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COMMERCIAL ALLIANCES AND BUSINESS DEVELOPMENT STRATEGY

**ENVIRONMENTAL MANAGEMENT AND FOREST GOVERNANCE
SUPPORT ACTIVITY (EMFG)**

CONTRACT NO. AID-527-C-11-00002

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EXECUTIVE SUMMARY

One of the pillars of the Environmental Management and Forest Governance (EMFG) Support Activity for the Peru Trade Promotion Act will be to spur economic growth in the target regions of Ucayali, Loreto and Madre de Dios. Over the contract life, program staff will: a) increase public and private investment; b) increase sales for small and medium enterprises working in both timber and non-timber activities; c) create jobs and ensure that families perceive better livelihoods through increased economic activity. This will be accomplished through a three pronged approach of *commercial alliances, focused technical assistance and support to regional governments and producer organizations to access public funds in forestry activities*. In seeking to identify producers and small/medium businesses, a special emphasis will be placed on women's groups and native communities. Finally, to build upon work of the Alternative Development Program (ADP) in Ucayali, additional activities will add value to cacao under production.

Through its work with staff in Lima and the Business Promotion Specialists in the regional offices and supported by short term technical assistance from subcontractors O'Brien and Winrock International, the EMFG Support Activity will articulate commercial alliances with international markets in timber products, non-timber products and introduce carbon offset alliances as an initial step to help raise awareness about the importance of forestry activities through voluntary contributions.

Additionally, focused technical assistance for timber and non-timber products at the national and regional levels will help connect communities with buyers, provide small and medium businesses with assistance to expedite processes and forge market linkages. For larger businesses, efforts will be focused on helping to expand national and international markets, providing technical assistance for forest management activities and exploring the analysis of expediting industrial processes. The purpose of this document is to provide an overview of the general approach and priorities identified in order to further develop the ideas in a joint effort with USAID technical staff and the EMFG Support Activity specialists.

SECTION I: OVERVIEW

During the first quarter of implementation, the EMFG Support Activity undertook an initial assessment of the principal value chains in Loreto, Ucayali and Madre de Dios to identify commercial activities and critical points in the value chains. Additionally, the EMFG Support Activity completed an exercise to structure the various types of commercial alliances that will help expand international markets. In order to meet the contract targets below, the value chains were evaluated by their ability to contribute to meeting each type of target (investment, job creation, sales). Table 1 below is a chart of the contract targets for investment, increase in sales, jobs created and hectares of licit crops supported in alternative development areas.

Table 1: The EMFG Support Activity Contract Targets

Indicator	Base Period	Base Period + Option Year 1	Base Period + Option Years 1& 2
Amount of new public and private investment in natural resource management and/or biodiversity conservation.	\$7.2M	\$9.6M	\$12M
Amount of increase of sales in goods or services.	\$10.8M	\$14.4M	\$18M
Number of people with increased economic benefits.	6,000	8,000	10,000
Hectares of alternative crops under improved resource management.	4,800	6,400	8,000
Number of people trained in natural resource management/biodiversity conservation.	360	480	600

A preliminary ranking of the principal economic activities and their potential contributions to the contract targets follows in Table 2. The percentages in each cell represent the potential estimated contribution of each activity toward the contract targets. These are only approximations and will change over time as the EMFG Support Activity begin to have more information about the firms involved, relevant activities and the magnitude of each intervention.

Table 2: Preliminary Ranking of Principal Economic Activities Identified for the EMFG Support Activity

N ^o	Goods/Services	Investment Target (%)	Investment Target (US\$)	Sales Target (%)	Sales Target (US\$)	Employment Target (%)	Employment Target (Jobs)
1	Timber (Madre de Dios)	15	1,800,000	37	2,960,000		
2	Timber (Ucayali)	12	1,440,000	40	4,000,000	20	2,000
3	Timber (Loreto)	15	1,800,000	32	2,560,000		
4	Brazil Nuts (Madre de Dios)	1	120,000	2	160,000		
5	Tourism (Loreto)	6	720,000	8	640,000		
6	Ornamental Fish (Loreto)	6	720,000	8	640,000		
7	Tourism (Madre de Dios)	6	720,000	7	560,000		
8	Cacao (Ucayali)			33	3,300,000	49	4,900
9	Coffee (Ucayali)			20	2,000,000	24	2,400
10	Paco/Gamitana (Ucayali)			3	300,000	3	300
11	Handicrafts in Wood and Ceramic (Ucayali)			4	400,000	4	400
12	Handicrafts in Wood and Ceramic (Loreto)	1	120,000	5	400,000		
13	Tropical Fruits (Loreto/MDD)	1	120,000	1	80,000		
14	Public Investment (Loreto)	15	1,800,000				
15	Public Investment (Madre de Dios)	7	840,000				
16	Public Investment (Ucayali)	15	1,800,000				
Total Loreto, Madre de Dios		100	12,000,000	100	8,000,000		
Total Ucayali				100	10,000,000	100	10,000

* The blue highlighted rows indicate the activities in Ucayali, whose objectives and indicators are in Objective 4 and related specifically to complementing activities in Alternative Development. The green rows indicate public investment in Loreto and Madre de Dios.

As we can see from Table 2 above, approximately 45% of the investment target and the majority of sales and jobs targets are projected to be met through timber activities and high value crops (cacao and coffee) in Ucayali. In non-timber forest products, a series of six activities have been prioritized that account for the majority of the remaining half of the targets. Products such as coffee, cacao, ornamental fish, tropical fruits and paco/gamitana are projected to complete the other half. Additionally, the EMFG Support Activity will also seek to improve the tourism industry as a way to boost job creation in the regions. As previously noted, we anticipate that these percentages will be in flux as the EMFG Support Activity explores opportunities and have a clearer picture of the magnitude of each activity. The EMFG Support Activity will also actively seek to support new initiatives that contribute to the new forest economy and contract targets.

SECTION II: THREE PRONGED APPROACH: COMMERCIAL ALLIANCES, FOCUSED TECHNICAL ASSISTANCE AND INCREASED PUBLIC INVESTMENT

The approach to attain these goals will be threefold: (a) the formation of commercial alliances for national and international market linkages as well as identification of niche opportunities, (b) focused technical assistance to small and medium enterprises and (c) assistance to regional governments for SNIP projects and support to local organizations in their efforts to obtain competitive funds. Below we will discuss the strategy that will link communities to markets and improve efficiency in small, medium and large enterprises for timber and non-timber products. Finally, we will briefly discuss the opportunities that carbon offset alliances present, as well as a special section for activities in Ucayali.

1. Commercial Alliances:

Commercial alliances are one of the primary strategies that the EMFG Support Activity will employ to leverage investment in biodiversity and conservation activities, increases in sales of timber and non-timber forest products, and the creation of sustainable jobs. Here we will lay the foundation for targeting and building alliances with a range of private sector actors including timber concessions, large buyers of Amazonian timber and non-timber forest products, food and handicraft buyers, tourism operators and conservation NGOs. In this section, we will briefly discuss:

- The *commercial alliances* that the project intends to pursue: 1) commercial timber markets, 2) markets for non-timber forest products and 3) carbon offset alliances
- A set of *illustrative examples* of the kinds of commercial alliances the project intends to build to meet its investment, sales, and jobs goals.

The EMFG Support Activity team envisions a two-step approach to implement the alliance strategy consisting of (1) an alliance assessment and mapping process and (2) negotiation with partners and alliance formation.

1.1 Conduct an alliance assessment and mapping exercise to identify alliances and alliance partners best suited to helping the project achieve its investment, sales, and jobs goals.

O'Brien and Associates International will use the USAID alliance assessment tool and methodology to conduct the assessment. The purpose of the assessment is to identify and prioritize the alliance concepts (commercial and leveraged) and alliance partners that,

once implemented, will help the project reach its ambitious goals for investments, sales, and employment. The results of the assessment and mapping will also help the project team understand untapped markets as well as assets potential partners possess and whether to approach them from a commercial or corporate social responsibility perspective.

1.2 Negotiate and form alliances with private sector partners.

The results of the alliance assessment and mapping exercise will be a list of prioritized alliances and alliance partners and a rich set of information to help the EMFG Support Activity team in the negotiation phase. The project team will contact these organizations and arrange meetings to propose an alliance and begin negotiations. As appropriate, the negotiations will adhere to key USAID alliance principles that include joint planning, sharing risk, and leveraging resources (cash and in-kind) from private sector partners at a one to one ratio. Once the alliance is negotiated and agreed on, the project will sign an MOU that details the specific roles and responsibilities of each participant.

2. Focused Technical Assistance:

In order to complement commercial alliances, the EMFG Support Activity will provide focused technical assistance by way of our Business Promotion Specialists in each regional office and specialized short term efforts to address bottlenecks in each value chain. While these needs will be identified in negotiation with each business and/or association to be supported, an illustrative list of assistance includes:

- Linking communities to buyers;
- Improving quality control standards for products at the local level;
- Supporting forestry management and other technical forestry activities to improve efficiency in timber activities and identify best commercial uses of forest species;
- Organizational strengthening activities and business training for small enterprises and associations;
- Assisting enterprises in their efforts to acquire credit;
- Working with larger firms to improve efficiency in industrial processes

2.1. Timber Alliance Focus and Illustrative Technical Assistance Activities.

The primary focus of the timber alliances is commercial market linkages that will help the project achieve its investment goal. The emphasis will be on linking timber companies to commercial export markets, especially those requiring certification. Priority will also be given to situations where timber companies are interested in buying timber from community-managed forests. Although the alliance focus will be on commercial export markets, the project will look for opportunities to persuade the timber companies and

international buyers to make investments in sound forest management practices and possible reforestation and similar initiatives (i.e. corporate social responsibility).

In addition to commercial alliances with timber companies, the project will seek to build alliances with national and international furniture and home accessories companies that will help find forest-based entrepreneurs and small enterprises that can supply the national firms with high quality wood.

The *commercial alliances* with timber enterprises will have the objective of:

- Linking timber companies to new export markets for the timber and timber products described previously. Priority will be given to markets that require and prefer certified timber and timber products.

To support these alliances, illustrative *focused technical assistance* activities include:

- Identifying appropriate technologies for suppliers that are required to meet demand for wood and simple home accessories;
- Identifying new product concepts, product lines, and their markets, including market specifications. The goal is to diversify the offerings and tap new market potential;
- Assisting timber companies with forest inventories, management plans, and certifications;
- Assisting timber companies to develop and manage community partnerships;
- Assisting timber companies to identify markets for species that are not currently commercialized or are have not yet realized their commercial potential.

2.1.1. Potential Timber Alliance Partners. The partners for the timber commercial alliances will be timber companies that are managing large forest concessions and that have products to offer the market. The short list of high value companies identified along with the value of their timber exports and percent is shown in Table 3 below:

Table 3: High Value Timber Enterprises in the EMFG Support Activity Implementation Regions

Company	Value USD	Percent
Bozovich	21,563,489	13.8
IMK Maderas	9,367,832	6.0
Triplay Amazonicos	8,031,479	5.1
Consorcio Maderera	7,877,267	5.0
Nature Wood	7,387,789	4.7
Maderera Vulcano	6,862,842	4.4
Weiman	3,573,694	2.3
Nature America	3,054,370	1.9
Desarrollo Forestal	2,934,458	1.9
Others	83,130,266	53.1
Total	156,640,783	100

Source: Agriconsult Presentation on Value Chains

These 10 companies account for 47% of the total exports of timber and timber products in Peru. Bozovich is the largest timber company in Peru and accounts for nearly 14% of total exports. In addition to these 10 companies, the project has met with and discussed alliances with Green Gold Forestry (GGF) and Maderacre. GGF is a UK sustainable forest products company that operates a concession in Loreto (35,000 hectares currently certified) and produces a wide variety of timber species for domestic and international markets. Maderacre operates a large concession in Madre de Dios located on the border with Brazil and produces green sawn wood for export. The Wong Corporation recently purchased Maderacre. Both GGF and Maderacre have acquired Chain of Custody and Forest Management certification from the Forest Stewardship Council.

The partners for the furniture and home accessories alliances will consist of national “anchor” companies with furniture manufacturing capabilities and export markets. For the preparation of the alliance strategy, the project team met with the executive director of Allpa. Allpa is a high-end handicraft company focusing on home accessories and fashion

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products and is looking for an opportunity to add handcrafted wood furniture to its home line of products. It works with a select group of artisans and helps them with technical assistance, training, financing, and marketing. The company is a member of the World Fair Trade Organization. Allpa currently exports products to Pier 1 Imports, TJ Maxx (TJX Companies), Southern Living, Restoration Hardware, and Cost Plus. These companies have relatively robust corporate social responsibility programs and could be interested in alliances where they not only provide markets but also make cash and in-kind contributions to further build the capacities of Allpa suppliers.

2.2. Non-timber Forest Product (NTFP) Alliance Focus and Illustrative Technical Assistance Activities.

NTFP alliances are an important strategy to promote responsible forest management practices and support sustainable livelihoods by helping link products to markets for NTFP. The emphasis of the NTFP alliances will be on linking national anchor firms to domestic and export markets. While the commercial market focus is the priority, the project will also attempt to identify buyers who have corporate social responsibility strategies in place and are interested and willing to contribute resources (cash, pro bono consulting, and technologies) to help local producers/suppliers meet quality and production standards as required by the markets. As mentioned earlier, priority NTFP products include:

- Cacao
- Coffee
- Ornamental Fish
- Handicrafts
- Assorted Tropical Fruits

The NTFP alliances will involve a mixed set of activities as described below.

- Link national anchor firms to domestic and export markets for NTFP.
- Link communities to buyers and provide assistance on quality control and markets

The EMFG Support Activity will identify focused technical assistance with the individual businesses. As such, the technical support will be demand and market-driven. An illustrative list of activities includes:

- Provide technical assistance and training to small producers (entrepreneurs and small enterprises) and communities to improve and meet quality and production standards.
- Identify appropriate technologies to small producers to improve production processes. Assist in access to credit and/or public funds for capital investments.
- Provide support with business plans

- Assist anchor firms with certification (organic and fair trade) for certain products as required by markets or new market opportunities.

2.2.1. Potential Non-Timber Alliance Partners. These alliances will include national level anchor firms with established products, supply chains, and markets. They will also include international buyers, especially those willing to make investments to support small producers. The project team has identified and met with a number of anchor firms that show promise.

2.3. Carbon Offset Alliances.

Based on the current status of the mandatory and voluntary carbon markets, especially as they relate to REDD+ activities, the voluntary offset market appears to be the most feasible and accessible entry point for the project. Similar to approach taken by Chemonics International in other projects and other NGOs, the EMFG Support Activity could build alliances with the private sector around carbon offsets that generate resources to implement REDD+ activities. At this point in time, this type alliance involving voluntary contributions and enlisting high profile private sector partners would be most effective form to raise awareness around environmental and forest issues.

In fact, Delta Airlines and Marriott Hotels are implementing carbon offset programs that can serve as models for Peru. Delta Airlines is partnering with The Nature Conservancy on a carbon offset program where Delta customers can elect to offset carbon emissions from their trip by contributing \$11 to support conservation activities. Marriott Hotels initiated a program where guests can choose to offset the carbon created by their stay (i.e. electricity and gas consumption) by contributing to the Amazonas Sustainable Foundation in Brazil for the Juma project. The contribution is \$1 per night and was calculated using the World Resources Institute's Greenhouse Gas Protocol and certified by ICF International.

A carbon offset alliance would involve national and international actors with defined business interests in Peru that provide contributions, on the part of the business and its clients, to local conservation NGOs. The local NGOs would use the funds to implement a range of activities including education and awareness, low impact logging, land management, livelihoods, biodiversity, conservation, and reforestation. The role of the project would be to build the alliance and the relationships between the private sector and NGOs so they are sustained on their own.

2.3.1. Potential Carbon Offset Alliance Partners. Based on preliminary research, a variety of potential partners have been identified. These partners fall within the airline, hotel, and tour operator sectors and are described below.

Airlines:

- *Delta:* Delta is partnering with The Nature Conservancy on a carbon offset program that is providing funds to forest conservation, reforestation and a wildlife habitat restoration project in Louisiana's Tensas River Basin. Similarly, Delta may be

interested in a carbon offset alliance to support conservation activities in the Peruvian Amazon.

- *Continental*: Continental operates a carbon offset program that allows customers to contribute to one of four different environmental offset portfolios focused on renewable energy and international reforestation projects. It is feasible that the airlines would consider adding a fifth portfolio involving forest conservation activities in the Peruvian Amazon.
- *American*: American Airlines does not have a carbon offset program in place and could be interested in developing one if offered the opportunity.
- *TACA*: Peru is an important market for TACA. While the airline has not been directly involved in environmental causes, it increasingly markets itself as an environmentally friendly airline and might be interested in a carbon offset program.
- *LAN*: LAN has a strong presence in the Peru market that includes both international and national routes. The airline has recently aligned itself with environmental (ecotourism) and social causes but does not have a carbon offset program.

Hotels

- *Marriott* – As noted previously, Marriott Hotels has a carbon offset program in place at a global level with the proceeds going to the Juma project in Brazil. The hotel chain could be interested in channeling part of its international funds to preserve Amazon forest in Peru or Marriott Peru operations could be interested in forming an alliance directly with a local partner for a carbon offset program.
- *Casa Andina* - Casa Andina is the largest hotel chain in Peru and has an established record of accomplishment in environmental and social causes. It has recently established properties in rainforest areas. The project team will meet with Casa Andina management to assess the hotel chain's interest in participating in a viable carbon offset to support its move into ecotourism.

Tour Operators

- *Aqua Expeditions* - Aqua Expeditions (AE) operates Amazon cruise tours that cater to the very high-end market. The project team met AE's director of marketing who expressed interest in an alliance that offered its clients an opportunity to contribute funds to conservation activities to offset their carbon footprint.

2.4. Tourism Activities.

Tourism is an important activity in the Amazon, and it holds promise both to attract investment and to increase sales and improve livelihoods of local communities. In addition to the potential carbon offset alliance structure described above, initial meetings

with larger tour operators such as Paseos Amazónicos and Rainforest Expeditions have yielded several potential approaches that will require tailoring to each business. These include:

- a.** Linking communities and microenterprise products to tour operators as a potential market;
- b.** Expanding national and/or international markets for Amazon rainforest products sold through tour operators ;
- c.** Leveraging public funds to help finance studies to convert areas into tourist attractions in order to preserve natural habitats;
- d.** Providing resource management training to communities who are part of tourist sightseeing routes;
- e.** Work in promotion efforts with public entities to help increase tourist visits to target areas.

SECTION III: IMPROVED RESOURCE MANAGEMENT IN ALTERNATIVE DEVELOPMENT CROPS

1. Background:

During the course of its project life, the Alternative Development Program (ADP) has planted approximately 10,000 hectares of cacao in Ucayali. Unlike oil palm, this crop is environmentally friendly and has provided a bulwark against illegal coca in that its price has increased over the last few years, market demand is constant, and new markets are ripe for quality cacao as well as organic and Fair Trade certifications due to a large promotion effort during the last two years. The future of Peruvian cacao is solid, and Peru has begun to establish itself as a producer of quality cacao for export.

The ADP has invested a number of years to strengthen larger cacao cooperatives such as the Cooperativa Naranjillo (COOPAIN) and the Cooperativa La Divisoria, which have both expanded their operations from Tingo Maria (Huánuco) into Ucayali. The assistance for these cooperatives has included post-harvest handling technical assistance to obtain improved cacao quality, management assistance, increasing associativity and accompaniment in promotion efforts. Additionally, the ADP has helped both form and strengthen a number of nascent cacao cooperatives in Ucayali that have acquired importance as they seek to improve their member base, homogenize cacao quality and seek to improve their infrastructure and acquire certifications for value added at points of sale.

In order to provide added benefit to a number of cacao hectares, the ADP has begun a project to establish a perimeter of high value species such as cedro, bolaina and shihuahuaco in 1,400 hectares. The EMFG Support Activity will continue this effort to establish agroforestry systems in cacao parcels. The existing cacao hectares and their correspondence to the principal regions of Ucayali and cacao cooperatives can be found in Table 4 below:

Table 4: Estimated Cacao Hectares Established by ADP in Ucayali and Principal Cacao Producer Organizations

Cacao Cooperative	Region	Approx. No. of Hectares	No. Hectares with Agroforestry Systems
Campos Verdes	Campo Verde	3,800	800
Central Curimaná	Curimaná	1,000	
Cooperativa San Alejandro	San Alejandro	1,000	300
ACATPA	Aguaytia	1,000	
Asociación Cacaoteros de Shambillo	Shambillo	2,500	300
TOTAL		9,300	1,400

2. Strategy for Sustainability:

In order to continue to open markets for consolidated producer organizations and strengthen more nascent organizations as well as add value to existing cacao that comprises the long term income source for many farmers in Ucayali, the EMFG Support Activity will complement the ADP work with a 4 pronged strategy for sustainability:

2.1. Agroforestry Systems for Added Value. Work with the Ucayali Regional Government and producer organizations to help finance additional hectares of high value cacao plots with agroforestry systems. This will help provide a premium on the cacao, as it can be sold as shade-grown on international niche markets.

2.2. Niche Markets and Promotion. Support in promotion fairs and market expansion for consolidated producer associations.

2.3. Productive Infrastructure. For consolidated producer organizations (for example, La Divisoria), finance small-scale centrally located storehouses (*centros de beneficio centralizado*) for coffee and cacao to help consolidate production and assist producer organizations to monitor volume more effectively. This could also include scales and humidity instruments for *centros de acopio* and storehouses.

2.4. Support for Organic Certification. Assist the 4 nascent producer organizations (Campos Verdes, Cooperativa San Alejandro, ACATPA, Asociación de Cacaoteros de Shambillo) with the process of organic certification. These nascent groups already possess markets for their cacao and are ready for the next step for added value for their crops, which are in the 3-5th year of production.

Through this approach, the EMFG Support Activity will attain the contract targets of 8,000 hectares with improved management through a combination of enrichment through the planting of tree species and the organic certification process, which requires best agricultural practices and monitoring in order to maintain this certification. Attaining the organic and/or Fair Trade certification will require increased standards and environmentally sustainable management of hectares under production. Sales increases of \$10M over the project life will be attained by enhancing productive infrastructure to organize production more effectively and through promotion efforts to identify new markets as well as expand current export demand in the United States and Europe.

SECTION IV: LEVERAGING PUBLIC INVESTMENT

With the decentralization process in an advanced stage of implementation, regional governments are being charged with ever more responsibilities for effectively managing their territories. The National Public Investment System (SNIP in Spanish) is the main conduit for channeling central government funds to regions. Unfortunately, due to the labyrinthine process involved with receiving project approval from the Economic and Finance Ministry in Lima, spending rates in regional governments are lackluster. Other USAID programs such as the ADP have had success leveraging a significant amount of funding from the SNIP and other public competitive funds such as AGROIDEAS and PROCOMPITE by supplying technical assistance to regional governments and producer organizations for the formulation of successful projects as well as the monitoring of the project through the steps required to receive approval from SNIP authorities. The EMFG Support Activity proposes to replicate this successful model in Loreto, Madre de Dios and Ucayali. Table 5 lists some of the principal competitive public funds in addition to the SNIP from which the EMFG Support Activity will seek to leverage funds. The project will aggressively seek to leverage funds in the three implementation regions whose governments have explicitly stated they are committed to investing in forestry activities.

Table 5: Illustrative List of Public Competitive Funds

Nº	Name	Funding Priorities	Deadline	Maximum Funding Limits
1	AGROIDEAS Programa de Compensaciones para la Competitividad	Organizations legally established/ Integrated into a productive chain/ Prerequisite: if they have a Business Plan (otherwise AGROIDEAS gives support to develop their Plan)/2 years	Open the whole year/	S/. 2 million
2	Peru Opportunity Fund	Projects directed toward business development/Organizations or Foundations/	Open the whole year	Not specified.

3	Fondo Nacional de Capacitación Laboral y Promoción del Empleo - Fondo Empleo	Projects integrated into a productive chain for: capacity building, job training, promotion and consolidation of new initiatives, sustainable productive projects/ For 2 or 3 years/Organizations or Municipalities, Foundations legally established.	According to the official announcement. (January- April)	S/ 2 million
4	Ministerio del Ambiente - MINAM Programas de Actividades Sostenibles – PAES	For Sustainable Economic Activities of Organizations or Associations Legally Established/ For 1 year	Public bid	S/. 25,000
5	Proyectos de Innovación Productiva de Empresas Asociadas PIPEA	Enterprises or associations legally established/ Both in partnership with universities or national and international cooperation/ Focused on finding solutions to a technological problem in a productive chain/ For 2 years.	June	S/ 404, 000
6	Proyectos de Innovación Productiva de Empresas Individuales PIPEI	To strengthen technical skills in a productive chain/ For 2 years	June	S/. 269,300
7	Proyectos Menores de Innovación Productiva PIMEN	To strengthen technical skills in a productive chain/ For small enterprises/For 18 months	June	S/. 80,000

SECTION V: CREDIT FOR DEVELOPMENT INITIATIVES

Nascent Agreement for Financing in Forestry Activities. In 2010, an agreement was signed between USAID, Interbank and the Regional Governments of Ucayali, Loreto and San Martín wherein the three regional governments committed to spend \$6-10M over 3-5 years in forestry activities. USAID helped leverage this agreement with a contribution of \$300,000 from the Development Credit Authority Fund. While activities from this agreement have not initiated, EMFG Support Activity will conduct follow up in coordination with the ADP to ascertain the status and nature of this fund in order to help the Ucayali and Loreto Regional Governments to prioritize projects for funding if the conditions exist for the agreement to move forward.

Additionally, the EMFG Support Activity will work in conjunction with the ADP's established multi-layered platform of financial entities and rural savings and loan institutions that have extended the service platform of the Banco de la Nación in Ucayali.

Investment priorities for regional governments and producer associations are:

- 1) Investment capital
- 2) Investment for inputs
- 3) Productive infrastructure
- 4) Financing for equipment
- 5) Financing for forestry activities

This financial services platform consists of the following structure:

- **Development/Investment Bank**
 1. Banco de la Nación
- **Rural Finance Institutions with DCA Agreements with USAID**
 1. Caja Luren
 2. Caja Maynas
 3. Edyficar (BCP)
 4. Caja Nuestra Gente (BBVA)
 5. ProEmpresa
 6. Cooperativa Tocache (Savings and Loan)
- **Commercial Banks with DCA Agreements with USAID**
 1. Interbank
 2. Scotiabank
 3. Mi Banco
 4. Caja Trujillo
 5. Financiera Confianza

In addition to this structure of rural finance institutions linked to the Banco de la Nación that offer credit and financial services for the items described above, Caja Luren is currently helping to finance SemPeru, an investment group that has purchased 2,100 hectares for

reforestation and the sale of wood futures. SemPeru is currently seeking a buyer. The EMFG Support Activity support activity will seek to build upon these initiatives and the financial platform created by the ADP to expand credit opportunities to select producer associations and SMEs in Ucayali. Additionally, the EMFG Support Activity will explore the potential of expanding similar services in Madre de Dios and Loreto.

SECTION VI: TRAINING AND SUPPORT FOR COMMUNITIES

An integral part of the economic strategy is linking communities to commercial activities. In addition to the work with large, medium and small enterprises to help increase community participation in sales or production of raw material or partially finished goods, the EMFG Support Activity will undertake training programs in entrepreneurial skills and sustainable resource management. In order to foment sustainability, training will be offered to three types of community members: a) those who are currently members of forestry or agricultural cooperatives or associations; b) those who are linked to a small, medium or community enterprise or formal commercial activity with identified buyers; c) people who are not specifically associated with an organization, but who sell raw materials (forestry or agricultural) to cooperatives, organizations or businesses. In the Amazonian regions, the indices of formal association are low, yet many producers sell their raw materials on a consistent basis to market actors; in time, these can be organized into producer committees or become members of the associations or formalize their relations with businesses. A premium will be placed on indigenous communities in the identification of leaders and training beneficiaries.

This training will be undertaken utilizing the Farmer Field School (FFS) method for the resources management modules and a similar approach for entrepreneurship training. This FFS model has had great success in various agricultural areas such as coffee and cocoa (including effective environmental crop management) and the EMFG Support Activity seeks to leverage its success for natural resource management techniques and entrepreneurial skills transfer. This methodology identifies leaders in the groups identified above and then trains a first generation of farmer promoters than then head field workshops to train their peers. This is not only effective in establishing a multiplier effect, but also bringing training to farmers and entrepreneurs from local examples of success.

SECTION VII: INTEGRATING A GENDER FOCUS

In the same way that the EMFG Support Activity will build local capacity via training in resource management and entrepreneurial skills, will also instill a gender-based focus to ensure equal opportunities for women and men in the commercial field via opportunities for inclusion. To this end, the EMFG Support Activity have identified four initial activities to work with women-led enterprises which will help provide opportunities for increased incomes and livelihoods for both women and men. These initiatives include working to forge market linkages with the following institutions with whom the EMFG Support Activity have met to identify opportunities for joint cooperation:

- La Ibérica – This well-known sweets and toffees company has an institutional arrangement with Candela, an NGO, and groups of women-led concessionaries that harvest Brazil nuts in Madre de Dios.
- Allpa SAC – This handicrafts company seeks wood from artisan cooperatives working with wood products in Ucayali and Loreto.
- *Ministerio de Comercio Exterior y Turismo (MINCETUR)* and *Exportando Hacia Adentro*: This new program promoted by MINCETUR offers incentives to link small and medium-sized businesses – many of which are led by women—to tourism operators that cater to high level foreign and domestic tourists in Loreto and Madre de Dios.
- In Madre de Dios and Ucayali, the EMFG Support Activity is also exploring reforestation efforts undertaken with groups such as Bosques Amazónicos, SemPerú, Reforesta Perú and RAMSA. The EMFG Support Activity will seek to include women's groups and female leaders in the community nursery efforts that provide the supply of trees for these reforestation activities.

SECTION VIII: NEXT STEPS

As previously mentioned, this document is an initial strategy that responds to the products and services identified in each region as having the potential to achieve the contract targets. Within this framework, the project will employ innovative strategies and new approaches for alliance forming between the public and private sectors as well as with communities in order to maximize the inclusion of indigenous and rural communities in the forest economy. To this end, we look forward to discussing this initial strategy with USAID in order to prioritize the focus areas and activities in a joint manner.