

SOCIAL ENTREPRENEURSHIP PROGRAM

PROJECT SYNTHESIS

- 1. Country:** Perú
- 2. Project number:** PE-L1235 / PE-T1380
- 3. Project name:** Family farming of organic quinoa in Southern Peru
- 4. Executing Agency for the technical cooperation:** Asociación Cesal (Cesal)
- 5. Borrower:** Cooperativa de Ahorro y Crédito Los Andes (CAC Los Andes)
- 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	250,000	1,000,000
Technical cooperation	<u>250,000</u>	<u>165,000</u>	<u>415,000</u>
Total:	1,000,000	415,000	1,415,000

- 8. Objective and purpose of the project**

The *expected impact* of the project is to improve the socioeconomic conditions of quinoa farming families. The expected outcome is increased productivity and financial and commercial inclusion for organic quinoa farmers in the Apurímac– Cuzco corridor.

- 9. Components of the project**

Reimbursable financing component.

The *Reimbursable financing component* (IDB: US\$750,000; and CAC Los Andes: US\$250,000) will be used to provide credit to approximately 1,000 quinoa farmers. That credit will take the form of microenterprise loans for planting, growing, harvesting, and selling quinoa. The loans may be used to: (1) finance **working capital**, such as: (a) labor to prepare the land, sow, cultivate, and harvest; (b) inputs, such as organic seeds, fertilizers (including organic fertilizers), ecological insecticides, fungicides, and herbicides; and/or inputs needed to prepare them; and (c) services, such as cleaning, drying, packaging, the transportation of inputs and produce, water supply, and organic fumigation; and (2) purchase or improve **fixed assets**, such as infrastructure, machinery, equipment, and tools.

Farmers may apply for loans either individually or as part of an association, an option with which CAC Los Andes is already familiar. It is estimated that each grower will have access to a loan averaging approximately US\$1,100, with a six-month grace period and a 6- to 9-month tenor. However, one outcome of this project will be that CAC Los Andes will look into extending the grace period for farmers with a good credit record so that they can avoid being rushed into selling their produce as soon as it is harvested in order to pay back the loan and, instead, can learn to manage their stocks and weigh the option of selling the quinoa at a later time, when prices have stabilized. Thus, one notable outcome of this project is that CAC Los Andes will adjust and refine its agricultural loan product, tailoring it to the specific circumstances of organic quinoa farmers.

Nonreimbursable technical-cooperation component.

Through the *Nonreimbursable technical-cooperation component* (Fundación Bancaria “La Caixa”: US\$250,000; and Cesal: US\$165,000) will be allotted to three subcomponents that will benefit families producing organic quinoa:

- (i) improvement of technical and production-related skills for organic quinoa farming;
- (ii) strengthening of business management and market integration;
- (iii) strengthening of financial and cooperative management.

In terms of the production process itself, the project will develop model farms and organize learning tours to promote the use of organic production techniques. They will demonstrate: (a) adaptation of production to climate change (dealing with rainfall variation, frosts, drought); (b) how to obtain certificates (organic and SENASA); and (c) pre- and post-harvest agroecological techniques to raise productivity and improve pest management. In terms of business and commercial management, the project will provide quinoa farmers' associations and cooperatives in the corridor with organizational tools to improve management and their positioning in the organic quinoa supply chain. Farmers will also receive financial and cooperative training on the need to promote savings and in responsible loan management.

Cesal will conduct the technical cooperation activities through participating associations and cooperatives with a view to maximizing efficiency and economies of scale. In addition, execution of subcomponent 3 (strengthening of financial and cooperative management) will be closely coordinated with CAC Los Andes, which will provide financial training to some 500 farmers. One outcome of this component is expected to be the adoption of better productive, organizational, and marketing practices in the Apurímac–Cuzco corridor. As a result, the region will be better positioned in the quinoa market, increasing sales of organic quinoa by farmers' associations significantly within two years (from 200 to 390 metric tons) and raising household incomes.

10. Beneficiaries of the Project

The project will *benefit* approximately 1,000 farmers. Some 600 of these farmers are affiliated to 26 associations:¹⁷ San Jerónimo, Pacucha, Huancarama, Pacobamba, Pichirhua, José María Arguedas, Huarcondo, Anta, and Ancahuasi, which are also part of the Cooperativa Agraria de Servicios Múltiples Sur Andino, Cooperativa Agroindustrial Machu Picchu Ltda., Cooperativa Agroindustrial Tierra Andina, and a new cooperative being formed in Cuzco. An additional 400 farmers currently work on their own and are expected to join existing or new associations. The beneficiary families live at altitudes over 3,200 meters above sea level, usually on steep mountain slopes, with farms averaging less than 1.2 hectares. Their average monthly family income is US\$140.

11. Expected outcomes and capture of benefits

The loan will make it possible for some 1,000 quinoa farming families to access working capital, equipment and tools, machinery, infrastructure, improved seeds, and other necessary inputs for effective management of organic quinoa production. The training and technical assistance will help build those farmers' technical, production-related, and business management skills and strengthen their organizations. As a result, participating families will be able to increase their output and productivity, sales, and net household income. By the end of the project, monthly net income is expected to rise 20%; productivity 30% (from 1 to 1.5 metric tons of organic quinoa per hectare); and annual sales from 200 to 390 metric tons for 1,000 farmers in associations and cooperatives connected to the quinoa value chain.

An additional outcome of the project will be the consolidation of partnerships with public- and private-sector actors, and of the ability of CAC Los Andes to grow using its own resources by serving as a financial intermediary for its members. The project will also make it possible to tailor loans to the needs of organic quinoa farmers and potentially extend them to the more than 6,000 families earning their living from that crop, which is perfectly suited to the altitudes and climate conditions of the Apurímac–Cuzco corridor.