

SOCIAL ENTREPRENEURSHIP PROGRAM

PROJECT SYNTHESIS

1. **Country:** Perú
2. **Project number:** PE-L1233 / PE-T1379
3. **Project name:** Sustainable Competitiveness of avocado in Huancavelica and Ayacucho
4. **Executing Agency of the technical cooperation:** Asociación Centro de Estudios y Promoción del Desarrollo Andino Amazónico - DESCOCENTRO
5. **Borrower:** Cooperativa de Ahorro y Crédito FONDESURCO
6. **IDB unit:** Multilateral Investment Fund (MIF)
7. **Amount of financing**

	<u>IDB US\$</u>	<u>LOCAL US\$</u>	<u>Total US\$</u>
Reimbursable financing	750,000	200,000	950,000
Technical cooperation	<u>250,000</u>	<u>137,503</u>	<u>387,503</u>
Total:	1,000,000	337,503	1,337,503

8. Objective and purpose of the project

The *expected impact* is that the project will help spur productive and business competition among small-scale avocado producers in the Mantaro River Middle Watershed, in Huancavelica and Ayacucho.

The *project expected outcome* is that small-scale producers would see their incomes rise by 30%, through access to production loans, technical assistance to boost productivity and the quality of their products in an environmentally sustainable way, as well as access to high-value markets.

The project will also support Cooperativa FONDESURCO in launching rural finance operations in a new area of intervention, which will help promote the use of formal banking services among rural populations in the area and support the sustainable growth of the cooperative's operations.

9. Components of the project

Reimbursable financing component.

The *Reimbursable financing component* will fund the production loans tailored to the specific needs of avocado producers, based on the response capacity of each grower, and will be directly aimed at strengthening the productive unit. The proceeds will be used to fund a lending portfolio to benefit some 430 small-scale avocado growers with short- and medium-term loans (up to 60 months for fixed assets) for working capital and fixed assets.

The loans will address priority needs aimed at strengthening producers, such as providing priority inputs to ensure fruit quality (e.g. protective macro and microelements, fertilizers, organic biostimulants, and seedlings for renewal), equipment (e.g. motorized sprayers,

telescoping shears, harvest crates, and aluminum ladders), and mechanized irrigation systems. FONDESURCO will have total of US\$950,000 for this purpose: US\$750,000 in SEP funding, and US\$200,000 of its own resources. Portfolio resources will be used for loans in the equivalent of between US\$1,000 and US\$25,000 in Peruvian soles to small-scale avocado producers who request them. It is estimated that the average loan will be equivalent to US\$2,150.

Nonreimbursable technical-cooperation component.

Through the *Nonreimbursable technical-cooperation component* DESCOCENTRO will carry out a comprehensive technical assistance program focused on addressing the aforementioned problems, with the goal of boosting the productive and business competitiveness of avocado crops among project beneficiaries in the medium term.

The technical cooperation activities will include the following components:

- (i) *Development of technical-productive innovation* in inter-Andean valleys, with activities for implementing and disseminating climate-smart and environmentally friendly alternative production technologies, as well as capacity building workshops, and the implementation of demonstration plots featuring innovative practices or tools (e.g. Bordeaux mixture, biological composting, ground cover, integrated systems, and support tools).
- (ii) *Improving avocado productivity and quality*, with an emphasis on critical points in the production process (e.g. integrated pest and disease management, irrigation frequency, flowering, and fruit-setting) through capacity building, using methodologies for adults in irrigation infrastructure operation and management, organic certification, advisory visits, and technical assistance to ensure the inputs and equipment purchased with the loans are being used properly in the field.
- (iii) *Development of a business and marketing strategy* that includes: (i) instruments to help identify the flows and requirements of those seeking the product; (ii) the sharing of information through forums that facilitate the promotion and dissemination of comparative advantages in the target area (e.g. seasonality and greater fatty acid content); (iii) raising awareness among producers of the need for access to agricultural loans, by providing training in business management and finance for leaders of producer associations and cooperatives; and (iv) participation in events to disseminate the outputs of the business approach.

It is expected that this component will lead to significant improvements for smallscale producers, by incorporating technological innovations and improving market access. Productive innovations include access to small, mechanized irrigation systems to improve productivity and boost resilience to climate change, and the introduction of organic production practices, which may increase the producers' sale price. Additionally, activities aimed at boosting market access will: (i) result in more sales at higher prices; (ii) bring producers and the cooperative closer to new buyers, both domestically and abroad, thereby expanding sales opportunities; and (iii) facilitate direct avocado exports rather than selling to local exporters.

10. Beneficiaries of the Project

The direct beneficiaries are some 430 producers (330 men and 100 women) from families of 11 campesino communities in nine districts of the provinces of Huancavelica, Tayacaja, and Churcampa in the department of Huancavelica, and Huanta in the department of Ayacucho. These districts are considered vulnerable, with an average poverty rate of 65.42% and a malnutrition rate of 55.04%. Here, just 23% of the population has any schooling, 72% lacks drinking water service, and 81% has no access to septic service. The main activity here is agriculture, which employs 75% of the economically active population.¹⁷ Agriculture is supplemented with services in various sectors, mainly unskilled labor. These communities are located along an economic corridor with connectivity to potential markets—including Ica, Huancayo, and Lima—and their climate and soil conditions are favorable for fruit growing.

11. Expected outcomes and capture of benefits

The direct benefit of the Bank's resources will be captured by approximately 430 low-income, small-scale avocado producers who will have access to: (i) production loans for working capital and investments at competitive rates to boost the productivity of their avocado orchards; and (ii) specialized technical support for comprehensive avocado crop management, enabling them to implement good productive practices, new technologies (such as mechanized irrigation), and to market their produce through producer associations with the aim of obtaining better price and sales conditions. The following qualitative results are expected: (i) producers who receive production loans and technical assistance will see their net incomes from avocado growing increase by 30% after 36 months; (ii) average productivity of their avocado orchards will increase from 4,680 kg/ha to 6,200 kg/ha after 36 months; (iii) 500 tons of avocado will be sold jointly through producers' organizations; (iv) 115 ha of land will be under sustainable management; and (v) the total value of the project's outstanding portfolio in agricultural production loans will exceed US\$800,000.

After three years of execution, FONDESURCO will have expanded and strengthened its rural financial services program in the project area, as part of its growth strategy. With a new portfolio of roughly US\$800,000, it will have an at-risk portfolio of 7% or less, generating enough income to cover all financial and operational expenses of the local office.