considerations.
- (\*\*) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policy provisions.
- (\*\*\*) The definitive original WAL will be calculated based on the date the loan contract is signed.

## **I. DESCRIPTION AND RESULTS MONITORING**

### **A. Background, problem addressed, and rationale**

#### **1. Introduction**

- 1.1 This program is the last in a series of three programmatic policy-based loans (PBP) to enhance the Peruvian agriculture sector competitiveness. This program of programmatic loans began in 2009 in the framework of the free trade agreements (FTA) entered into by the Government of Peru to supplement agricultural policy measures instituted towards the end of the last decade, primarily those aimed at modernizing agricultural health and agrifood safety services, strengthening rural land ownership rights, modernizing rural infrastructure, and improving conditions for access to farm credit, among other measures. Specifically, the three programmatic policy-based loans support additional policy reforms that would help eliminate structural barriers for small and medium-scale farmers to access technology, improve their inclusion in value chains, modernize the national agrarian innovation and research system, and develop and improve the availability of relevant, quality agricultural information to assist in decision-making.
- 1.2 The first PBP was approved in 2009 (loan 2160/OC-PE), establishing the program's principal legal and institutional reforms, and the second PBP was approved in 2011 (loan 2531/OC-PE) to support implementation of these reforms. The third program seeks to consolidate the policy decisions under which significant progress has already been made, such as: (i) the positive performance of the Competitiveness Reward Program (AGROIDEAS, formerly known as PCC), with verifiable results in terms of technological and productivity improvements achieved through organized agricultural associations and value chains; (ii) transformation of the institutional and policy framework of the National System of Agrarian Innovation (SNIA), the implementation of which is complemented by a public investment program with resources committed for the next few years; and (iii) the Fourth National Agricultural Census (IV CENAGRO) conducted in late 2012, supported by the ongoing process to modernize the agrarian information system.

#### **2. Macroeconomic situation**

- 1.3 Peru continues to enjoy economic expansion with a real GDP growth in 2012 of 6.3% (6.9% in 2011). The recent buoyancy in economic growth was driven by strong nonprimary, manufacturing, trade, and services sectors on the supply side, and by private investment and consumption on the demand side. The GDP outlook for 2013 and 2014 shows projected economic growth of 6.2% year-to-year. In addition to rapid growth, Peru continues to be one of the most stable economies in the region, with an inflation rate of 2.65% at year-end 2012.
- 1.4 On the export side, a slight weakening of the terms of trade in 2012 resulted in a 1.4% drop in total exports compared to 2011, owing chiefly to the lower prices for exportable raw materials. Imports, on the other hand, grew 11.2% over the same period. The 2012 current account deficit showed a downward trend, closing the year at -3.6% of GDP (-1.9% in 2011), with a trade surplus of 2.3% of GDP (5.3%

in 2011). This deficit was easily financed with growing long-term private capital flows equivalent to 8.2% of GDP. The export sector outlook remains positive.

- 1.5 Furthermore, Peru continues to enjoy positive and stable financial conditions for its exports. The country risk measured by the EMBI+ spread was highly volatile in 2012, but stabilized somewhat towards the end of the year. At year-end, the country risk averaged 120 basis points, leading regional and extra-regional emerging markets. Peru maintains an investment grade rating from Dominion Bond Rating Service (DBRS), Fitch, Standard & Poor's (S&P), and Moody's. In this context, gradual fiscal consolidation has been noted in the nonfinancial public sector (NFPS), recording a surplus of 2.1% of GDP at year-end 2012, 0.2 percentage points better than the previous year. With the 2012 outcome, Peru is close to structural fiscal balance (0.1% of GDP) for the first time since 2006.

### **3. Structure and performance of the Peruvian agricultural sector**

- 1.6 The 2009-2013 period covering the three programmatic loans was a time of continuous growth and transformation for Peruvian agriculture, supported by government policies that have consistently supported private investment in sectors offering comparative advantages, such as agricultural exports, taking advantage of more open trade practices. As a result, the Peruvian agricultural export sector enjoyed a strong performance, although relatively concentrated on a few products (coffee and asparagus account for 40%) and limited to a certain type of producer.
- 1.7 The sector's annual GDP growth rate was 5.08% in 2012, with agricultural exports rising from US\$642.9 million in 2000 to US\$4.777 billion in 2011 (National Superintendency of the Tax Administration (SUNAT), Ministry of Agriculture (MINAGRI)). This strong performance by the agriculture sector is due in part to the rapid growth of the economy (6.9% in 2011), the stable macroeconomic and sector policy environment, and the positive price evolution. Additional factors, such as the opening of the economy to international markets, intensified by a lowering of the effective average tariff to just 2.05%, together with active promotion of international trade agreements by the government, and increased public investment since 1990 to strengthen the National System for Agricultural Health, land ownership rights, and expansion of the rural road network have encouraged renewed private investment in the farming sector.
- 1.8 Recent sector data show a modest increase in farmers' per capita income from 2006 to 2012, especially in the coastal, center, and southern regions, and that current rural poverty levels, although still high, fell from 84% of the population in 2004 to 61% in 2010 (National Statistics Agency-Development Analysis Group (INEI-GRADE)), whereas extreme poverty, concentrated in the Andean region, dropped from 42% in 2004 to 24% in 2010. Peru's agriculture sector remains a strong pillar of the economy as it employs about 25% of the economically active population (EAP) (National Household Survey (ENAHU) 2010) and accounted for 7.5% of the GDP and 9% of total exports in 2011.



- 1.9 An analysis of preliminary IV CENAGRO 2012 results shows several noteworthy changes to the sector's structure compared to data from the previous census (1994). The number of agricultural units grew by 25% (from 1,265,000 to 2.2 million), and the percentage of rural women also increased (from 20% to 31%), whereas the crop mix changed in response to relative price movements, with coffee and feed crops taking over from potatoes and grains in areas such as Cuzco and Puno. Technological changes were also recorded, such as less use of improved seeds and agrochemicals, and greater use of tractors and farm machinery. There has been a slight increase in access to credit and technical assistance, although they still remain at a very low level ("[Cambios estructurales en el sector agropecuario: CENAGRO 2012](#)" - J. Escobal) [Structural changes in the agriculture sector].
- 1.10 Despite the high growth rates for the sector, Peru still suffers from very low land and labor productivity rates in the Andean region ([Escobal/Zegarra 2013](#)). Increased production is essentially due to the expansion of land and the workforce, although the competitiveness of several crops in the coastal region improved significantly as measured by the domestic cost of resources method, such as potatoes and grapes, which improve by 30% and 41%, respectively. Asparagus was the most competitive crop until 2007, replaced by avocado and grapes from 2008 onward. According to Cannok (2011), the competitiveness gains have been due primarily to price and only in part to productivity gains.
- 1.11 An important feature of the expenditure structure in Peru is that spending on agricultural public goods—those with the highest probability of improving sector productivity levels—represents about 10% of the total, equivalent to about US\$100 million per year, well below the figures for the United States (42%), Chile (37%), or Brazil (22%). Although recently there has been more support to finance public infrastructure and inspection services, greater efforts are required to boost sector competitiveness in the medium term, through the delivery of general research and innovation services, and agrarian information, which usually have a lasting impact. Moreover, consumer-to-producer transfers through prices are relatively high in comparison to other countries such as Brazil or Chile. In recent years, 80% of these transfers were price supports, compared to 75% in Ecuador, 49% for the Organization for Economic Cooperation and Development (OECD), 39% in Brazil, and 13% in Chile. This level of support poses problems for the regional integration process, especially in the context of the Andean Community of Nations where prices in countries such as Ecuador and Colombia are closer to those of the rest of the world.

#### **4. Factors limiting agricultural competitiveness**

- 1.12 The study on [competitiveness of Peruvian agriculture](#), using the growth diagnostic methodology developed by Hausmann, Rodrick, and Velasco (2005), substantiates the fact that Peru has made significant progress to improve quality and health standards and rules, as well as in the regularization of land tenure, although the country still faces the challenge of providing legal security for more than 50% of rural parcels in the highlands region, and practically all of the jungle region.

Likewise, expansion of the rural road system has contributed to gradually bridge the gap in rural infrastructure. The following section addresses the underlying causes for the constraints and lag identified in the study.

**a. Productivity gaps and technological change**

- 1.13 Low total factor productivity is a problem still affecting Peruvian agriculture. Although production and productivity have improved over the past ten years, the pace of growth remains limited (Escobal/Zegarra, 2013). The low technology level is due primarily to the existence of a large number of small production units whose scale precludes farmers from accessing markets and credit on favorable terms. According to preliminary data from the most recent CENAGRO (2012), there are now 2.2 million farm units (5.1 million parcels) in Peru, with farmers on average holding 2.2 parcels. The predominant sector, with a total area of 1.2 million hectares, practices low-return traditional extensive farming, resulting in low productivity and weak market integration. These groups have the lowest investment and modernization levels, requiring additional financing to improve their income and possibilities. They produce primarily potatoes, rice, coffee, sugar cane, and hard yellow corn, in addition to beef and dairy cattle, for the domestic market.
- 1.14 Under the first PBP (loan 2160/OC-PE), the Government of Peru enacted Legislative Decree 1077 and its regulatory and operational framework, creating AGROIDEAS as an instrument to help narrow the technology gaps in agriculture by encouraging small and medium-scale farmers to adopt enhanced technologies, partner at the level of organizations or clusters, and develop management and business capacities. In its first three years of existence, AGROIDEAS approved requests from 133 organizations for the adoption of technologies that benefit 9,092 producers holding 39,477 hectares of farmland. The second PBP (loan 2531/OC-PE) helped strengthen the governance of AGROIDEAS and the effective implementation of several operational management tools. The [AGROIDEAS 2008-2012 performance assessment](#) found positive economic and managerial outcomes. The program has now reached the take-off point, with strong demand by producers. In line with the measures preidentified in the first PBP, the pending challenge, which is the core of the commitments under the third PBP, relates to a rigorous assessment of outcomes achieved, with a view to enhance the operational efficiency and effectiveness of AGROIDEAS. MINAGRI.

**b. Limited development of agricultural organizations, supply chains, and clusters**

- 1.15 The study on [agricultural competitiveness and development of chains and clusters](#) identified the common factors that hamper development of value chains. These include: (i) the fragmentation of small and medium-scale farmers, their scant human capital, and little association-building among farmers. Sector statistics show that only 35% of producers belong to any type of organization and, in general, small and medium-scale farmers have few ties to markets; (ii) limited access to financing: the Superintendency of Banks and Insurance reports that only 4.6% of

producers have access to the financial system; (iii) deficiencies in road, bulking center, and marketing infrastructure, as well as productive and processing infrastructure; (iv) limited access to innovation and information, compounded by deficient health and safety conditions; and (v) the absence of institutional arrangements, such as contract farming or vertical integration of growing, processing, and marketing.

- 1.16 The development of chains in Peru requires a coordinated effort with competitiveness initiatives at the national level and work initiatives coordinated with regional governments, the private sector, and the National System for Agrarian Innovation (SNIA) in the framework of the Multiyear Strategic Sector Plan (PESEM) 2012-2016. With support from the previous two PBPs, the Government of Peru began to develop a strategy framework to map priority farm products in regional and/or local value chains. Consistent with the priority measures defined in the first PBP, the focus of the third operation is to formally and operationally include the value chain approach in the MINAGRI budget and operational work, in accordance with the policy guidelines set forth in the PESEM 2012-2016, and to implement specific plans of action agreed with regional governments.

**c. Limited agricultural research and innovation**

- 1.17 One important element of factor productivity is the availability of affordable technology for small and medium-scale producers. This group is lagging in Peru because the Agrarian Innovation System is not fully developed, and the outreach and technology transfer services are ineffective. As a result, farmers have not been able to adopt state-of-the-art innovations that would improve productivity. One of the results is low Peruvian crop yields compared to the 10 leading producer countries: 19% for corn, 21% for barley, 27% for potato, 30% for banana, 55% for cotton, 61% for coffee, 62% for manioc (cassava), and 76% for rice (FAO-GRADE, 2009).
- 1.18 The study [Diagnostic assessment and support for formulation of the modernization component of the Agrarian Innovation System](#) found that investment in agricultural research and innovation in Peru has ranged between just 5% and 10% of the total public investment in agriculture in the past decade, and public expenditure on them was a mere 0.17% of agricultural GDP, well below the 1.14% average for Latin America. As a result, the level of agrarian innovation in Peru is insufficient and lacks appropriate conditions. Although there have been isolated programs, such as the Innovation and Competitiveness for Peruvian Agriculture program (INCAGRO), which have been successful in specific interventions, generating private benefits in technology, a gap still remains in the supply of public goods for innovation and research, and the service market for the generation and dissemination of technology is underdeveloped.
- 1.19 The National Institute of Agrarian Innovation (INIA), which is the apex government agency responsible for agricultural innovation, has an organizational structure that has not changed in the last 20 years, with no connections between

research and outreach, or between the institute and the regions. It has an extremely weak planning and management system, and only 10% of staff have a postgraduate degree (Ph.D. or M.S.), compared to the average of 65% at similar institutions in the region and 96% at the Brazilian Agricultural Research Corporation (EMBRAPA). Furthermore, the infrastructure is inadequate, and the equipment and facilities need to be modernized.

- 1.20 Under the first PBP (loan 2160/OC-PE) the government created a legal framework to govern the SNIA (Legislative Decree 1060), tasking it with promoting research, technological development, innovation, and technology transfer. Under this framework, the SNIA draws together public, private, and academic organizations, and its activities are coordinated with the agrarian policies of MINAGRI, and with the National Science, Technology and Technological Innovation Plan. Additionally, the decision was made to create the National Commission for Agrarian Innovation and Training (CONICA), and to place the SNIA under the authority of the INIA. The commitments of the second programmatic loan (loan 2531/OC-PE) helped advance the reform process through specific proposals for institutional reforms, as well as investment needs and institutional strengthening. A priority goal for the Government of Peru is for the INIA to become a modern lead agency in innovation, acting as a Specialized Technical Entity (OTE), part of an integrated system involving the regions and the private sector. Accordingly, the government has given priority to a comprehensive public investment program for agrarian innovation to be implemented in 2014. In this context, the measures agreed for the third operation are consistent with the measures initially preidentified, and are defined in greater depth and detail to support the requirements of a broad, comprehensive reform, as promoted by the government, and to lay the institutional and governance groundwork for the effective operation of the SNIA.

**d. Poor access to markets and limited information systems**

- 1.21 The 2010 national strategic programs survey (ENAPRES) shows limited penetration by information and communication technologies (ICTs) to assist the sector in the decision-making process. Only 1.6% of small and medium-scale agricultural producers use the Internet, although mobile telephony is used more broadly (47%), which means there are potential information users (Study to analyze and estimate demand for the agrarian statistical data program for rural development).
- 1.22 Another evaluation conducted in 2010 (midterm evaluation of the Program of Support Services to Gain Access to Rural Markets (PROSAAMER)), concluded that a large number of surveyed public agency users (63% of the Regional Agrarian Bureaus and 82% of Agrarian Agencies) said they had a medium level of access to public sector agrarian information, whereas a relatively low percentage of surveyed farmers (38%) indicated they used this information in their production processes, and an even lower proportion (18%) were able to specify the type of information they used. The limited statistical information does not facilitate farmers entry into the formal market economy. It also limits the efficiency and effectiveness of

public-sector agrarian programs and policies, as there are no reliable current baselines or any modern monitoring and evaluation techniques and methods. The CENAGRO, a vital tool to study the evolution of the sector's structure, needed an upgrade considering that 18 years had elapsed since the last version, CENAGRO III in 1994. It was necessary to have current information about the structure of the agricultural sector, showing the number of farming units, type of agriculture, size, spatial distribution, types of land tenure, land use, and technology employed, both country-wide and in political-administrative divisions.

- 1.23 Given the prevailing situation, the first PBP (loan 2160/OC-PE) supported the drafting and approval of Legislative Decree 1082 creating the Integrated Agricultural Statistics System (SIEA), an important step in enhancing the management of National Statistics System information. In addition to creating the SIEA, under that operation MINAGRI adopted as policy the use of probabilistic methods for agrarian statistics, with partial support from the PROSAAMER program.
- 1.24 The second PBP (loan 2531/OC-PE) supported expanding application of the probabilistic method to gather statistical information in the coastal and highlands regions, made it possible to begin SIEA operations at the central level, and developed methods to disseminate agricultural information as basic conditions for farmers to have access to information. The loan also laid the foundations for the IV CENAGRO by formulating a technical/cost proposal. Consistent with the initially preidentified measures, the third operation supports execution of the IV CENAGRO and establishes a strategic plan and an investment plan to improve the gathering, analysis, and dissemination of agricultural information to strengthen governance and the institutional framework at the national level.

## **5. Conceptual overview**

- 1.25 The program is designed to help address the principal factors limiting agricultural competitiveness described in the previous section, specifically focusing on narrowing the gaps in productivity and technological change, improving access to markets through value chains, increasing the supply of agricultural research and innovation, and developing efficient agrarian information systems. The program is also consistent with the principles established in the Sector Framework Document on Agriculture and Natural Resources Management recently approved by the Board of Executive Directors, as it prioritizes policies that promote efficient factor and product markets, encourage private investment, and support public expenditure efficiency. The proposed policy actions will help generate public goods and services for the benefit of more than 2.3 million agricultural producers. Furthermore, it will help improve the productivity of 43,000 small and medium-scale producers in farmers associations, the target originally set for coverage by the AGROIDEAS program. The program Policy Matrix was also designed to encourage and be complemented by institutional-strengthening investments for agrarian innovation and information.

- 1.26 The foregoing complements the Bank's broad and extensive work with the Peruvian agriculture sector through investments to provide public goods and services in key areas for competitiveness, such as agricultural health, land titling and tenure, and the development of rural infrastructure. The overall impact of these interventions has undoubtedly contributed to the sustained growth enjoyed by the Peruvian agricultural and export sectors in recent years.

#### **6. Consistency with the Bank's country strategy and strategic development objectives**

- 1.27 The program is consistent with the objectives of the Bank's country strategy with Peru 2012-2016 (document GN-2668). Specifically, the program is aligned with the strategy objective to help raise rural income levels by increasing productivity and diversifying economic activities in those areas, through the following actions: (i) improving the quality of delivery of key agricultural services for the sector's competitiveness; and (ii) encouraging the formation of agglomeration economies in the form of clusters and value chains, both agricultural and nonagricultural (Country strategy, paragraph 3.12). Accordingly, the Results Matrix indicators for the proposed operation are aligned with the country strategy indicators.
- 1.28 The program is also aligned with the indicators of the Ninth General Increase in the Resources of the Inter-American Development Bank (GCI-9), and the lending targets for both poverty and equity inasmuch as it supports small-scale farmer production, offering opportunities to access better agrarian services and investments (paragraph 1.14). It will also contribute to the regional development target for annual agricultural GDP growth and strengthens climate change and environmental sustainability initiatives by promoting the adoption of relevant agricultural technologies (paragraph 2.2).

#### **B. Program objectives and description**

- 1.29 The objective of the program is to help consolidate the agricultural growth process in Peru by improving farmers' average productivity, and increasing and diversifying agricultural exports. The specific objective is to make small and medium-scale agricultural producers more competitive, especially the beneficiaries of AGROIDEAS, by increasing their productivity and the value of their sales.
- 1.30 **Component 1. Macroeconomic stability.** The objective of this component is to ensure a macroeconomic framework consistent with the program objectives and with the main points of the sector policy letter.
- 1.31 **Component 2. Implementation of the Competitiveness Reward Program (AGROIDEAS).** The objective of the policy commitments agreed upon in this third PBP is to consolidate good practices in the operational and environmental management of AGROIDEAS, as mandated by Legislative Decree 1077, and supported by an evaluation of program performance based on results achieved. The policy commitments include: (i) evaluation of program outcomes and progress using criteria that include yield and productivity targets, adoption of technologies,

value of sales, cost-effectiveness of technical assistance, producers' co-financing levels, participation of women, and environmental sustainability; (ii) preparation and analysis of the program baseline, in keeping with the quasi-experimental impact evaluation method agreed upon for the final measurement; (iii) analysis of the incentives granted to verify compliance with the agreed eligibility criteria, including criteria on forming associations, profitability, and sustainability listed in the agreements entered into with producer organizations; (iv) evaluation of the Strategic Plan for AGROIDEAS, based on its consistency and contribution to the pillars of the Sector Strategic Plan 2012-2016 approved by MINAGRI; and (v) approval of the Law for the expansion and continuation of AGROIDEAS, supported by criteria seeking to improve its coverage effectiveness and operational efficiency.

- 1.32 **Component 3. Development of agricultural clusters and value chains.** This component promotes the development of agricultural value chains as a means to contribute to better access to markets under competitive conditions. The specific policy commitments agreed upon include: (i) incorporation of the value chain approach in the work of the Bureau of Agricultural Competitiveness (DGCA), in keeping with the Multiyear Strategic Sector Plan 2012-2016 approved by MINAGRI, giving producers associated in the prioritized value chains access to support mechanisms offered by the government, in accordance with the guiding principles on sustainability and environmental quality (organic certification systems, fair trade, climate change adaptation, etc.); (ii) identification and analysis of the principal constraints and opportunities for the development of value chains, including preparation of a plan of action whereby MINAGRI and regional governments agree on implementation commitments based on prioritized value chains; (iii) at least four framework cooperation agreements signed between MINAGRI and regional governments to facilitate implementation of their specific plans; and (iv) inclusion of resources in the 2012-2013 MINAGRI budget allocations to support the development of the prioritized value chains.
- 1.33 **Component 4. Modernization of the National System for Agrarian Innovation (SNIA).** The objective of this component is to advance the SNIA reforms and the process to transform the INIA into a modern lead agency in agrarian innovation, in fulfillment of the mandates of Legislative Decree 1060. The following policy commitments were agreed upon for the furtherance of ongoing processes: (i) strengthening of CONICA, starting with a change in the composition of its members, approval of its operating rules, and presentation of a proposal for the functioning of the technical secretariat; (ii) submission to CONICA of a proposed National Agrarian Innovation Policy, subject to consultation with public and private entities, addressing issues including the institutional framework of the SNIA, increased public investment in agricultural innovation, incentives to promote private investment, and the institutional modernization of the INIA; (iii) a proposed National Agrarian Innovation Plan presented to CONICA, including the SNIA vision/mission, strategic objectives, relationship with the private sector, regions, and academia, international ties, and financing and zoning options and mechanisms;

(iv) approval of a public investment program at the profile level for the comprehensive strengthening of the SNIA and modernization of the INIA; (v) submission to the MINAGRI Planning Office (OPI) of an investment project for the creation of the National Center for Biotechnology in Agriculture and Forestry (CNBAF), at the feasibility level; (vi) design of the SNIA information, control, and monitoring system; (vii) evaluation of the INIA delegation of authority to other system stakeholders with respect to seeds; and (viii) the INIA capacity-building plan, including the new Regulations on the Organization of Functions (ROF), the start of the process to transform the INIA into a Specialized Technical Entity (OTE), and the general guidelines for a new human resources strategy to serve the plan requirements.

- 1.34 **Component 5. Strengthening of the Agricultural Statistics Information System.** The objective of the component is to further modernize and strengthen the Integrated Agricultural Statistics System (SIEA) in keeping with the mandates of Legislative Decree 1082 creating the system. The policy commitments agreed upon in this PBP include: (i) conducting the IV CENAGRO and publishing its results on the sector's structural variables; (ii) approval of the SIEA Strategic Plan by the SIEA Technical Committee, seeking to improve governance and the quality of statistical information, including a monitoring and evaluation plan; (iii) formal evaluation by the Office of Economic and Statistical Studies (OEEE) of the application of the probabilistic method using area frames to generate statistics for Arequipa, Ica, and Lima; and (iv) approval of the project profile for the improvement of the agricultural investment information system, including the generation of statistical information and the dissemination of information for rural development.

**C. Results Matrix indicators**

- 1.35 Several indicators shown in the Results Matrix were identified to measure the scope of outcomes. ([Results Matrix](#)).



**Table I-1: Key Results Matrix indicators**

<b>Results indicators Purpose and components</b>	<b>Measurement time</b>	<b>Selection rationale</b>
Increased average yields for the principal agricultural products	Years 1 and 4	Measures the impact of improved adoption of technologies, partnering, and business management
Increased percentage of the average value of sales for the prioritized value chains	Years 1 and 4	Measures the impact on the income-earning capacity due to greater integration in the value chain
Increased number of SNIA studies and publications	Annual	Measures the impact on the SNIA's scientific and technological production capacity
Development of new varieties registered by the SNIA	Annual	Measures the impact on the production of immediately marketable experimental findings
Number of visits to the agricultural statistics information portal	Year 4	Measures the impact of more information available for farmer decision-making

#### **D. Evaluation considerations and economic rationale**

- 1.36 An ex ante [economic evaluation](#) was conducted for each component as well as for the program as a whole, using a 12% discount rate. For components 2 and 3, the analysis focused on data obtained during the AGROIDEAS program performance evaluation for the principal crops (coffee, cocoa, banana, oil palm, and dairy products), using a 10-year time horizon. The projected net benefits show an increase in agricultural yields with a net present value (NPV) of US\$25.2 million using a 12% discount rate. Component 4 was evaluated using the costs associated with the SNIA investment programs committed to under this operation, projecting the benefits that will generate higher income for producers thanks to technological innovation and outreach over a 10-year horizon. The estimated NPV for this component amounts to US\$87.6 million. Lastly, the analysis of component 5 focused on the actions tied to the development of the SIEA that promote access to markets for small-scale producers, generating an impact on beneficiary incomes over a 12-year horizon. The estimated NPV for these investments amounts to US\$5.2 million. Adding the expected benefits and costs for implementation of the planned interventions, the overall NPV for the program is estimated to be US\$113.89 million.
- 1.37 The program beneficiaries include all farmers (2,292,772 according to IV CENAGRO), as they will be able to access better agricultural services and investments (GCI-9 indicator). In the specific case of AGROIDEAS, the program will reach more than 11,500 direct beneficiaries in 2013 (42% of them women).

## **II. FINANCING STRUCTURE AND RISKS**

### **A. Financing instrument**

- 2.1 This loan is the last in a series of three PBPs. The proposed US\$25 million in financing for the third operation would be scheduled for disbursement in the fourth quarter of 2013 upon fulfillment of the policy reform conditions agreed in

the Policy Matrix (Annex II). This PBP will consolidate the policy processes begun in 2009, and, with the fulfillment of the established conditions, will achieve the programmatic objectives. The electronic links include a [comparison matrix](#) of the originally defined commitments and those agreed under this operation.

**B. Environmental and social risks**

- 2.2 An environmental evaluation of the operation was conducted pursuant to Directive B.13 of the Bank's Environment and Safeguards Compliance Policy (Operational Policy OP-703). Legislative Decree 1077 and its implementing regulations mandate that all AGROIDEAS support be governed by criteria of viability and environmental sustainability, including agricultural pesticide prohibition in compliance with the country's environmental laws, and criteria to promote proper use of soil and water, in accordance with the capacity and limitations of agroecological systems, and their adaptation to climate change. The programmatic loans helped AGROIDEAS implement a supervision and monitoring system to evaluate the environmental performance of business plans funded by the rewards program, and application of a manual on good practices, and environmental and social guidelines. Moreover, given the nature of the program's policy reforms, the environmental strategy seeks to internalize management decisions in keeping with the agreed policy commitments, for example, opportunities for organic production, carbon footprint reduction, or climate change and agrobiodiversity research lines. Execution of this three-loan PBP series has entailed implementation of policy commitments resulting in capacity-building at MINAGRI for environmental management and inclusion of climate change issues as a priority in the policy strategy for the sector (PESEM 2012-20).

**C. Other key risks and issues**

- 2.3 No execution risks are anticipated as all program policy measures have been fulfilled. However, there are risks associated with the implementation and financing of the structural reforms proposed under each component to achieve the expected impacts. These risks are mitigated by the government's decisions to provide financing for the SNIA and the SEIA through investment programs, and to extend the execution period for the AGROIDEAS reward program based on the evaluation of outcomes. The National Public Investment System (SNIP) of the MEF has already approved the respective investment profiles, and a Legislative Decree authorizing the extension of AGROIDEAS until 2016 has been approved.

### **III. IMPLEMENTATION AND MANAGEMENT PLAN**

**A. Program implementation and management**

- 3.1 The program borrower will be the Republic of Peru. The executing agency will be the Ministry of Finance (MEF), acting through the Bureau of the Public Debt and Treasury (DGTP) and Sector Loan Coordination Unit (UCPS). The UCPS will be responsible for monitoring the commitments specified in the Policy Matrix (see

Annex II), in coordination with MINAGRI. As executing agency, the UCPS will have the following responsibilities: (i) maintain official communications with the Bank and deliver reports and evidence of fulfillment of the operation's conditions, as well as any other report the Bank may require, under the agreed terms and deadlines; (ii) conduct activities to achieve the specified policy objectives; and (iii) provide information on the indicators to monitor program outcomes. MINAGRI is responsible for implementing the policy commitments agreed upon through its corresponding technical units, while channeling evidence of commitment fulfillment to the UCPS.

**B. Monitoring and evaluation of impact**

- 3.2 The commitments in the Policy Matrix and the Results Matrix establish the key parameters for the monitoring and evaluation of program impact. Two methodologies will be used to evaluate the outcomes and impacts. A quasi-experimental difference-in-differences (DD) model, combined with the instrumental variables method, will be used for the AGROIDEAS and Value Chains components. Technical cooperation operation ATN/OC-11855-PE ([baseline analysis](#)) financed the activities to gather and analyze baseline data for the beneficiaries and the control group for this evaluation. A reflexive method will be used to evaluate the outcome indicators of the innovation and research and the agricultural information components. The [impact monitoring and evaluation plan](#) describes the evaluation methods in detail, lists the indicators to be evaluated, those responsible for the monitoring surveys and analysis, the milestone timeline, and the associated budget.

**C. Policy letter**

- 3.3 The Bank has agreed with the Government of Peru on the macroeconomic and sector policies included in the Policy Letter to be submitted by the MEF, describing the main components of the country's strategy for the Agricultural Competitiveness Program, and reaffirming its commitment to implement the policy measures and activities agreed upon in the Policy Matrix.

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Aligned		
Lending Program	i) Lending for poverty reduction and equity enhancement, and ii) Lending to support climate change initiatives, renewable energy and environmental sustainability.		
Regional Development Goals	Annual growth rate of agricultural GDP (%).		
Bank Output Contribution (as defined in Results Framework of IDB-9)	Farmers given access to improved agricultural services and investments.		
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix	GN-2668	Increase current rural income levels.	
Country Program Results Matrix	GN-2696	The intervention is included in the 2013 Country Program Document.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability	Highly Evaluable	Weight	Maximum Score
	9.7		10
3. Evidence-based Assessment & Solution	10.0	33.33%	10
4. Ex ante Economic Analysis	10.0	33.33%	10
5. Monitoring and Evaluation	9.1	33.33%	10
III. Risks & Mitigation Monitoring Matrix			
Overall risks rate = magnitude of risks*likelihood	Medium		
Identified risks have been rated for magnitude and likelihood	Yes		
Mitigation measures have been identified for major risks	Yes		
Mitigation measures have indicators for tracking their implementation	Yes		
Environmental & social risk classification	B.13		
IV. IDB's Role - Additionality			
The project relies on the use of country systems (VPC/PDP criteria)			
The project uses another country system different from the ones above for implementing the program			
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality	Yes	There is a high level of female participation in the sector (42% of farmers are women). The monitoring and evaluation plan intends to monitor female participation and verify the impact by gender.	
Labor	Yes	Component 2 (PCC/AGROIDEAS) has proven to contribute to increase agricultural employment.	
Environment	Yes	Sustainable practices and environmentally friendly technologies are supported in Component 2.	
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	ATN/OC-11855-PE.	
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan	Yes	The impact evaluation plan will provide important insights on the development effectiveness of agricultural technology programs. The impact evaluation methodology is a quasi-experimental approach that will allow us to identify the program's impact. The baseline data was collected with financial resources provided by the technical cooperation ATN/OC-11855-PE .	

This programmatic policy based loan (PBP) is the third of three loans designed to improve the competitiveness of the Peruvian agricultural sector. The project document identifies the factors limiting the competitiveness of the agricultural sector and provides recent empirical evidence suggesting the importance of these factors. The proposed solutions continue the approach from the previous loans and are justified by the empirical analysis. Given the quality of the analysis, it provides an empirical assessment of the issues and potential solutions, and offers a clear justification for the project. The indicators included in the Policy Matrix and the Monitoring and Evaluation Plan are linked to the three loans, match the project objectives and are reasonable.

The project includes a cost-benefit analysis (CBA) of the components of the PBL. The analysis provides an economic rate of return and meets the criteria for an economic analysis of PBPs. The monitoring and evaluation plan builds on the plan initiated in the previous loan. The impact evaluation plan focuses on a key component of the project, AGROIDEAS (previously PCC) and uses a reasonable non-experimental approach to assess impact. The baseline data collection occurred as part of the previous loan (2012) and follow-up data will be collected through this loan and the analysis of impact conducted.

## POLICY MATRIX

<b>General objective</b>	<b>To make small and medium-scale Peruvian agricultural producers more competitive</b>			
<b>Specific objectives</b>	<b>Responsible institution/agency</b>	<b>Commitments Programmatic loan I (2009)</b>	<b>Commitments Programmatic loan II (2011)</b>	<b>Commitments Programmatic loan III (2013)</b>
<b>I. Macroeconomic stability</b>				
Maintain a stable macroeconomic framework		The macroeconomic framework is consistent with the program objectives and with the main points of the sector policy letter.	The macroeconomic framework is consistent with the program objectives and with the main points of the sector policy letter.	The macroeconomic framework is consistent with the program objectives and with the main points of the sector policy letter.
<b>II. Implementation of the Competitiveness Reward Program (AGROIDEAS) (formerly PCC)</b>				
Support implementation of the Competitiveness Reward Program, intended to make small and medium-scale farmers more competitive within the framework of more open trade practices	<b>MINAG</b>  Competitiveness Reward Program	<ol style="list-style-type: none"> <li>1. Regulations implementing the PCC approved, including:               <ol style="list-style-type: none"> <li>a. Establishment and membership of the multisector PCC Directing Council</li> <li>b. Program incentives for organization of farmer associations, business management, and the adoption of technologies</li> <li>c. Incentive for adoption of technologies that meet the economic and environmental viability requirement</li> <li>d. Requirements for producer participation in the program, covering at least the following:                   <ol style="list-style-type: none"> <li>i. Belong to a legally established organization of small and medium-scale farmers</li> <li>ii. Cofinance the cost for adopting technologies and for management services</li> <li>iii. Evidence of the right to use the land</li> <li>iv. Submit, through an accredited agent, the request for support including a business plan</li> </ol> </li> </ol> </li> </ol>	<ol style="list-style-type: none"> <li>1. Institutional Strategic Plan (2011- 2014) for the PCC approved, including:               <ul style="list-style-type: none"> <li>• Development of agricultural products in value chains, in coordination with other public/private sector actors</li> <li>• Partnering as a key factor for the competitiveness of small and medium-scale farmers</li> <li>• Existing guidelines for the National System for Agrarian Innovation (SNIA) and the Integrated Agricultural Statistics System (SIEA)</li> <li>• Sustainable use of natural resources and the environment, and climate change adaptation</li> </ul> </li> <li>2. Legislative Decree 1077 in implementation, along with its Operating Regulations and Operating Manual, as evidenced by incentives granted to producer organizations in accordance with the conditions set in these policy instruments and for program management</li> <li>3. PCC impact evaluation methodology designed, including:</li> </ol>	<ol style="list-style-type: none"> <li>1. Evaluation of results and significant advances measured against an AGROIDEAS performance evaluation</li> <li>2. Preparation and analysis of the baseline and impact evaluation method agreed upon ready for implementation upon completion of the AGROIDEAS program</li> <li>3. Incentives awarded by AGROIDEAS on the basis of criteria on forming associations, profitability, and sustainability listed in the agreements entered into with producer organizations</li> <li>4. AGROIDEAS strategic plan evaluated on the basis of its contribution to the four pillars of the Sector Strategic Plan 2012-2016: management, competitiveness, inclusion, and sustainability</li> <li>5. Law for the expansion and extension of AGROIDEAS approved by the National Congress</li> </ol>

Specific objectives	Responsible institution/agency	Commitments Programmatic loan I (2009)	Commitments Programmatic loan II (2011)	Commitments Programmatic loan III (2013)
		supporting the suitability and viability of the technologies, a viable scale for the farming operation, and participation of the product in a value chain with access to domestic and international markets	<ul style="list-style-type: none"> <li>• Program impact evaluation variables of interest, to be included in the baseline survey</li> <li>• Guides for the preparation of questionnaires for conducting the baseline survey</li> <li>• Guidelines for conducting the PCC baseline survey, including treatment and control groups</li> <li>• Criteria for a preliminary statistical analysis of the baseline information, to determine whether the control group is a suitable comparator for the treatment group</li> </ul> <ol style="list-style-type: none"> <li>4. Program performance monitoring system in operation, including monitoring the business plans associated with the incentives granted, and availability of information on gender and environmental compliance</li> <li>5. PCC Operating Manual updated, covering issues such as efficient use of scarce natural resources and environmental viability</li> <li>6. Environmental good practices guide for PCC beneficiaries in development</li> <li>7. Public investment proposal prepared to strengthen the PCC's and MINAG's institutional capacity in general to support access by farmers and agricultural agents to local, regional and international markets</li> </ol>	

Specific objectives	Responsible institution/agency	Commitments Programmatic loan I (2009)	Commitments Programmatic loan II (2011)	Commitments Programmatic loan III (2013)
	<b>MINAG</b>  Bureau of Advisors  Competitiveness Reward Program	2. PCC governance mechanism implemented, including: a. Appointment of members to the Directing Council b. At least the following features for the operation of the executing agency: i. Approved budget resources ii. Proposed shortlist for the head of the program execution unit submitted to MINAG by the Directing Council		
	<b>MINAG</b>  Bureau of Advisors  Competitiveness Reward Program	3. Development of PCC management instruments, including: a. Operating Manual, with business plan models and evaluation criteria b. Monitoring and control system c. Impact evaluation system incorporating the PCC baseline methodology		
<b>III. Development of agricultural clusters and value chains</b>				
Promote the competitiveness of agricultural products in priority value chains under MINAG authority	<b>MINAG</b>  Competitiveness Reward Program	1. Guidelines <sup>1</sup> approved for studies to identify and map priority agricultural products in value chains at the selected regional and/or local level	1. Matrix for the selection of regions and agricultural product clusters developed, incorporating at least the following criteria: <ul style="list-style-type: none"> <li>• Market conditions</li> <li>• International trade and price trends</li> <li>• Opportunities for organic production and carbon footprint reduction</li> <li>• Potential contribution to GDP, employment, and exports</li> <li>• Institutional development to support clusters (regulations, infrastructure, existing public-</li> </ul>	1. In keeping with the Multiyear Strategic Sector Plan 2012-2016 approved by MINAGRI, the DGCA incorporates the value chain approach in its work, giving producers in the prioritized value chains access to support mechanisms offered by the government. This strategy must be consistent with national guiding principles, taking into account factors such as sustainability and environmental quality (organic certification systems, fair trade, climate change adaptation, etc.) 2. Identification and analysis of the principal constraints and opportunities

<sup>1</sup> Given the crosscutting nature of the value chain approach, and in order to avoid duplication with national programs and initiatives, these guidelines will be taken into account by the Government of Peru when mapping multisector supply chains and clusters.

Specific objectives	Responsible institution/agency	Commitments Programmatic loan I (2009)	Commitments Programmatic loan II (2011)	Commitments Programmatic loan III (2013)
			<p>private partnerships, etc.)</p> <ul style="list-style-type: none"> <li>• Compliance with sanitary regulations and/or enforcement of technical standards</li> </ul> <p>2. At least four regions and four clusters of agricultural products selected as priorities for MINAG support through a validation and coordination process including the PCC, INIA, SENASA, DGCA, PRODUCE, and MINCETUR.</p> <p>3. The PCC has developed a mechanism to promote joint activities with the selected regions to boost the competitiveness of agricultural products in the prioritized clusters/value chains.</p>	<p>for the development of value chains, including preparation of a plan of action whereby MINAGRI and regional governments agree upon implementation commitments based on prioritized value chains</p> <p>3. At least four regions have signed framework cooperation agreements with MINAGRI to facilitate implementation of the plan of action for the value chains prioritized by MINAGRI</p> <p>4. Inclusion of resources in the 2012-2013 budget allocations to support the development of the prioritized value chains</p>
<b>IV. Modernization of the National System for Agrarian Innovation</b>				
Support implementation of the National System for Agrarian Innovation (SNIA), strengthening its strategic research and management capabilities, and coordinating public and private sector operators	<p><b>MINAG</b></p> <p>National Institute for Agrarian Innovation (INIA)</p>	<p>1. Regulations approved, implementing the National System for Agrarian Innovation, which:</p> <ol style="list-style-type: none"> <li>Authorize the INIA, as the SNIA's apex authority, to delegate its functions to public or private sector persons or corporations, including regional and local governments (with the purpose of establishing agricultural science and technology cooperation networks)</li> <li>Determine the membership for the National Commission for Agrarian Innovation and Training, which will operate in accordance with the priorities, criteria and principal points of the National Agrarian Innovation Policy and the National Agrarian Innovation Plan</li> </ol>	<p>1. Rules of Procedure approved for the National Commission for Agrarian Innovation and Training (CONICA), including procedures to elect representatives, rules for meetings, and the quorum needed to adopt decisions</p> <p>2. Work Plan approved for CONICA</p> <p>3. Profile for the National Agrarian Innovation Policy formulated and sent to CONICA, including the design principles for the SNIA with its subregional subsystems and a sustainable financing mechanism</p>	<p>1. CONICA strengthening is underway. This strengthening includes the following: (i) changes to the composition of its members; (ii) approval of its operating regulations; and (iii) presentation of a proposal for the functioning of the technical secretariat</p> <p>2. CONICA receives the proposed National Agrarian Innovation Policy, opening it for consultation with public and private entities. It addresses strategic issues, including: (i) strengthen the SNIA institutional framework; (ii) increase public investment and provide incentives to promote private investment in innovation processes; and (iii) modernize the INIA institutional framework</p> <p>3. Proposed National Agrarian Innovation Plan presented to</p>



Specific objectives	Responsible institution/agency	Commitments Programmatic loan I (2009)	Commitments Programmatic loan II (2011)	Commitments Programmatic loan III (2013)
				<p>CONICA, including:</p> <ul style="list-style-type: none"> <li>a. Innovation process context and opportunity</li> <li>b. SNIA vision/mission</li> <li>c. The strategic objectives</li> <li>d. Strategies for relations with the private sector, regions, academia, and for international ties</li> <li>e. Strategic areas and priorities</li> <li>f. Targets and outcomes</li> <li>g. Role of CONICA and INIA</li> <li>h. Financing options and mechanisms</li> <li>i. Zoning</li> </ul>
		<p>2. Guidelines approved to draw up the National Agrarian Innovation Policy and the National Agrarian Innovation Plan, to:</p> <ul style="list-style-type: none"> <li>i. Decide crop and animal husbandry zoning issues</li> <li>ii. Determine research priorities based on farmer demand</li> <li>iii. Determine the responsibilities and capacities of the INIA and other SNIA entities concerning research, technology transfer, technical assistance, and agrarian innovation</li> <li>iv. Develop mechanisms to cooperate with international agencies and network with national research centers</li> <li>v. Determine the main outline for design of the information, monitoring and control system for SNIA activities</li> <li>vi. Establish national agricultural extension policies and methodologies</li> </ul>	<p>4. Public investment proposal to consolidate the SNIA approved by the MINAG, with the following components:</p> <ul style="list-style-type: none"> <li>• Strengthen the SNIA</li> <li>• Build public and private capabilities to generate, transfer and adopt knowledge about prioritized strategic products</li> <li>• Strengthen the capacity of private operators to generate, transfer, adopt, and use agricultural innovations in Peru</li> <li>• Develop specialized human resources</li> <li>• Develop modern infrastructure and specialized equipment</li> </ul> <p>5. Public investment proposal approved for the National Center for Biotechnology in Agriculture and Forestry (CNBAF), with the following components:</p> <ul style="list-style-type: none"> <li>• Specialized human resources</li> <li>• Innovation program</li> <li>• Infrastructure and specialized equipment</li> <li>• Improved regulatory framework</li> </ul>	<p>4. SNIA investment program approved at the profile level, including two investment projects, one to strengthen the SNIA, the other to consolidate the INIA</p> <p>5. Proposed CNBAF investment program at the feasibility level submitted to the OPI of MINAGRI</p> <p>6. SNIA information, control and monitoring system in the design phase</p> <p>7. Evaluation of the INIA delegation of authority to other system actors with respect to seeds</p> <p>8. Strengthening the INIA's capacities, based on the following actions:</p> <ul style="list-style-type: none"> <li>a. New INIA Operating and Functional Regulations in the approval process</li> <li>b. Initiate the process to transform the INIA into a specialized technical entity (OTE)</li> <li>c. General guidelines for the human resources strategy</li> </ul>

Specific objectives	Responsible institution/agency	Commitments Programmatic loan I (2009)	Commitments Programmatic loan II (2011)	Commitments Programmatic loan III (2013)
		vii. Agree on criteria to transfer INIA research capacities to regional governments		
			6. Progress made on implementation of the delegation of authority and seed certification, with reference to the fourth supplemental provision of Legislative Decree 1060	
<b>V. Strengthening the Agricultural Statistics Information System</b>				
Strengthen the Integrated Agricultural Statistics System (SIEA), to assist decision-making for a broad spectrum of users	<b>MINAG</b>  Office of Economic and Statistical Studies	1. Regulations established, implementing the SIEA	1. SIEA Technical Committee in operation, in accordance with Chapter II, Article 5, of the SIEA Regulations 2. SIEA in operation at the central level, disseminating statistics through its portal	1. Proposed SIEA Strategic Plan approved by the SIEA Technical Committee, seeking to improve SIEA governance and the quality of statistical information. The plan will include a monitoring and evaluation plan to evaluate its implementation 2. Evaluation of the application of the probabilistic method using area frames to generate statistics for Arequipa, Ica, and Lima
		2. Probabilistic methodology adopted to gather statistical data	3. Probabilistic method developed to gather statistical information in the coastal and highlands regions	3. Investment project profile approved by the National Public Investment System (SNIP), including two lines of action: (a) improvement of the agricultural statistical information system, and (b) improvement of the agrarian information service with the implementation of the reporting and dissemination system

Specific objectives	Responsible institution/agency	Commitments Programmatic loan I (2009)	Commitments Programmatic loan II (2011)	Commitments Programmatic loan III (2013)
		3. Preparations underway for the Fourth National Agricultural Census	4. Public investment proposal formulated to strengthen the SIEA and improve decision-making by farmers and agriculture public sector agents, with a favorable opinion issued by the MINAG Planning and Budget Office  5. Technical/cost proposal prepared to conduct the Fourth Agricultural Census	4. Fourth National Agricultural Census (IV CENAGRO) conducted and results about the sector structural variables published.
	Bureau of Agricultural competitiveness / Bureau of Agrarian Information  Office of Economic and Statistical Studies		6. Mechanisms developed to disseminate agricultural information, including at least: ▪ A SIEA web portal ▪ Specific information modules with statistical information and other market variables to assist farmer decision-making	

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/13

Peru. Loan \_\_\_/OC-PE to the Republic of Peru  
Agricultural Competitiveness Program III

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Peru, as Borrower, for the purpose of granting it a financing to cooperate in the execution of an agricultural competitiveness program III. Such financing will be for an amount of up to US\$25,000,000 from the Ordinary Capital resources of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_ \_\_\_\_\_ 2013)

PE-L1126  
LEG/SGO-37930435-13