

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	PERU/CAN - Andean Group
▪ TC Name:	Beyond Extraction (Phase II): SME and labor market strengthening in Moquegua, Peru
▪ TC Number:	PE-T1471
▪ Team Leader/Members:	WALTER, MARTIN (INE/CCH) Team Leader; NUNES DA CUNHA, NATASCHA (INE/INE) Alternate Team Leader; DE PIEROLA DEL AGUILA, JOSE CARLOS (INE/INE); BRUSATIN CADAVID, NICOLA (INE/INE); LEON RODRIGUEZ, LORENA MARINA (CAN/CPE); CENTENO LAPPAS, MONICA CLARA ANGELICA (LEG/SGO); SALDANA GALVEZ, JORGE HERNAN (CAN/CPE)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	05 Jan 2021
▪ Beneficiary:	Peru
▪ Executing Agency:	FUNDACIÓN TECHNOSERVE CHILE
▪ IDB funding requested:	US\$600,000.00
▪ Local counterpart funding:	US\$66,667.00 (In Kind)
▪ Disbursement period:	24 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	INE - Infrastructure and Energy Sector
▪ Unit of Disbursement Responsibility:	CAN/CPE - Country Office Peru
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality

II. Objective and Justification

- 2.1 The Beyond Extraction II project aims to increase socioeconomic benefits for the communities of Ilo and Mariscal Nieto (Moquegua, Peru) located in the area of influence of large mining operations, with a focus on women and youth, and innovation. In the aftermath of the COVID-19 pandemic, the program will focus on supporting the reactivation of economic activities and strengthening the local labor market in the targeted communities by: (i) strengthening key value chains and productive sectors that can significantly contribute to the economic recovery and have a multiplier effect; and (ii) promoting greater labor market efficiency. The program will deploy a systemic approach and engage with public and private sector actors that have the incentives and influence to impact the entire ecosystem, providing them with innovative tools to grow their businesses and better leverage the local labor market capabilities. A collaborative effort between the IDB and local private sector entities, led by Anglo American and Mitsubishi Corp. (owners of the Quellaveco project, the largest mining project currently in construction in Peru) the Beyond Extraction II Program will leverage lessons learned from the successful implementation of the Beyond Extraction Program (2016-2020) to further scale local impact investment efforts. The effort will also draw from knowledge and projects from other organizations in Moquegua that also aim at enhancing the region's competitiveness.

- 2.2 The COVID-19 pandemic has led to plummeting incomes for millions of people and businesses around the world. The impact of the pandemic on vulnerable youth, smallholder farmers and entrepreneurs is particularly strong, as these groups face severe challenges to leverage more profitable opportunities, putting them on a downward income-investment-production trajectory. Peru is a global leader in the mining sector and associated investments are major drivers of economic activity in rural areas. However, local communities -most impacted by the pandemic in 2020- have historically not always been able to fully capitalize on the opportunities that come with mining investment. Local business and entrepreneurs lack the technical capacity to sustainably grow their businesses and there are few avenues to integrate local communities into more diversified and resilient local economies. Drawing from knowledge and lessons learned to amplify results on SME and jobs creation in the Moquegua region (Ilo and Mariscal Nieto districts), in Peru, in partnership with government and private sector entities, this project will provide direct technical support to local businesses and communities, to help connect local players with new opportunities (jobs, training and skills upscaling) that help foster local economic diversification and competitiveness. The project will work to enhance local SME capacity to successfully recover from the COVID-19 pandemic and grow, adapting to a new revenue scenario, implementing biosafety standards, managing new workforce scenarios such as remote employees, and leveraging government economic recovery programs. The project will also support soft-skills development in the local workforce and greater networking between technical training institutions and local businesses, through implementation and strengthening of apprenticeship and internship programs. The CT is aligned with the efforts of the Government of Peru to support the formalization of the economy, support business development and strengthen the business climate, and the Mining Vision 2030 which prioritizes local economic development around mining investments. It is also aligned with IDB efforts to promote social inclusion and equality, with a particular focus on gender equality and diversity, and local productivity and innovation. Mitsubishi and Anglo American, partners in the Quellaveco project in Moquegua have pledged co-financing for the project (USD1.5 Million) and will be executing activities aimed at supporting SME development and the mining value chain through the same executing Agency (Technoserve). Mitsubishi acquired a larger stake in the Quellaveco project in 2018 and has since contributed to improving a focus on innovation and enhanced social and economic performance. The IDB-led project will benefit from those parallel interventions and help ensure adequate visibility for the IDB and Japanese support to improving local economic development conditions.

III. Description of Activities and Outputs

- 3.1 **Component I: Capacity-building for local SMEs for poverty reduction.** . Direct technical assistance to SMEs and local producer associations to ensure local business can better benefit from local labor market opportunities (e.g. hiring local talent through internship programs and other on-the-job training) and improve their growth capabilities.
- 3.2 **Component II: Social development through skills for a competitive job market.** Education programs development and implementation and local labor market institutional strengthening through activities aimed at enhancing the ability of local job-seekers to showcase their talent and get a job, through soft and technical skills training, internship program development, improving labor training curricula in local institutions. Will also help local employment offices and public-private coordination through online platforms and capacity-building (training)
- 3.3 **Component III: Public policy innovation for value chain and labor market strengthening.** Public-private collaboration for policy design and implementation, and

knowledge generation and dissemination. Will support knowledge sharing and generation efforts to document lessons learned and disseminate project results.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Capacity-building for local SMEs for poverty reduction.	US\$134,667.00	US\$66,667.00	US\$201,334.00
Social development through skills for a competitive job market	US\$398,379.00	US\$0.00	US\$398,379.00
Public policy innovation for value chain and labor market strengthening	US\$66,954.00	US\$0.00	US\$66,954.00
Total	US\$600,000.00	US\$66,667.00	US\$666,667.00

V. Executing Agency and Execution Structure

- 5.1 The Project will be executed by Technoserve Inc (TNS). An NGO, TNS promotes business solutions to poverty in emerging countries. It is a global leader in harnessing the power of the private sector to help people lift themselves out of poverty through a systemic approach to local economic development. The organization trains and deploys local personnel with advanced capabilities to partner and work with hard-working women and men to build competitive farms, businesses, and industries. The project execution will be conducted by an appointed project manager by the organization and dedicated international team, and supervised by IDB.
- 5.2 Since 1982, TechnoServe has supported businesses in a range of industries with the potential to grow, and to create jobs and opportunity for thousands of people. In Peru, TNS has worked in coffee- and cocoa-growing regions and communities near mining projects, fostering close relationships between the private sector, the government, local organizations, and the greater community — creating a replicable model of inclusive local economic development. Between 2016 and 2020, the organization has been responsible for the successful execution of the project PE-T1359, Beyond Extraction (Phase I), it has proved effective in the implementation of activities similar to those projected, and is knowledgeable on IDB policies and procedures.

VI. Project Risks and Issues

- 6.1 COVID-19. The pandemic has affected travel and logistical coordination with local actors, also poses a health risk for personnel and beneficiaries. In addition, it generates uncertainties vis-à-vis implementation conditions. To mitigate these execution risks, the project will prepare a dedicated contingency plan, outlining alternative implementation methods to achieve results. It will support the use of technology, remote communication and learning platforms and other technological tools to reduce the risk of exposure. The project will leverage important lessons learned in 2020 from implementation of mitigating measures to tackle COVID-19 restrictions.
- Political Instability. National elections are scheduled in 2021, which may bring changes in sector authorities. To mitigate the risk associated with new beneficiaries at the national level, the project has aligned goals and activities with long-term strategic planning that prioritizes promote local economic development in mining regions, in coordination with local authorities and private companies, and with sector stakeholders in the context of RIMAY, a MINEM-backed public-private dialogue platform for the mining sector.

Stakeholder engagement. Economic challenges may affect stakeholder availability to participate in project activities. To mitigate this risk, the project will leverage knowledge and relationships built in the preceding phase (implementation of PE-T1359), which has helped determine most suitable methodologies to ensure participation (rapid support on priority issues, such as enabling access to markets, accounting, added-value on training opportunities, etc.) and long-term engagement with the project.

VII. Environmental and Social Classification

7.1 The ESG classification for this operation is "C".