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## SOCIAL ENTREPRENEURSHIP PROGRAM

### PROJECT SYNTHESIS

1. Country: Peru
2. Project Num: PE-S1012
3. Project Name: "Increasing Cocoa Crop Productivity through Credit to Small-scale Cocoa Producers for the Purchase of Inputs and Productive Assets"
4. Executing agency and borrower: Cooperativa Agraria Cacaotera (ACOPAGRO)
5. IDB Unit: Multilateral Investment Fund (MIF)
6. Amount and source of financing

	<u>IDB US\$</u>	<u>LOCAL US\$</u>	<u>Total US\$</u>
Reimbursable financing	1,000,000	250,000	1,250,000
Technical cooperation:	<u>250,000</u>	<u>168,817</u>	<u>418,817</u>
Total:	1,250,000	418,817	1,668,817

7. Impact and outcome:

The expected impact of the project is a contribution to an increase in the farm incomes of 700 small-scale cocoa producers who belong to ACOPAGRO. The expected outcome of the project is that small-scale cocoa producers will gain access to medium-term credit that they can then use to purchase productive assets and inputs (fertilizers, tools, and irrigation systems) that will help them to boost the productivity of their cocoa crops.

The project will enable ACOPAGRO to expand its integrated, hands-on technical assistance and productive credit program by extending medium-term loans, strengthening its Credit Unit, providing a financial education program for its members, and undertaking other activities designed to boost its and its members' productivity.

8. Project components:

*Reimbursable financing component*

The reimbursable financing component will be used to expand ACOPAGRO's medium-term loan portfolio so that it can increase the amount of funds that it loans to its members for use in purchasing inputs and assets that will boost the productivity of their cocoa crops. In total, ACOPAGRO will have US\$1.25 million for this purpose: US\$1 million in SEP funds and US\$250,000 in local counterpart funds, which will be loaned to it by AlphaMundi (<http://www.alphamundi.ch/index.php/en/>) of Switzerland. The SEP funds will be placed as loans denominated in nuevos soles of amounts equivalent to between US\$100 and US\$6,666 to ACOPAGRO members who apply for credits. The break-down of the loans is expected to be as follows: (i) 60% for the purchase of organic fertilizers; (ii) 20% for the purchase of hand tools and equipment; and (iii) 20% for more sophisticated irrigation systems. The

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counterpart funds will be placed as medium-term loans of similar sizes, also in nuevos soles, for use in new plantings, the expansion of existing crops, and the purchase of land for that purpose, as well as housing and other loans for ACOPAGRO members.

The Bank's loan to ACOPAGRO will carry an annual interest rate of 500 basis points over the 180-day LIBOR. The loan is to be denominated and repaid in United States dollars over a term of 7 years, with a 24-month grace period. ACOPAGRO has offered the Bank a partial guarantee amounting to approximately US\$400,000 in the form of mortgages on four plots of land that it owns in Bellavista, Juanjui, and Saposoa (San Martín).

### *Technical-cooperation component*

The technical-cooperation component will encompass a number of ACOPAGRO activities designed to strengthen its Credit Unit, provide a financial education program for its members, build up its team of field technicians (who will provide support for the placement, use, and collection of payments on the project loans), and set up new installed capacity for monitoring the results and impacts of its work. This component will also finance a series of activities relating to project coordination and follow-up, including evaluations and audits.

The funds will be used primarily for: (a) the preparation of a diagnostic assessment of the Credit Unit and an action plan for the improvement of the organization's overall credit management; (b) specialized training and technical assistance for the Credit Unit and concerning portfolio management, the tailoring of lending products, the development of methodological guidelines and manuals, and credit policies; (c) training for Credit Unit staff in good practices in the areas of portfolio analysis, placement, collections, and management, together with activities designed to raise the awareness of ACOPAGRO directors regarding various aspects of credit management in their organization; (d) technical assistance in upgrading the organization's credit information system; (e) technical assistance in the development of content and methodologies to be used in a financial education program for ACOPAGRO members and in the provision of training in this area for the technical team and Credit Unit staff; (f) the design and printing of materials for use in the financial education program and implementation of that program; (g) the recruitment of two additional field technicians to support the placement, use, and collection of payments on project loans; (h) recruitment of a project coordinator; (i) the design and printing of a knowledge product on the project (an infographic); (j) technical assistance for the development of the project's baseline, monitoring, measurements of the outcomes and impact of the project, and measures for building ACOPAGRO's monitoring and follow-up capacity; and (k) project evaluations and audits. The Plan of Operations for the technical-cooperation component, which is available in the project's technical files, describes this support in greater detail.

### **9. Beneficiaries:**

The project's direct beneficiaries will be the families of approximately 700 low-income, small-scale cocoa producers in the provinces of Mariscal Cáceres,

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Huallaga, Bellavista, and Picota in San Martín Region. Cocoa is their main crop, although they also grow other crops, such as bananas, corn, yucca, timber, and coffee, and raise barnyard animals, such as guinea pigs and chickens, together with cattle and pigs.

#### 10. Expected outcomes and benefits:

The direct beneficiaries of the Bank's resources will be approximately 700 small-scale cocoa producers who belong to ACOPAGRO. They will have access to: (i) medium-term investment loans at very reasonable rates which they can use to boost the productivity of their cocoa crops; (ii) specialized technical support for the integrated management of their cocoa crops and for the successful application of the productive investments made possible by ACOPAGRO loans (organic fertilizer, tools, irrigation systems); (iii) the increased efficiency and consolidation of their cooperative's Credit Unit as it works to meet their credit needs; and (iv) a greater understanding of financial factors that will help them to arrive at informed decisions on matters that affect the economic position of their households and production activities. Expected quantitative impacts and outcomes include the following: (i) recipients of production loans will increase their net incomes from their cocoa crops by 25% (36 months into the project); (ii) the productivity of their crops will increase by an average of 35% by the 36th month (and by as much as 50% in the following years); (iii) the percentage of members obtaining credit will rise from 48% to 60%; and (iv) the project's total medium-term production loan portfolio will amount to US\$1.14 million.

By the end of the three-year execution period, ACOPAGRO will have expanded and consolidated its production loan program as one component of the financial services that it offers its members. It will also have a new portfolio of something more than US\$1 million and will have granted loans to at least 700 of its members. Its risk portfolio will be equal to or less than 8%, and it will be generating enough income to cover all of the Credit Unit's financial and operational costs. This will enable it to maintain and improve upon its position as one of the area's leading small-producer cooperatives working as a rural financial service provider. ACOPAGRO will also have an enhanced capacity to provide financial and financial-education services to its members, together with the installed capacity it needs to monitor and measure the outcomes of its activities in terms of the economic positions of its members.