FINAL EVALUATION OF USAID/PERU POVERTY REDUCTION AND ALLEVIATION (PRA) ACTIVITY

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FINAL REPORT

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Arvin R. Bunker
Robert C. Flick
Jose Lazarte Farfan
Alfredo P. Mendívil
Luis Fernando Talavera Ballon
Gladys Mónica Triveño Chan Jan

List of Abbreviations and Acronyms

AD	Alternative Development (also referred by project name PDA)
ADRA	Adventista para el Desarrollo y Recursos Asistenciales
CONFIEP	Confederación Nacional de Instituciones Empresariales
COP	Chief of Party
CTO	Contracting Technical Officer
ESC	Economic Service Center
FFS	Farmer Field School
GOP	Government of Peru
HCN	Host Country National, i.e., a Peruvian
IBRD	World Bank
IDB	Inter American Development Bank
IMF	International Monetary Fund
MEDA	Mennonite Economic Development Agency
MYPE Competitiva	Micro and Small Enterprise Development Project – USAID funded project to strengthen the competitiveness of micro and small enterprise
NGO	Non-government organization
PAT	Poverty Assessment Tool
PDA	Programa de Desarrollo Alternativo (also referred to as AD)
PRA	Poverty Reduction and Alleviation
RAISE	Rural and Agricultural Incomes with a Sustainable Environment
SOW	Scope of Work
T/TA	Training/Technical Assistance
UN	United Nations and its agencies such as the FAO, UNDP, etc.
USAID	United States Agency for International Development

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Final Evaluation of USAID/Peru Poverty Reduction and Alleviation (PRA) Activity

Executive Summary

This report is an external evaluation of the Poverty Reduction Alleviation (PRA) Activity that was established under ***USAID/Peru Strategic Objective Number II, Increased Incomes of the Poor***, as an outgrowth of the ***1994 USAID/Peru Food Security Strategy*****.** The Strategic Objective determined that food insecurity is principally a question of poverty, that poverty is concentrated in corridors where people have limited access to markets, and that low-labor productivity reflects inadequate investment in human and material capital as well as poorly developed public policies and institutions.

Consequently, USAID/Peru adopted an approach to link poverty-stricken rural areas (economic corridors) to markets in cities in Peru and abroad. PRA began in September 1998 with an agreement between USAID and the Confederación Nacional de Instituciones Empresariales (CONFIEP), an institution representing private sector companies. CONFIEP was to apply a private business focus to optimize resource use in the economic corridors to reduce poverty through employment generation. The design expected that private businesses would implement creative market mechanisms to purchase inputs from the economic corridors. They would be supported by project established Economic Service Centers that were located in the economic corridors. It was expected that the business associates of CONFIEP would become the buyers.

Implementation of PRA by CONFIEP did not meet expectations. In April 2002 USAID asked Chemonics to become the full implementing institution. Chemonics was already providing technical advice, international consultants and monitoring and evaluation services to this project.

Selection of chocolate beans in Ayacucho (VRAE): CAC VRA (Timoteo Vargas Aguilar, president; y Wilder Rocha, Manager)

This evaluation provides quantitative and qualitative analysis of the direct and indirect impact, cost effectiveness, and strengths and weaknesses of PRA-supported activities and operations. Five key areas were evaluated: 1) Direct and indirect impacts; 2) the role of Economic Service Centers (ESC); 3) the relationship between PRA and Alternative Development (AD, implemented by a project known as PDA); 4) the level of assistance to agriculture versus manufacturing and services sectors; and 5) operational issues.

PRA Methodology

PRA only provides assistance when a market-pull situation is identified. Market-pull means an identified buyer needs a specific product and has funds to pay for it. Typically, a company located in a city center, within or outside an economic corridor, requests PRA to assist in either sourcing products from the economic corridors, or finding buyers for products that are or can be produced in the corridors.

When a request for assistance meets PRA feasibility standards, a business plan is prepared which both the company and PRA agree to implement. This plan outlines activities that PRA and the company will implement and the anticipated targets for sales, investments, and employment.

Much of PRA work under these business plans improves the supply of products, a supply-push activity. However, supply-push is only engaged in after market-pull is verified. All PRA services are related to the economic corridors and nearly all services are delivered through ESCs that are located in the corridors and supported by PRAs' central office in Lima.

Fundamental to PRA's approach is keeping projects simple and focused on defined objectives, leaving aside areas that may need improvement but do not directly and immediately translate to increased sales or investments. Monetary incentives for PRA and Chemonics associated personnel focus on sales and investment.[1]

Connecting Producers with a Buyer
Green Peas from Huancavelica

In the case of green peas in Huancavelica, PRA first identified what they considered a viable product. Then they identified an interested buyer in the wholesale market in Lima and matched the buyer with the producers. Next was work on the supply push side persuading farmers to change varieties and cultural practices (higher density planting, use of abundant organic material, integrated pest management practices, etc.) which resulted in a better product that was demanded by the buyer, higher yields, lower per unit costs and more profit for the producers.

Methods used by the evaluation team to measure results included an analysis of PRA's internal data, data gathered during field visits by the evaluation team, and secondary external data, feedback from participants, estimates of indirect income impacts using multipliers, identification of demonstration effect activities, estimates of crop production costs and revenue, and interviews with sector specialists.

Key Findings and Conclusions

PRA is an excellent economic development project that is achieving its objectives in the targeted economic corridors. Income for the poor has improved as evidenced by beneficiary statements and preliminary income impact estimates in this report. The estimated indirect income impact from PRA activities ranged from 0.2 percent of Gross Domestic Product in Ancash and Huánuco Departments, to 2.4 percent in Ayacucho Department and 1.9 percent of Gross

[1] Incentives are also paid on employment generated. However, estimates of employment generated are derived from sales, hence for practical purposes only sales and investments determine the amount of incentives.

Domestic Product in San Martin Department. Peru's household income data that would enable more reliable statistical inferences is not available.

Employment generated through 2007 totaled more than 14 million work days, most of that is provided by the poor from the economic corridors.

Investments by PRA clients in the economic corridors totaled $US 16.2 million from 2000 to 2007.

Since 2000 PRA has accepted 564 clients; by the end of 2007, 207 remained active. About 1,500 microenterprises and 37,500 individual producers have participated in PRA activities through 2007. Thirty seven percent of beneficiaries are women.

Facilitating access to information and aggressively brokering deals are the primary focus of PRA services delivered through the ESCs. Improving the business environment, an objective of the project, received mid-course attention in the form of promoting road construction, but by project's end was largely inactive. Incentives were not paid for policy work.

Placing ESCs in the economic corridors has been an effective approach, providing local presence and decision-making ability and freeing PRA personnel to focus on making deals happen. NGOs performed well as ESC operators however, other types of institutions, such as consulting companies and universities, have also been good operators.

Perhaps the most important service of PRA is to build confidence between buyers and sellers who are small producers. There is a vast difference between city center buyers and small rural producers, which prevents a satisfying business experience for either party. To address this challenge, PRA personnel bring specific product requests, accompanied by product standards and prices to the producers, and then help the producers respond to the request. While planting new crops or improving their production techniques for existing crops producers are preparing for a sale, motivating producers more effectively than just being trained.

Compared to other rural development projects evaluated by team members, PRA supported producers were especially positive and enthusiastic about income gains. For example, growers in Apurimac replaced corn (which generated revenue of Soles 4,800 per hectare per year) with artichokes (revenue of Soles 12,975 per hectare per year). Growers in Bajo Piura replaced cotton (Soles 175 per hectare in net income) with black eye peas (Soles 2,300 per hectare in net income). Producers in Bellavista replaced standard bananas (Soles 1,300 per hectare of net income) with organic bananas (Soles 4,600 of net income).

Cages for trout production in Lake Titicaca near Puno.

Similarly consider that in 2004, when PRA began supporting black eye peas in Piura there was just one processor (buyer). In 2007 there were seven processors purchasing product from growers. One artichoke grower in another region said, *"If there were only one company (buyer) the price would be less". Thanks to competition the people plant."*

Likewise, participating companies uniformly gave high marks to the technical assistance provided by PRA. The most common response of companies was that PRA assistance accelerated their entry into purchasing products from the economic corridors. Two large potential buyers stated that they would not have purchased from the zone without the support of PRA. The four coffee processors supported by PRA over the past four years received nearly 30 percent more for their coffee than the average Peruvian exporter. One client and investor in an economic corridor stated, *"PRA offers much more than a price to the farmers. . . . In the sierra it is not a challenge of money, rather a challenge of environment."*

PRA is changing attitudes and actions on how economic development projects are implemented in Peru. The evaluation identified 101 instances of other organizations implementing at least in part PRA's methodology. Non-governmental organizations (NGO) and project implementers are the institutions that most frequently are adapting the PRA market-pull methodology (38 instances). Unexpected by the evaluation team, municipal and regional governments are also observing the increased sales and revenue flowing back to their communities and allocating resources to support business growth (32 instances). Private sector companies and producers associations not assisted by PRA are also using the methodology (25 instances), most of these are producer associations. Frequently companies who consider copying PRA methodologies become PRA clients. In addition, six other instances of organizations including chambers of commerce are using the PRA methodology.

"PRA offers much more than a price to the farmers. . . . In the sierra it is not a challenge of money, rather a challenge of environment."

While PRA (with a market-pull orientation) and the Alternative Development Program (PDA) (with a supply-push orientation) have similar objectives for those areas in which they overlap, they use fundamentally different approaches that have not worked well together. In the field they have cooperated on a number of instances that are identified in the report. Most of these come from the period of 2002-2003 during which USAID mandated cooperation. Nevertheless, in some cases they can cooperate, each doing the part they do best, with positive results for each project and USAID.

Clients, not PRA determine in which sectors they will work. In 2007, 56 percent of clients were in agriculture, and food and beverage processing, 24 percent were in manufacturing (except food and beverages), 17 percent were in commerce, and 3 percent in other sectors, mostly tourism.

Initially PRA signed up many new clients, and lost many.[2] For example, in the first full year of the project (2001), PRA accepted 108 clients, of which only 34 percent were still active one year later (December 31, 2002). Dropping clients prematurely wastes resources. The learning curve was slow, with retention rates above 50 percent achieved first in 2005 (65 percent in that year). The evaluation team suggests that a one-year retention rate should be above 50 percent, except when a donor wishes to be very aggressive in attracting new business.

[2] A client is a company or other institution that has requested PRA assistance and for which PRA has prepared a business plan that is agreed to by PRA and the client.

The most frequent reason for client departure was a change in client strategy and leadership issues, (67 percent of departures), followed by office closings related to the Alternative Development program (25 percent of departures), and reduced confidence between PRA and the client (9 percent of departures). A more rigorous client acceptance process would have reduced the number of premature departures and saved resources. Today, PRA considers the amount of investment by a client as the best indicator of client retention and is the best predictor of success in implementing its business plan.

PRA now has a story that could interest participation and partial funding by governments and businesses. In 2007, every dollar in local ESC costs generated about 20 dollars in sales. Every dollar of PRA Peru (ESC plus Lima office) costs generated more than 15 dollars in sales. These numbers reflect seven years of business building and provide a basis for projecting reasonable performance standards. During a follow-up project performance targets to local communities and businesses could be offered in exchange for financial support. The evaluation team considers that ESCs will unlikely ever be fully self-sustaining, but partial cost recovery that may be feasible.

Operating costs are higher in coca regions. For the period 2004 to 2007, each dollar of operating costs yielded 10.5 dollars in sales for those ESCs operating in coca producing areas. For ESCs operating in non-coca producing areas each dollar of costs yielded 15.3 dollars of sales.

To date the participation of mining companies has positive results for PRA, including leveraging USAID and GOP resources and strengthening the private sector focus of the project. Potential undesirable interference by the mining companies has not occurred. Both mining companies are pleased with PRA results and anticipate providing continued funding.

Working with producers and businesses, PRA could be a good source to identify needed changes in the business environment. The evaluation team does not however, consider PRA an effective institution to promote policy change. MYPE Competitiva is better positioned for that role.

PRA’s monitoring and evaluation unit reliably measures key variables, such as sales, employment generated and investments without interference by USAID or PRA leadership.

Final Evaluation of USAID/Peru Poverty Reduction and Alleviation (PRA) Activity

May 2008

Introduction

This report is an external evaluation of the Poverty Reduction Alleviation (PRA) Activity that was established under ***USAID/Peru Strategic Objective Number II, Increased Incomes of the Poor***, *as an outgrowth of the* ***1994 USAID/Peru Food Security*** *strategy*. The objective of this evaluation is to provide quantitative and qualitative analysis of the direct and indirect impact, cost effectiveness, strengths and weaknesses, and lessons learned of PRA-supported activities and operations.

Background

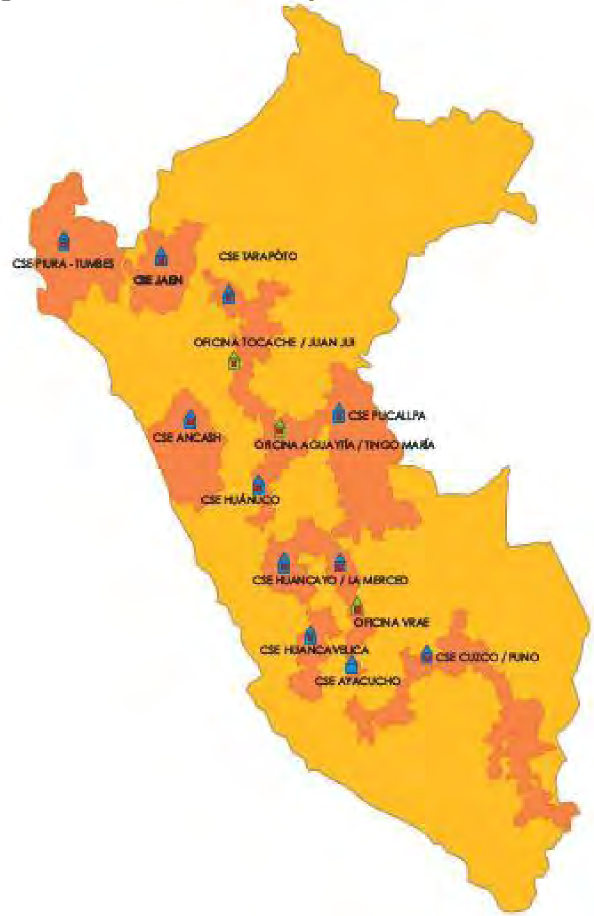
In 1994, USAID/Peru prepared a comprehensive Food Security Strategy for Peru that identified major obstacles to improving food security and defined promising programmatic responses for USAID/Peru. Its main conclusions were summarized as follows:

- Peru's food insecurity is principally a question of poverty;
- Poverty, especially extreme poverty, is concentrated in rural areas of the Sierra, as well as among the non-Spanish speaking population;
- The poor and extremely poor suffer not only from low incomes, but also from limited access to markets and public services;
- The root cause of poverty in Peru is low labor productivity which, in turn, reflects inadequate investment in human and material capital and poorly developed public policies and institutions.

Consequently, USAID/Peru adopted an approach that links poverty-stricken rural areas to lower hierarchy cities and these, in turn, to higher hierarchy cities in an "economic corridors" strategy. From the USAID/Peru-funded GOP Poverty Map of Peru ten priority economic corridors were initially identified for attention by PRA. During the course of PRA implementation service to selected economic corridors was discontinued and service to others added. Today PRA provides service to 10 economic corridors, as follows: Ancash, Ayacucho, Cusco, Huancavelica, Huancayo, Huánuco, Jaen, Piura, Pucallpa, and Tarapoto (Figure 1).

PRA began in September 1998 with an agreement between USAID and the Confederación Nacional de Instituciones Empresariales (CONFIEP), with the objective to "improve the income of the poor."[3] CONFIEP, an institution representing private sector companies, was to "apply a private business focus to optimize the use of resources in the economic corridors . . . to improve the welfare (reduce poverty) through employment generation . . . and an increase in income."[4] The approach for this activity was to be that the "private business sector in its organized capacity to implement creative market mechanisms to support the fight against poverty through a program of purchases of inputs from the economic corridors (with the support of the Economic Service Centers), that will be provided in as much as possible by the private sector under the concept of open competition."[5] It was considered that "the associates of CONFIEP constitute the potential network of buyers."[6]

Figure 1. Areas Served by PRA



The poor are mainly located in "rural zones and mostly in those zones that are most distant. It is also observed that the principal factor that limits the possibilities of sustainable development is the lack of connection to the markets."[7] The guideline to PRA was not only to bring investment to target economic corridors, but also included to "focus investments in those urban areas with connections with those companies, especially agricultural and rural companies, that can be strengthened."

Implementation of PRA by CONFIEP did not meet expectations. In April 2002, USAID asked Chemonics to become the full implementing institution. This request added to the work already

[3] CONFIEP/USAID agreement, page 5, translated.
[4] Ibid.
[5] Ibid., p. 6.
[6] Ibid., p. 13.
[7] Ibid., p. 13.

being provided by Chemonics since the project's inception, which included providing technical advice, international consultants, and monitoring and evaluation. The market development tasks passed to Chemonics were unchanged from those that were given to CONFIEP.[8]

PRA's Strategy and Focus

PRA only agrees to provide assistance when a market-pull situation, an identified buyer that needs a specific product and has funds to pay for it, is identified. For about two thirds of the cases a company in a city center requests PRA to assist in sourcing products from the economic corridors. PRA verifies that the buyer has an identified market, is a reliable buyer, and that the products that are needed can be sourced from the economic corridors where PRA is working.

If the company wants PRA to help develop a new market, or a new product, PRA assesses the potential for that product in the market, along with the ability of the company to provide the resources to develop that market.

When these conditions exists, PRA prepares a business plan that the company and PRA agree to implement. This plan is a brief document outlining the activities of PRA and the company and the anticipated outcomes and targets for sales, investments and employment.

Much of PRAs work improves the supply of products, a supply-push activity. Supply-push is only engaged in however, when the ready and willing buyer is identified and it is determined that the desired product needs to be improved, for example a variety change, or that producers improve post harvest handling, or reduce per-unit costs to be competitive in the target market.

Economic Service Centers: The Economic Service Centers (ESCs) are PRA's cornerstone. They draw upon the experiences of both producers and buyers and provide services that improve their competitiveness. The ESC is the "go-between" for producers, who are wary of dealing with city center based companies that buy the products. The ESC builds confidence between the parties and facilitates the "deal." Principal functions assigned to the ESCs include:

1. Facilitate access to information on markets (both domestic and foreign), technical and management assistance, financial services, legal protection, notary services, transport, insurance, etc., with the objective of lowering the costs of entry into markets and broadening the participation of local people in them. The Centers do not provide any physical or financial inputs, but facilitates the access of producers and investors to information and services.
2. Act as an aggressive broker of deals between foreign and domestic buyers and investors, as well as local producers. The Centers may provide specialized technical assistance and on-the-job training to resolve specific problems that challenge local businesses in getting started and expanding their services.
3. Identify the need for policy studies and dialogue: Each Center seeks to identify policy-based constraints that restrict economic opportunities and increase the transaction costs of micro, small, and medium farms and businesses. (*This evaluation did not assess this component.*)
4. Promote mechanisms for coordination and problem solving among key private and public sector entities in economic corridors at a regional level. Each Center identifies

[8] A Qualitative Assessment of the Poverty Reduction and Alleviation Program Funded by the US Agency for International Development in Peru, Volume I, 2003, page 4. (Mid-term assessment)

the key institutional players at the corridor level who influence decision- making, as well as the actions required to address constraints restricting economic opportunities. Each Center may facilitate the formation of task-oriented committees or advisory groups, and then act as a catalyst to bring together institutional representatives at the highest level possible. This process ensures that adequate leverage and decision-making authority is required for effective implementation.

By the end of the project item four received little attention by the ESCs and by PRA in general.

The management of the ESCs is sub-contracted to a local NGO, company, university, etc. Personnel assigned by PRA to an ESC are on the payroll of the sub-contractor, which is responsible for accounting and financial management and running the office on a daily basis. This system of "outsourcing" ESCs' management has been key to the success of PRA, primarily because it frees the business development specialists from management of a sub-office. The ESCs and their sub-contractors are supported by a PRA central office in Lima, which provides executive direction to the activity.

This central office selects and supervises sub-contractors that operate the ESCs, oversees PRA personnel in the central office, provides technical supervision of ESC personnel working with PRA, initiates business opportunities, maintains relationships in Lima and other non-corridor cities, houses and provides oversight to the monitoring and evaluation unit, and maintains relationships with and prepares reports for USAID.

Two elements of the poverty reduction track - - investment in productive infrastructure and investment in education - - are fundamental to increasing incomes and employment of the poor and extremely poor. These components are handled in a complementary manner with GOP and other USAID/Peru and donor funding.

The Mission recognizes that the direct impact that PRA can make in these corridors is extremely limited, given all the widespread needs stemming from high levels of poverty, extreme poverty, and unemployment. *The hypothesis and expectation is that the promotion of successful business ventures in some of the more remote areas of Peru will demonstrate the viability of working in these areas and encourage continued and further investment in the future.* The primary measures for assessing progress for this activity model are: increases in sales of clients that are directly attributable to PRA assistance; increases in employment stemming from these sales; and increases in investment that PRA clients make in the corridors.

An analysis of these primary measures is included in this assessment along with estimates of indirect impacts. Indicators include examples of crop replacement following PRA's methodologies but outside PRA assistance, institutions and businesses copying in part PRA's market-pull techniques, analysis of the support of PRA by economic sector, PRA's client retention rates, reasons for client departure, analysis of PRA's costs in Peru, by ESC, and by type, size, and stage of the client in the economic chain. Indirect impact assessments include examples of income gains by producers following PRAs suggestions on crop replacements, examples of income gains for clients supported by PRA, and estimates of the share of changes as a result of PRA activities in the Gross Domestic Product in the Departments of Peru where ESCs are located. Response by project beneficiaries provide corroborating evidence.

Operators of PRAs regional offices were selected on a corridor-by-corridor basis. Factors considered included assessing the services demanded in each locale, the experience of the particular institution in increasing opportunities for sustainable employment and income opportunities, and their availability to work in the zone.

It should be noted that, from the outset, the organizational and operational sustainability of the Centers themselves was not of particular interest. If at a future date the Centers were to be closed amidst a more vibrant local economy providing incomes and jobs for the poor within a Center's corridor, with other service providers fulfilling functions previously provided by the Centers, the Mission’s view was that the strategy would have proved successful.

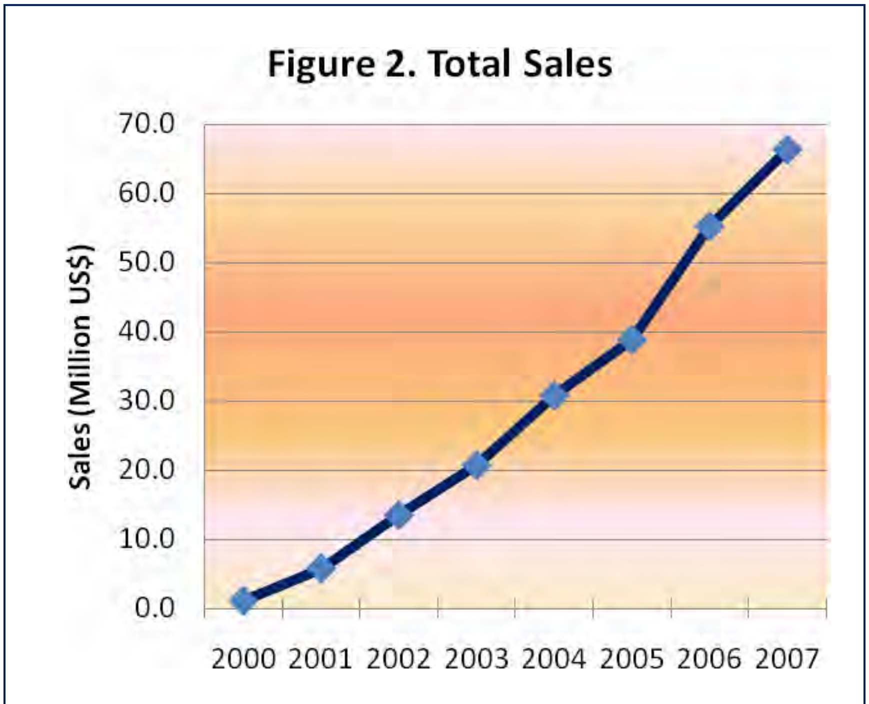
Principal Findings

This report evaluates the PRA project in five key areas: 1) direct and indirect impacts; 2) the role of regional offices called Economic Service Centers (ESC); 3) relationship between PRA and Alternative Development; 4) level of assistance to agricultural versus manufacturing and services sectors; and 5) operational issues. Each area is discussed separately within this section. The report also includes conclusions, recommendations, lessons learned and unresolved issues.

PRAs Direct and Indirect Impacts

The initial project documentation focused primarily on defining success based on PRA’s direct impact on increasing sales, employment, and investment related to USAID’s selected economic corridors. For this evaluation, project success also included the extent to which other firms and institutions utilized PRA methodologies (demonstration affect), as well as the indirect income impact.

It should be noted that PRA maintained records on the three direct success indicators (sales, employment and investments). Little information however, was gathered during the project on the indirect impacts, neither by PRA nor by USAID. As a result, evidence of indirect impacts was gathered within the evaluation’s time and resource parameters.



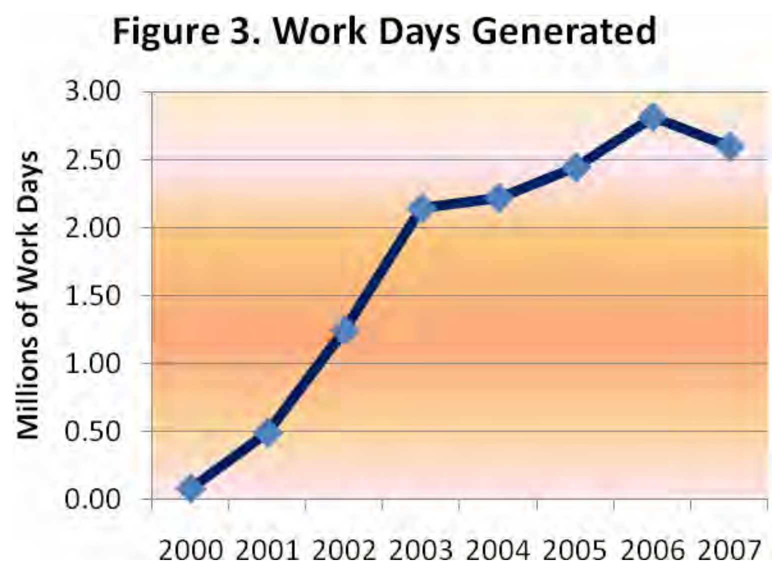
Source: PDA

Sales

PRA assisted sales (“sales”) from 2000 to 2007 totaled $US 232.4 million, with sales in 2007 reaching $US 66.4 million (Figure 2). About 45 percent of sales were exported; the most important destinations were North America and Europe.

PRA assisted sales are those sales by companies that have signed a business plan agreement with PRA. Products included in the sales numbers are directly related to the assistance provided by PRA. The monitoring and evaluation unit in Lima determines which sales numbers are reported. Company books are reviewed periodically to verify that reported sales data complies with the agreement to report.

Employment



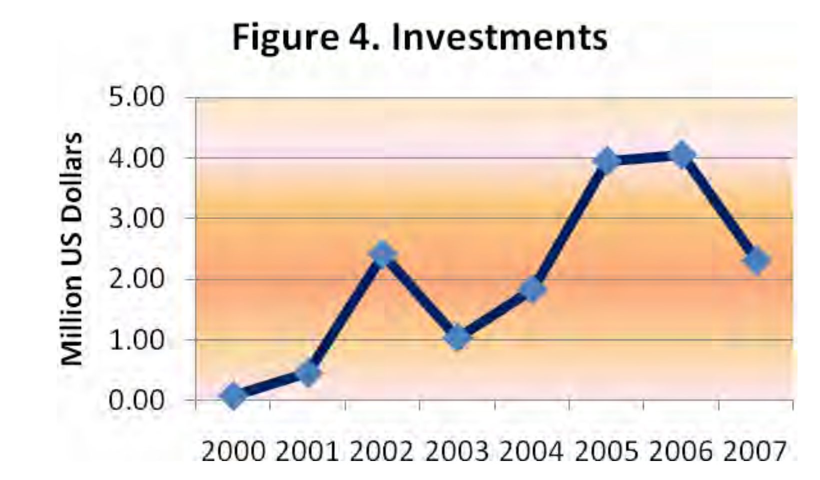
Source: PRA

Workdays from 2000 to 2007 totaled 14 million. In 2007, there were 2.6 million workdays generated through PRA activities (Figure 3). The number of workdays generated increased rapidly during the early years of the project, and increased at a slower rate after 2003. Increased work days generated in 2002 and 2003 were heavily influenced by the request for PRA's to provide technical assistance to producers in the coca producing regions involved in the Alternative Development program. The services provided by PRA were transferred to the Alternative Development project in 2004, resulting in reduced rate of increase in number of workdays generated in that year. The slower increase in employment from 2004 – 2007, as explained by t PRA staff, is due to companies receiving increased training and becoming more efficient in utilization of their labor. Likewise, producers of agricultural products improve their productivity with time, and for some crops, as the plants mature.

Work days generated is **derived** from sales data. New jobs are not actually counted. For each product for which sales data is reported, the monitoring and evaluation unit makes a determination of how much labor is required for each unit of production. With the sales data companies also report unit numbers of product sold. The number of units sold is multiplied by the hours of labor per unit resulting in work days generated. Employment data includes workers that are employed by the activities supported by PRA, and the work days required to produce the products that are purchased by the assisted companies, if PRA is providing assistance to those groups. Companies report their sales and investments monthly.

Investments

Investments by year show large variations. Since 2003 these figures have ranged from a low of $US 1.1 million to a high of $US 4.1 million (Figure 4). Investments from 2000 to 2007 totaled $US 16.2 million.



Source: PRA

Investments are reported by assisted companies to PRA. Investments also include those made by producer groups supplying products to the supported companies. The monitoring and evaluation unit reviews investments data to verify that they are related to the assistance provided by PRA.

The 2007 PRA Annual Report reports that about 1,500 microenterprises and 37,500 individual producers have participated in PRA activities to date. About 37 percent of the beneficiaries are women.

PRA has found that companies which make significant investments in the growing areas become the better, longer-lasting clients and there is less risk of future business decisions that result in farmers being left in the lurch with crops or livestock and no market. Furthermore, companies which actually grow or produce the crop on their own or rented land have a better understanding as to the costs of production and the problems experienced by producers.

Sales, work days generated and investments by ESC by year are available in Annex C.

Technical Assistance: Responses from Companies, Cooperatives, and Associations

Participating companies, cooperatives, and associations uniformly gave high marks to the technical assistance provided by PRA. The most common response by companies and cooperatives was that PRA assistance accelerated their entry into purchasing products from the economic corridors or bringing new products to market. Two in the group of large potential buyers stated that they would not have purchased from the zone without the support of PRA.

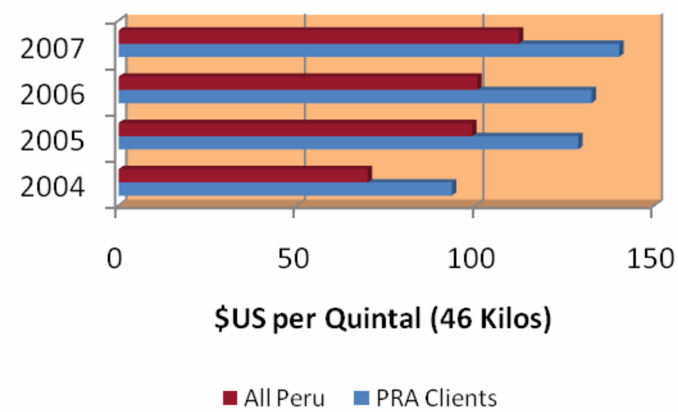
Bridging the barriers between the city center (mostly Lima) buyers and small rural producers in the corridors is a major contribution of PRA. Buyers and producers both distrust each other, both groups with many stories of losses because of default by the other party to a business transaction. Said one important business executive, *"PRA offers much more than a price to the farmers. . . . In the Sierra it is not a challenge of money, rather a challenge of environment."* PRA helps each party to a transaction better understand the other party, and to work through misunderstandings.

Figure 5 illustrates one reason for the positive feedback from companies and cooperatives. PRA supported coffee exporters over the last four years have received a 25 percent or greater price premium for exports than do all Peru coffee exporters.

Response by Beneficiaries

Beneficiaries mostly are individual small producers of agricultural, textile or other products that a buyer is ready to purchase. Nearly always these small producers work together in groups; often they form associations to make the group more formal, and to better deal with legal issues relating to the production and sale of their products. The groups may or may not be organized by PRA.

Figure 5. Coffee Export Price



Beneficiaries gave nearly unanimous praise for the technical assistance provided by PRA. The enthusiasm shown by small agricultural producers for their newly found markets and associated income was noticeably greater than feedback from producers of more traditional agricultural development projects. Said one beneficiary, *"Before there was only one buyer (company A), it was a monopoly. Today (company B) quotes their price and the price does not go down, rather it goes up. If there were only one company, the price would be less. Thanks to competition, the people plant."*[9]

Table 1 gives estimated gross and net earnings by agricultural producers for products they were producing prior to participation with PRA, and the crops they are now producing. Note the net income in Tumbes is lower for the PRA supported crop, although black eye peas (frijol caupi) is preferred because their harvests and income is available every four months, compared to rice in

Table 1. Gross and Net Income Compared for Agricultural Production, Before and With PRA Support

	Prior Production			PRA Supported Production		
Location	Product	Gross Income	Net Income	Product	Gross Income	Net Income
Bajo Piura	Cotton	3,675	175	Black Eye Peas	3,800	2,300
Morropon	None	-	-	Black Eye Peas	3,800	2,000
La Union	Corn	4,400	1,600	Pallar Bebe	5,100	3,100
Bellavista	Banana	7,800	1,300	Banana organic	12,600	4,600
Salitral	Corn	3,300	600	Frijol de Palo	4,000	2,000
Tumbes	Rice	6,400	2,400	Black Eye Peas	3,600	2,000
Piura	Cotton	6,300	2,300	Peppers	21,600	9,600
Apurimac	Potatoes	3,253	NA	Frejol Canario	4,875	NA
Apurimac	Corn	4,080	NA	Artichokes	12,975	NA
	Corn	4.080	NA	Kiwicha	7,920	NA

Source: PRA technical specialists in the zones and agricultural focus groups by the evaluation

[9] Translated from Spanish. Company names withheld.

which income is available every six months. In addition, the price variation in rice is much greater than that of black eye peas.

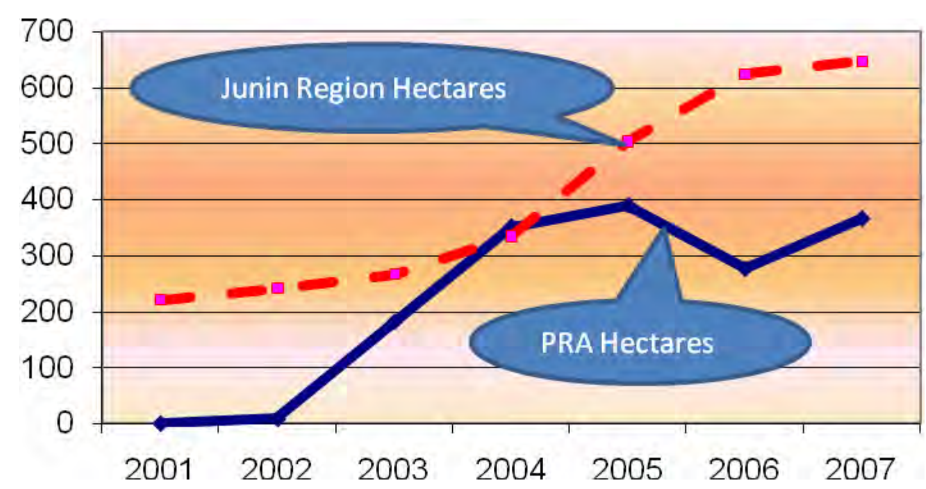
These data examples, along with observations made by the evaluation team, confirm the positive response by PRA supported companies, institutions, and producers (both individual and groups) regarding the technical assistance provided by PRA.

Demonstration Effect

A request in the final evaluation was to identify demonstration effect actions. Demonstration effect is defined as another company, institution, or producer doing similar work as PRA but without the assistance of PRA, and in an area where they could have been reasonably expected to know of PRA activities and results.

Surprisingly, PRA had not kept an ongoing inventory of demonstration effect activities, nor had they ever been asked for such a report.[10] Several examples of demonstration effect activities were identified including increased area planted beyond what PRA is supporting, suggesting that buyers are coming to the region, and that producers are increasing planting for the increased market.

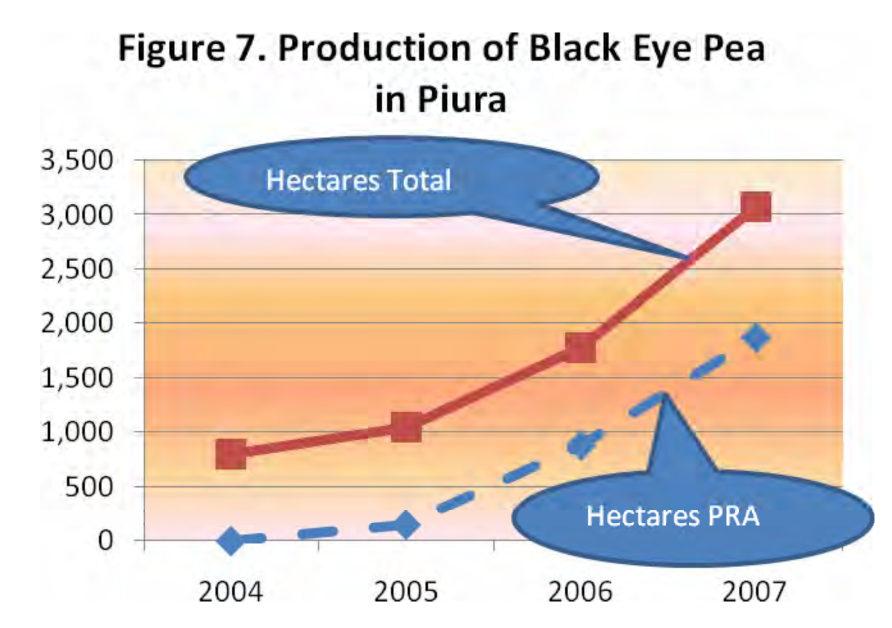
Figure 6. Artichoke Production Area in Junín Region



Source: PRA

For example, PRA began supporting artichoke production in the Junín region in 2002 (Figure 6). For two years the area supported by PRA increased rapidly, to about 450 hectares in 2004, after which the area supported by PRA leveled off. Other production in the region, however, from 2004 on increased rapidly, suggesting that local farmers seeing the impressive returns from artichokes began planting on their own, and buyers arriving on their own account. Today there are five or six major buyers of artichokes working in the highlands, and PRA supported activities account for about half of the area of artichokes in Junín.

[10] Demonstration effect examples were not a requested item in the mid-term evaluation.



Source: PRA for hectares by PRA. Regional specialists for Black Eye Pea production in the region

A second example is black eye pea production in Piura. PRA supported production increased from 0 to 1,870 hectares in three years (Figure 7). During those same three years the total hectares of pea production increased by 2,270 hectares (from 800 to 3,070). In other words, an additional 400 hectares of black eye peas were planted without PRA support.

More important to the longer-term sustainability for the market for black eye peas is that seven processors now purchase product in the zone, whereas when PRA began there was only one processor purchasing peas (Table 2).

Likewise, kiwicha (amaranth) production area under PRA supervision in Andahuayles has increased rapidly, but not as rapidly as the total production area. Today about 80 hectares of kiwicha is cultivated in Andahuayles without PRA support (Table 3).

Another indication of the demonstration effect is the number of nearby institutions that are copying the market-pull methodology of PRA. The evaluation team asked PRAs local business development specialists to identify those institutions in their area that they knew were applying (at least in part) the PRA methodology. Table 4 presents a summary of the number of identified “copy cat” institutions. A total of 101 instances of institutions located near the ten ESCs were

Table 2. Black Eye Pea Processors in Piura

Year	No. PRA Clients	No. Processors
2004	0	1
2005	1	1
2006	3	4
2007	4	6
2008	4	7

Source: PRA

Table 3. Kiwicha Production in Andahuayles

Year	Hectares With PRA	Hectares in the Zone
2003	30	0
2004	60	80
2005	90	135
2006	150	200
2007	190	255
2008	260	340

Source: PRA

reported as "copying" at least in part, the methodology of PRA without direct PRA support.[11] The most common type of institution applying the PRA methodology is other development projects, usually implemented by NGOs. The second most common group is government agencies; most of those are municipal or regional governments. Twenty five cases of commercial companies or associations of producers were applying the PRA methodology. Most of these are producer associations. Other cases included several chambers of commerce.

Table 4. Number of "Copy Cats" by Type of Organization

ESC	No. Projects / NGOs	Gov't. Agencies	No. Companies / Assns.	No. Others	Total
Ancash	5	6	1	0	12
Ayacucho	5	0	4	0	9
Cusco	7	4	6	2	19
Huánuco	0	5	6	1	12
Huancayo	9	4	0	0	13
Huancavelica	10	7	2	1	20
Jaen	1	2	2	1	6
Piura	1	2	0	0	3
Pucallpa	0	1	2	0	3
Tarapoto	0	1	2	1	4
Total	38	32	25	6	101

Source: PRA business development specialists

Estimates of Indirect Income Impact

In 2005, the ***Market Access and Poverty Alleviation*** (MAPA) project in Bolivia estimated a multiplier to be applied to household annual increase in income to estimate the total impact of project generated income on the Gross Domestic Product (GDP) of a region.[12] Participating households were producers of oregano, onions, grapes, and berries located in the Departments of Cochabamba, Chuquisaca, Santa Cruz, Oruro, and Tarija. The evaluation team holds that the terrain, production, market, and income conditions in those departments in Bolivia are similar to those producers with which PRA is working in the targeted economic corridors. Table 5 displays the average income and the estimated total income multiplier for the four crops. The oregano producers were smaller than most of the PRA supported producers, so the corresponding multiplier was eliminated, and the remaining three multipliers were averaged, resulting in an value of 2.38.

Table 5. Estimated Multipliers from Bolivia MAPA Project

Crop	Annual Income ($US)	Estimated Multiplier
Oregano	491	5,69
Onion	2,675	2.44
Grape	2,541	1.83
Berry	2,982	2.87

Source: Reference 8 in Annex B

Table 6 lists the ten ESCs and the corresponding department in which they are located. PRA estimates the number of work days by ESC, which was multiplied by 16 Soles per work day, resulting in an estimated

[11] In this table the same institution may be counted twice if it implemented the PRA methodology in two distinct projects. The evaluation team did confirm "copy cat" activities of several project implementers / NGOs, government agencies and other institutions. Time constraints did not allow independent verification of activities of "copy cat" companies and associations.

[12] From MAPA (Bolivia) project, Scarborough, Andrew, "Calculating the Multiplier effect of Targeted Households Annual Increase In Income on Bolivia GDP," 2005.

Value of PRA Labor, or labor that was generated by PRA activities.[13]

The Value of Labor was multiplied by the average multiplier from the Bolivia experience to yield an Estimated Income Impact related to PRAs activities for each Department. The Estimated Income Impact was divided by the Gross Domestic Product (GDP) for Agricultural and Total GDP by Department, as published by Proinversion[14]. The result is a percent value of the total direct and indirect income impact by Department for PRA activities.

Table 6. Estimated Indirect Income Impacts of PRA Activities for Calendar Year 2006

Department (ESCs)	* Value of PRA Labor	* Estimated Income Impact	* GDP Agri-culture	% of GDP Agri-culture	* GDP Total	% of Total GDP
Ancash (Ancash)	4	9	413	2.13%	5,280	0.17%
Ayacucho (Ayacucho)	13	31	381	8.26%	1,337	2.35%
Cajamarca (Cajamarca, Jaen)	15	36	783	4.58%	4,461	0.80%
Cusco (Cusco)	10	25	601	4.11%	4,072	0.61%
Huancavelica (Huancavelica)	3	7	212	3.26%	925	0.75%
Huánuco (Huánuco)	2	5	551	0.84%	2,497	0.18%
Junin (Huancayo)	11	27	1,119	2.41%	6,122	0.44%
Piura (Piura)	11	27	764	3.55%	5,292	0.51%
Ucayali (Pucallpa)	13	31	359	8.74%	1,899	1.65%
San Martin (Tarapoto)	19	45	703	6.44%	2,378	1.90%

The Value of Labor, Estimated Income Impact, and the GDP Agriculture and GDP Total are in millions of Soles.
* Source: Proinversión, Peru en Números 2007, Instituto Cuánto.

The estimates of percent share of Agricultural GDP ranged from a low of 0.84 percent for Huánuco, and a high of 8.74 percent for Ucayali (Pucallpa ESC). The percentages for a share of Total GDP ranged from a low of 0.17 percent for Ancash and 0.18 percent for Huánuco to a high of 2.35 percent for Ayacucho. The contribution of PRA supported activities to Agriculture GDP is likely overstated because only about two thirds of PRA support is directed to agricultural and food and beverage products, and just over a fourth to agriculture, livestock farm raised fish production.[15] The PRA staff pointed out that the estimates for the share of agricultural GDP for

[13] As a reference, the Ministry of Agriculture minimum work day rate for 2006 was 19.52 Soles. This figure exceeded the feedback to the evaluation team from focus group interviews regarding typical agricultural work day rates for 2006.
[14] Proinversión, Perú en Números 2007, Instituto Cuánto.
[15] See Table 8 for agriculture's share of PRA activities.

Cajamarca are probably overstated as significant sales of jewelry proceed from PRA support in that ESC. The share of estimated income impact from PRA activities of the Total GDP is more realistic, in the judgment of the evaluation team.

Economic Service Centers

The ESCs are integral components for implementation of the PRA technology, providing four key functions, which are:

1. Serve as the central unit for in field implementation of the PRA technology, providing the most frequent contact with clients and potential clients,
2. Support reduction of production and transaction costs for companies and producers,
3. Initiate and maintain public-private dialogs and partnerships, and help local governments understand business development, and
4. Support development of clusters that enhance regional business.

ESCs are Central to the PRA Methodology

The ESCs are functioning well as an instrument allowing PRA to:

- Deliver economic and technical services to producers that help them to satisfy a previously identified demand,
- Identify opportunities to develop new products and markets,
- Identify and cultivate potential clients, and
- Build support with local political entities.

Table 7. ESCs and their Operators

ESC	Operator
Ancash	Recursos SAC
Ayacucho	ADRA del Peru
Cusco/Puno	CARE Peru
Huancayo	CEAR
Huancavelica	Consorcio Universidad del Pacifico-Asociación Civil San Javier Del Perú
Huánuco	IDESI
Jaen	CIPCA
Piura	Consorcio CEDEPAS – Cámara del Comercio Y Producción de Piura
Pucallpa	MEDA Consulting Group Peru SAC
Tarapoto	MEDA Consulting Group Peru SAC

Source: PRA

The ESC operators are a mix of for-profit and not-for-profit institutions. Five Centers (Ayacucho, Cusco/Puno, Huancayo, Huánuco and Jaen) are operated by not-for-profit institutions (Table 7). Two centers (Pucallpa and Tarapoto) are operated by MEDA, organized as a for-profit institution in Peru but part of a multi-country group mostly considered not-for-profit. Two Centers (Huancavelica and Piura) are operated by a consortium of for-profit and not-for-profit institutions, and one center (Ancash) is operated by a for-profit company. This evaluation did not detect a difference in performance as related to the type of ESC operator (e.g., for-profit, not-for-profit, or mixed orientation).

With the exception of the Ancash, all ESC operators had a local presence and an interest in development activities in the area. All operators described their in-process or planned incorporation of PRA's concept of market-pull into their other economic development activities where it could apply. As observed in the previous listing of "copy-cats," PRA technology is reaching beyond commercial sales and beginning to influence other economic development operations.

Using local operators has reduced the administrative load of the local PRA business agents, allowing more time to focus on new business generation or technical assistance tasks. The most successful experiences have been with those entities that have a long-term local presence. While agencies such as CARE and ADRA historically have not always shared PRA's vision for intervention, their long-time presence in the zone has facilitated their ability to fill the demand for more and/or improved products. The one Center without local presence (Ancash) has had administrative problems related to reporting and handling of payments. This operator is relatively new to working with development agencies and has expressed a willingness to resolve the issues.

Buyer-Supplier Relationships

A benefit of PRA that buyers and sellers/producers mentioned frequently and early in the conversations was trust; producers learning to work with businesses, and businesses learning how to interact effectively with producers. Both parties view the PRA technical specialist as a person of trust – a disinterested party without any vested interest or ulterior motive.

From the producer's point of view, a continuing challenge to sustainability of the buyer-supplier relationship is to improve the information that producer groups have on markets, so that they can effectively negotiate with city-center buyers. From the buyer's perspective, the challenge is to assure product availability and quality, and to identify a reliable source for current information on when a crop will be harvested, its potential quality, and amounts to be harvested.

In some cases PRA personnel help producer groups become more formalized, working with leaders to help them negotiate with buyers and initiate production and post harvest product handling and processing. Some buyers have placed field agents to improve relationships with producer groups. Several of these field agents have been hired away from PRA. Romero Trading and the Committee for Cocoa, a producer group, have developed a relationship in which the leader of the committee is recognized as a representative speaker for the entire community of producers. For its part, the buyers are providing fermentation and drying equipment for producers to do first-stage post harvest handling, which lowers costs and improves product quality.

A key benefit for producers is that multiple reliable buyers are now working in several areas, largely because of PRA efforts. Multiple buyers generate more sources of market information and greater confidence for producers.

Reducing Production and Transaction Costs

The improved trust and communications between buyers and suppliers as a result of PRA activities has helped to lower both production and transaction costs. As the number of sales transactions between a buyer and supplier grows each side learns how to best communicate and how to organize their activities to reduce costs and to maximize value added to the transaction.

New technology has been introduced in some cases, more effective use of existing resources has occurred in other cases. Agricultural production yields are increased and costs are lowered by using improved seeds that are often supplied by the buyer, judicious use of chemical and organic fertilizer, improved cultural practices, and improved harvesting and post harvest methods that result in a higher percentage of the crop that is sold. In a few cases tractors are increasingly used for tillage operations. Finally better trained workers and improved organization of production and marketing tasks reduce costs. In many cases the "new technology" introduced is a different crop with better sales opportunities than the crop currently being produced.

These technologies may be new to the area, or to the producer groups, but they are not new to the industry, and not necessarily to Peru.

Estimating Workdays: For every client the monitoring and evaluation unit audits the activities of the client and estimates the amount of labor that is required to produce one unit of the product. Once a determination is made of the labor required to produce a specific product is determined, it is seldom revised.

Based on interviews of PRA business agents and personnel of monitoring and evaluation unit, the evaluation team believes that there is no systematic under or over valuation of the amount of labor required for a specific product. Complaints of sub-valuation were offered by business agents, and these complaints were acknowledged by monitoring and evaluation personnel, who stated that they consider the complaints but believe they always make the final decision. No reports surfaced that a decision by the monitoring and evaluation unit on how to value sales, labor or investment was overturned by project administration. Resources did not permit a detailed audit by the evaluation team to verify the level of effort to produce a specific product.

Motivating Public-Private Dialog and Partnerships

In the last two years, PRA has faced a new situation - - Sierra Exportadora, a GOP program to facilitate the participation of the Sierra region in the export boom. The four cases, in which PRA and Sierra Exportadora have joined forces, resulted more from the interest of Sierra Exportadora than that of PRA. Nevertheless, both parties now recognize the benefits of working together and are in the process of evaluating 12 new joint projects. The dialog with Sierra Exportadora has resulted in offers of financial support of more than $US 200,000 to improve the supply of corn, oats, trout, and chocolate. More joint projects are in the evaluation phase, and they will follow the PRA methodology. According to Sierra Exportadora leadership, their own projects also will follow the PRA methodology. If that occurs, it will be a significant change in operations, as Sierra Exportadora field agents are currently promoting production of products that have a market according to studies, but not necessarily a ready and willing buyer.

USAID, the GOP, and PRA are now cooperating with two mining companies to promote business growth in selected regions.[16] The ESCs in Huancavelica and Ancash are both partially funded by a mining company.

PRA successes in the field have come to the attention of several municipal and regional governments, and motivated them to consider supporting business development from public funds. Often local governments provide resources for production. The most common contribution is land that is jointly worked by community members. Other communities have added business development personnel, some of which assist the production groups working

[16] The mining companies are required to allocate 3.75 percent of their before tax earnings to a "Fondo Concursables" that are to be used to promote development in the regions of their mining.

with PRA. One community the evaluation team visited had allocated Soles 50,000 to promote business development; a relatively recent decision so that to which activity the funds would be allocated was not known. With the decentralization process taking place in Peru, it is anticipated that more communities will have interest in supporting business development and may be able and willing to allocate resources for that purpose. At present, however, uncertainty for what purpose public funds can be used and how decisions should be made for their use may limit their use for PRA related activities.

Other communities have followed the more traditional approach, such as investment in productive projects that will be operated by the local government. Some have offered public sector financing, in at least one case to a PRA assisted client. Going forward, PRA will need to develop guidelines on how ESCs should interact with local governments that wish to promote business development in their community.

Support Clusters that Facilitate Regional Business

Most of PRA activities involve value chains, linking buyers and processors with suppliers. A number of the interventions have created clusters of suppliers. The most notable example is with trout. The company Pisifactoria de los Andes has supported the production of trout from Puno, Junín, Huancavelica, and Ancash. This geographical concentration of producers dedicated to the same activity, with a national and international market, has established a network of suppliers of inputs and services that should strengthen the entire sector.

A similar situation is happening with artichokes in the Sierra, especially in the central section of Peru where there now exists a concentration of businesses dedicated to this activity. Today, there are six major buyers of product, a processing plant in the region, and multiple providers of inputs and services that improve the sector's productivity and efficiency, motivating both learning and participation by other producers and suppliers.

Other examples of cluster development include the production of cacao and rough cotton in the Selva, products also supported by the Alternative Development program. For each product there have emerged multiple suppliers for inputs and services.

Private Sector Support for ESCs

In recent agreements with the GOP companies mining in Peru allocate 3.75 percent of their pre-tax income for development in the local areas where they extract minerals. . Two companies, Cia. De Minas Buenaventura S.S.A. and Compañía Minera Altamina S.A. currently support ESCs in Huancavelica and Ancash respectively. In Huancavelica Buenaventura provides 40 percent of the cost of the ESC, USAID 30 percent and the GOP 30 percent. In Ancash, Altamina provides 80 percent of the cost of the Ancash ESC while USAID and the GPO (through Sierra Exportadora) provide 10 percent each.

Both companies are pleased with the results of the ESCs, stating that the results are significant for a modest cost and that the PRA personnel are effective and attentive to the companies needs. Both plan to continue supporting the ESCs.

Altimina requested that additional results data be collected including family income of beneficiaries, the number of jobs created measured directly rather than derived from sales data, and the number of new businesses created. The mining company recently approved an increase in the budget for the ESC to replace the reduced level of funding in Soles due to the declining exchange rate for the U.S. dollar, and to support reporting costs for the additional data.

Along with praise for the program, Altamina had two complaints. One was payment processing difficulties with the ESC operator, who pledged to make any needed adjustments to resolve this issue. Neither PRA nor USAID were aware of this complaint. Complaint two was the potential interruption of the PRA program between the current and follow-on project.

Private sector funding leverages USAID and GOP resources and may help PRA maintain a business focus to a public sector activity; both positive outcomes. Potential negative outcomes include the private sector company pushing the ESC in a direction favored by the company but not by PRA, and the potential for PRA and USAID to be drawn into a conflict between the mining company and the communities. To date neither of the potential negative outcomes has occurred with PRA operations.

MYPE Competitive

MYPE Competitiva is a USAID funded regional (Bolivia, Peru, Ecuador and Colombia) and country specific project that strengthens the commercial capacities and competitiveness of the micro and small businesses, helping incorporate them in the export value chain. It is being implemented by Nathan Associates, together with APOYO Consltoría S.A.C., Málaga-Webb y Asociados S.R.L., and J.E. Austin. Nathan Associates and J.E. Austin are U.S.-based consulting firms.

In Peru, the objective of MYPE Competitiva is to create a favorable business environment for the legal formation and growth of the micro and small businesses, as well as to provide tools that build their capacity and improve their competitiveness. The project has been operational since October 2006.

To date, MYPE Competitiva leadership has had only limited relations with PRA leadership. Consultations between personnel of the two projects were reported by PRA field personnel but no instances joint operations or coordination of activities was identified by the evaluation team. MYPE Competitiva leadership suggests there may be areas where the two projects could collaborate: strengthening associations and cooperatives, developing technical norms, addressing certain policy issues identified by PRA (local, regional and national) and assisting with certifications (ISO and other quality/traceability certifications). Reportedly, MYPE Competitiva has just received the go ahead to begin working in agricultural-related enterprises where there could be more synergies with PRA in the future.

Functions of PRA to Continue in a Follow-on Project

The statement of work identifies four PRA functions and asks which, if any, should be continued in a follow-on project. These functions are:

1. To access market information needed to make business investment and management decisions?
2. To link with buyers and make business deals?
3. To access technical and management assistance, especially to 1) ensure that product characteristics meet product specifications demanded by the market (including export

markets); and 2) increase productivity to help ensure enterprise profitability for producers?

4. To attract investment to the Economic Corridors that will help develop, expand, and enhance the sustainability of business enterprises?

As originally designed all of these functions are critical for success of the PRA approach and all four need to be continued in a follow-on project. As discussed in other sections of this report, some of these functions are finding their way into operations of other institutions, such as development project implementers, government programs, producer associations, and private sector companies. PRA often contracts with local consultants for these services, and capable local providers exist in some communities. However, the evaluation team did not identify any institution in Peru capable of providing one or more of these services on demand in all of the areas serviced by the ESCs.

Rather than a private market developing for business services, a more common outcome is that PRA clients find that PRA services add value to the market chain and are putting their own personnel on the ground. Several PRA personnel have been lured away by client companies.

PRA and Alternative Development

The objectives of PRA and Alternative Development (PDA) are focused on opposite ends of the value chains; PRA first looks to find a specific buyer, PDA first looks to get a product produced/made ready to offer to a potential buyer[17]. While each takes into account the needs throughout the entire value chain in determining activities their projects will support, in the end PDA will never excel in market-pull activities while PRAs resources will be more effectively utilized if it does less supply-push work in the PDA supported areas. Project administration for PDA focuses on supply-push, and project administration for PRA focuses on market-pull.

If each focuses on what they do best, the two projects should be natural allies with close coordination of activities in the areas that they overlap. At present, however, they have infrequent communication and limited coordination of activities at the project administration level, and limited to moderate coordination of activities in the ESCs that are located in coca producing areas. Leadership of both projects say they communicate as needed.

For example, PRA was unaware that PDA was in the process of hiring eight specialists to support business development. These specialists will be located in the field working with producer associations, so their market development activities and potential conflicts with PRA activities may be limited.

During the "turbulent years" PRA was required to start operating almost exclusively to support the coca eradication activities of USAID. [18] During this period there was frequent communication between programs and PRA struggled to provide the services demanded by the PDA project. This diversion from PRA's *modus operandi* caused turmoil within the program.

[17] Given that PDA activities are mostly carried-out in the humid tropics, sometimes extensive trials need to be undertaken to determine what may or may not be grown and what are the production economics of the selected product. Once it has been determined that "x" crop can be produced economically in a given region, PDA sets about to produce interesting quantities so as to attract a possible buyer.

[18] "Turbulent years" are the words used by PRA administration to refer to the two years from 2003-2004.

This period of forced collaboration was required by the Mission and apparently found resistance from both projects.

Just as suddenly appeared the decision to coordinate, likewise was the decision to return to voluntary coordination, which has prevailed from that time. Seven of the PRA ESCs are located in the highlands, for which there is seldom a need to coordinate.

While personnel from Lima-based project offices seemingly has limited contact, in the field there is coordination in several instances, a few of which are described in Annex H.

Coordinating activities between the two projects is not simple. One of PRA's strengths is to build confidence between buyer and seller. During the getting acquainted and initial sales period, the PRA technical assistance person is a critical component for building trust and executing successful transactions. A potential buyer will quickly lose trust if communications between PRA and PDA are delayed, infrequent or confusing.

PRA has helped to market products from the PDA areas, and can and should continue to do so. The two institutions and USAID will need to consider how incentives would be structured to reward high performance. How to collaborate will need to be incorporated into the Statements of Work for each project.

The evaluation team's work confirms that incentives make a difference for PRA. For example, PRA personnel frequently work with associations of producers to facilitate transactions. The PRA technician often supports the operations of the association, but only to the extent that it can result in a successful sale. PDA, on the other hand, is hiring eight business development specialists, whose principal task (as described to the evaluation team) is to work with up to five associations to help them become effective market intermediaries. The amount and kind of support for "association building" appears to be very different between the two projects. Getting a consistent message to buyers when working in the Alternative Development zone will require effort and practice.

Unless USAID funding processes are restrictive, Alternative Development could wholly or partially fund one or more of the ESCs in the Alternative Development areas, much like the mining companies share the funding for ESCs in their areas of interest. The evaluation team suggests that the business agents in these centers be PRA employees, or employees of the ESC operator. PDA personnel could provide technical assistance to groups of producers for the products PRA is seeking, when the coordination described above is effective.

The issue of the comparison of the benefits costs of working in coca production areas as compared to working in non-coca production areas is discussed in the section Operational Issues below.

Assistance to Agriculture vs. Other Sectors

According to Peru's CIIU-CLANAE system of trade classification, 56 percent (as measured by number of clients) of PRAs active and graduated clients are involved in agriculture, food and beverage processing, 24 percent in manufacturing (excluding food and beverages), 17 percent in commerce and three percent in other sectors. (Table 8). When measured by sales two thirds of PRA clients are involved in agriculture, food and beverage processing.

Several evaluation team members confirm from their past experience that to have about two thirds of PRA supported businesses in the economic corridors working in agricultural related industries is a reasonable level of support for the sector. No evidence surfaced that PRA leadership was directing personnel to focus their attention toward one sector or another.

Table 8. PRA Clients by Economic Activity, 2007

Economic Activity	Sub Economic Activity	No. de clients	Sales US$	Percent of Total Sales
Manufacturing Industry	* Food and Beverages	39	73,006,178	39%
	Manufacturing of other mineral products non metallic	1	6,944,138	4%
	Production of wood and manufacturing of wood products and CORCHO, except furniture	6	6,627,741	4%
	Manufacturing of textile products	11	5,953,870	3%
	Manufacturing of chemical substances and products	5	5,658,045	3%
	Other Industries	14	5,121,606	3%
	Textiles for sewing and clothing	11	3,243,527	2%
	Manufacturing of pharmaceutical products	1	139,783	0%
Total		88	106,694,889	57%
Agriculture, livestock, game and forestry	* Agriculture	68	40,880,292	22%
	* Livestock	7	11,055,670	6%
	Forestry and extraction of wood	1	965,631	1%
Total		76	52,901,593	28%
Commerce	Commerce, wholesale and commission, except automotive vehicles and bicycles	36	23,813,617	13%
Total commerce		36	23,813,617	13%
Arts, entertainment and recreation	Sports and diversion activities	3	1,820,542	1%
Total		3	1,820,542	1%
Fishing and aquaculture	Marine fishing	2	1,125,663	1%
	* Farm raised fish	1	246,091	0%
Total		3	1,371,754	1%
Hotels and food services	Hotels	1	432,890	0%
Total hotels and food services		1	432,890	0%
Total general		207	187,035,286	100%
Total agricultural related	* Includes items marked with asterisk	115	125,188,232	
	Shares by Sector	**By No.**	**By Sales**	
	Agriculture, food and beverage processing	56%	67%	
	Manufacturing excluding food and beverage	24%	18%	
	Commerce	17%	13%	
	Other sectors	3%	2%	

Classification of CIIU-CLANAE, Peru
Source: PRA Active Clients (Current and Graduated)

Interviews with PRA personnel and clients suggest several factors contributing to the portion of activities directed at the agricultural production and subsequent processing and manufacturing of agricultural products.

First, PRA goes where clients request assistance. Many clients specifically requested help from PRA to acquire agricultural products from rural areas, where they were less experienced. Second, the poor live in rural areas, and PRA is about reducing poverty. “It’s in our name,” said several PRA field personnel. They felt they best met the objectives of PRA when they could bring business to rural residents, primarily small agricultural producers. Third, 53 percent of PRA personnel have an at least one university degree in an agricultural science area. They are comfortable working in that sector and often know the participating companies, and can speak well to businesses that operate in that sector and with small producers. Fourth, getting agricultural products to market and creating sales is a known way to generate sales relatively quickly, and meet project targets. Helping a manufacturer in the economic corridors develop a product to be sold in Lima or other major cities takes longer to generate significant sales.

Early in the project, PRA leadership considered and studied the potential to support small manufacturing companies, in one case those in Juliaca. The environment of that community and the presence of much contraband and informal business practices poorly matched the PRA methodology. A decision was made to not look for clients in that urban area.

The evaluation team did uncover instances of potential non-agricultural clients that PRA agents had not visited, for example sawmills and building materials construction. The evaluation team cannot determine if the companies observed could have eventually become a PRA client. However, the point is that the PRA business specialist had not approached those businesses asking if they needed help.

PRA personnel in the ESCs have an average of 18.4 years of work experience, including their time in PRA (Table 9). Working for not-for-profit institutions accounted for the highest level of past experience, an average of 6.6 years. The combination of private company and own business experience totaled 5.3 years.

Table 9. Years of Experience of PRA Personnel in the ESCs

Sector	Average Years of Experience
Public Institutions	1.2
Not for Profit Institutions	6.6
Private Companies	5.2
Own Business	0.1
PRA Project	5.3
Total	18.4

Source: PRA

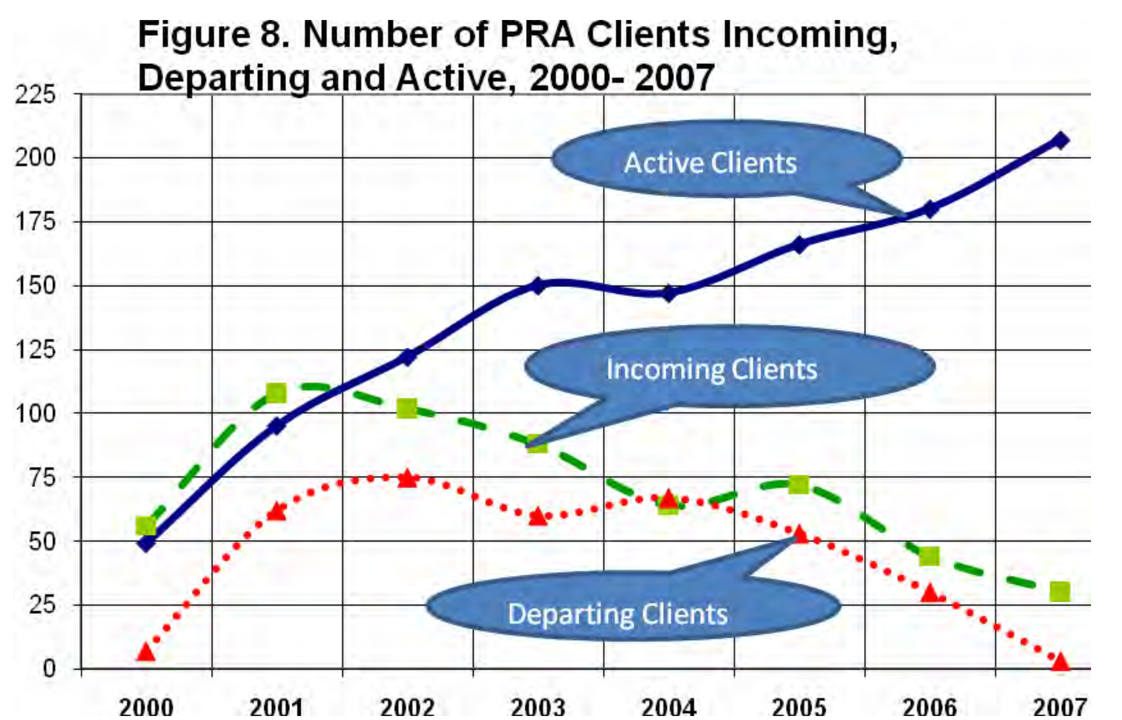
There is not a compelling reason for USAID to direct PRA personnel focus more on urban versus rural areas; let that decision reflect the needs of PRA clients. It is not apparent to the evaluation team that greater sales and employment would result if PRA focused more on companies in urban areas of the economic corridors. Reducing the number of PRA assisted companies requesting help with sourcing agricultural raw material from rural areas and replacing them with manufacturing companies in the economic corridors building products for sale in Lima and other major cities in Peru or for export, may result in increased investment in the region but likely result would be fewer total work days in the region and fewer sales, at least in the intermediate term.

While PRA promotes sales and investments well, their policy work was limited in the targeted corridors. PRA can help identify needed policy changes for a more friendly business environment. The evaluation team suggests however, another entity to engage in improving the business climate.

Operational Issues

Since 2000 PRA has taken on 564 clients; by the end of 2007, 207 remained active. A client is a company or other institution that has requested PRA assistance and that PRA has prepared a business plan that is agreed by both PRA and the client. This business plan describes the actions of PRA and the client, as well as the expected results. Active clients are those working through business plans or those who have completed their existing plans and continue reporting results to PRA.

Figure 8 displays the number of PRA clients incoming, departing, and active by year. The year 2001 (the first full year of operations) PRA accepted 108 clients. Client departures were also high during the first three years.



Source: PRA

The years 2003-04 are described by PRA as turbulent years. When the Alternative Development project (PDA) began in 2003, PRA was asked to provide technical support to all the business related needs arising out of the PDA project. New offices were opened, more staff hired, and the level of effort increased rapidly. During this time PRA staff accompanied PDA personnel to the communities that were removing their coca, advising them about potential markets for potential PDA projects. PRA was spending beyond its planned budget.

In 2004, USAID made a decision to have PDA provide most of the technical assistance related to communities reducing coca, and informed PRA that its budget would be reduced. The increase in departing clients during that year is a result of clients leaving the program because of PRA's office closings due to budget constraints. The lower number of incoming and departing clients in 2006 and 2007 are mostly the result of uncertainty created by the anticipated project closing.[19]

PRA has learned that it takes two or more years to generate significant levels of sales with a new client, so for the last two years, PRA has focused more on increasing sales with existing clients and less on bringing in new clients.

Table 10 displays the one-year client retention rate by year for PRA. The year 2001 was the worst, with PRA retaining only about one-third of the incoming customers one year later. The retention rate remained near 50 percent through 2004 when it began to climb again. The retention rate of 91% would normally suggest PRA was not sufficiently aggressive in seeking new business, except this high rate probably has more to do with the anticipated end of the project in 2007, which was later extended to 2008.

Table 10. Client Retention Rates

Year	No. Clients Accepted	No. Active End of Next Year	1-Year Retention Rate *
2000-01	56	26	46%
2001-02	108	37	34%
2002-03	102	47	46%
2003-04	88	41	47%
2004-05	64	27	42%
2005-06	72	47	65%
2006-07	44	40	91%

* 1-year Retention Rate: In 2000, 56 companies were accepted by PRA. By December 2001, 26 (46%) of these companies remained active.
Source: PRA

Why did it take so long for PRA to achieve a more reasonable retention rate? Three factors partially explain the apparently slow learning curve. First, the analysis of companies' performance takes a few years, which is how long most clients need to work through their first business plan agreement with PRA and achieve significant results. Second, the large influx of clients in the first two years means many decisions to accept clients were made with little experience behind the PRA business specialists. An analogy could be made with loan agents, who often work for months or even years in loan processing or collections, before they are authorized to approve loans, so that they have first experienced what can go wrong in business. Here, the PRA business agents apparently were learning "on the job." Third, the relationship with PDA in 2003-04 interrupted the learning and control processes for PRA.

Still, these three factors do not fully satisfy the question of why this learning came so late in the project. Is it possible that the initial project leadership team did not have enough experience in discriminating among potential clients and selecting those that would be able to follow through on their commitments, or might there have been intense pressure to sign up many clients quickly?

The one-year client retention rate measures the ability of PRA to make wise decisions on which clients to accept. Accepting clients that do not follow-through on the commitments they make in a business plan wastes resources and should be avoided. Still, most donors would want the implementing partner to aggressively search for new opportunities to create business and

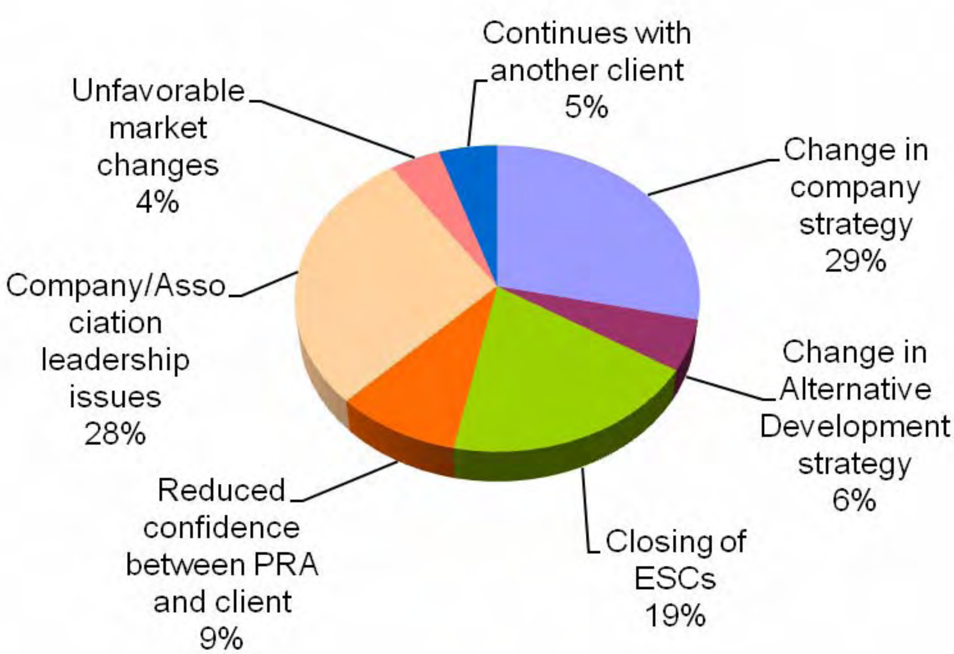
[19] PRA was originally scheduled to end in 2007.

income. How aggressively the donor wants to chase potential business will influence the one-year retention rate. Donors with more urgent needs, or many resources, may be willing to accept many failures by companies who do not follow through on their commitments to get business going. For the environment that PRA presently faces in Peru a one-year retention rate above 50 percent should be achievable and acceptable. Few donors would desire to push the retention above 75 to 80 percent.

Longer term retention rates are likewise desirable because: 1) Start-up costs, which typically are high, are spread over several years, 2) permanent change takes time, the longer a client is in the program the better chance changes will be institutionalized within the client, 3) confidence building takes time; after confidence has been established and success in a product/region has been achieved, there is better possibility of embarking on new activities or the same activities but in different areas, 4) to do justice to a client, the relationship should pass through a complete business cycle, usually thought to be five years, and 5) trust is built slowly and takes time.

Figure 9 summarizes the reasons for departure of PRA clients, as reported by PRA personnel. Three hundred and fifty seven departed companies are included in the analysis. The percentage for each departure reason is based on the share of sales by those clients. The total sales of these 357 clients as of their departure date were $US 39.0 million.

Figure 9. Reasons for Client Departure



Source: PRA Business Specialists

The two most frequent reasons for departure was a change in company strategy (29%) and issues relating to company or association leadership (28%), such as changes in leadership, breakup of the association, anticipated resources not becoming available and others.[20] While PRA could not control these reasons for leaving, undoubtedly better analysis before selection would have improved the 1-year retention rate. Two of the reasons for departure relate to the interaction with the PDA project. The adjustments in budgets and closing of offices and accounted for 25 percent of departures. PRA had no control over this process. Reduced confidence between PRA and the client accounted for 9 percent of departures.

Costs and Benefits

During the last four years of the project, PRA expenses in Peru were about $US 4.1 million per year, of which 31 % represented Lima office and administration including monitoring group, and 69 % the operations of the ESCs (Table 11).

Table 11. Summary of PRA Expenses 2004-2007 (CY)

Category	2004 (*)	2005	2006	2007	Totals	Percent
Monitoring	$220	$212	$164	$183	$779	4.7%
Leadership-Lima	$417	$477	$272	$251	$1,417	8.6%
Administration & Technical Support	$179	$194	$201	$210	$784	4.7%
Administrative Support	$93	$54	$52	$57	$256	1.5%
Short Term TA (by HQ & Lima)	$36	$13	$15	$15	$79	0.5%
Publications	$6	$7	$15	$19	$47	0.3%
Administrative Expenses	$596	$354	$389	$377	$1,716	10.4%
Total Lima Expenses	$1,547	$1,311	$1,108	$1,112	$5,078	30.7%
Subcontracts (ESC's)	$3,188	$2,420	$2,789	$3,056	$11,453	69.3%
Total PRA Peru	**$4,735**	**$3,731**	**$3,897**	**$4,168**	**$16,531**	**100.0%**
Average Exchange Rate US$	3.43	3.27	3.28	3.14		

Notes: Source: PRA
- Expenses in thousands of dollars
- Does not include forestry expenses
- Does not include Ancash as the ESC only opened in May 2007
- Subcontract costs include all expenses of ESCs, from all sources, including ST and/or LTTA contracted by subcontractor. Short-term TA contracted by PRA Lima office is not included.

The large increase in expenditures for years 2003 and 2004 was in response to the PRA requirement to provide technical assistance to the PDA activities (as shown in Figure 10). The 2005 budget dropped spending by PRA to a rate similar to 2002.

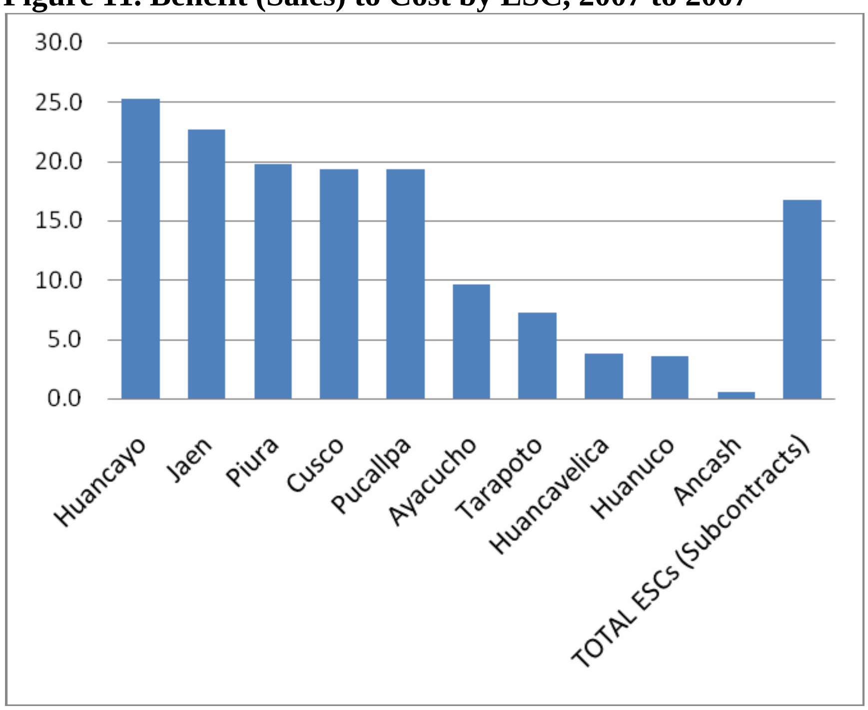
[20] PRA seldom works with start-up companies. On occasion producer groups may be formed for PRA to more effectively deliver technical assistance and promote sales.

Figure 10. PRA Expenses 2000-2007

The benefits to costs ratio measures the value of sales for the period divided by the costs associated with generating those sales for that period. The evaluation team has calculated cost benefit ratios for the overall project, for each ESC, and for support to specific companies. Huancayo, for example, generated 25 dollars in sales for each dollar of costs in that ESC, compared to Tarapoto with about 7 dollars of sales for every dollar of costs. For ESC costs, the costs of the PRA central office in Lima are not included. Washington, DC based costs are not included.

In general the benefit to cost information by ESC illustrates that the top ESCs in sales are in the better-off areas of Peru, for example in Hyancayo, Piura and Cuzco (Figure 11). Jaen and Pucallpa also have high benefit cost ratios but this is due, apparently, to efforts in rice that coincided with extremely high prices. The cost was little but due to the high prices, the benefits were great.

Figure 11. Benefit (Sales) to Cost by ESC, 2007 to 2007



The lowest ESCs on the benefit cost chart correspond to the less developed regions – where most of the poverty is located.[21] Tarapoto is also a coca growing area and one would logically conclude it might be less attractive as an investment destination. The poorer regions are

[21] Discounting Ancash which is a new ESC with few sales to date

usually farther away and more difficult to reach and therefore a smaller number of companies are interested in sourcing product from there or investing, hence lower sales generated by more resources.

Looking at the Benefit/Cost ratios for the largest clients substantiates the above observation; most of the top clients are also in the top ESC regions, i.e., Huancayo, Piura, Cuzco. Jaen and Pucallpa.

Medium sized companies achieved the greatest benefits to costs ratio, with sales of 98 dollars per dollar of technical assistance (Table 12). Note, costs assigned to companies are only the direct costs of consultants assigned to those companies. ESC or PRA central offices do not identify the time they spend with a specific company as a cost. Hence, the benefits to costs data for specific companies do not incorporate all of the costs in providing services.

Table 12. Benefits to Costs by Size of Company, 2004-2007

Size of Company	No. clients	Sales US$	Total Cost $US	Sales / Costs
Large	35	42,821,430	513,956	83
Medium	96	117,451,492	1,198,694	98
Small	161	44,570,927	759,027	59
Micro business	189	17,178,207	510,868	34
Not Classified	83	10,422,553	336,689	31
All Companies	564	232,444,609	3,319,234	70

Source: PRA

Companies engaged in transformation (processing or manufacturing) of products achieved the greatest benefits to cost ratio (Table 13).

Table 13. Benefits to Costs by Stage of the Company in the Economic Chain, 2004-2007

Function in the Economic Chain	No. of clients	Sales $US	Total Cost $US	Sales / Cost
Commercialization	140	33,908,112	483,047	70
Other Services	33	5,049,764	122,364	41
Primary Production	164	44,140,666	1,060,621	42
Transformation	227	149,346,067	1,653,202	90
Total	564	232,444,609	3,319,234	70

Source: PRA

Grouping the largest PRA clients by product and aggregating sales and costs per product produces results that might also be expected (See Annex E for a list of benefits to cost ratio for the 36 largest companies.)

Three of the ESCs are located in areas where there is coca production, namely Ayacucho (VRAE), Pucallpa and Tarapoto.[22] Benefits (sales) for PRA clients associated with these offices averaged $US 4.2 million per ESC per year

Table 14. Benefits to Costs by ESCs Located in Coca and Non-Coca Production Areas

	ESCs (3) in Coca Production Regions	ESCs (7) in Non-Coca Production Regions
Average benefits per ESC per year	$4,157,653	$3,815,167
Average costs per ESC per year	$131,,619	$35,653
Benefits to Costs, Average for 2004-07	10.5	15.3

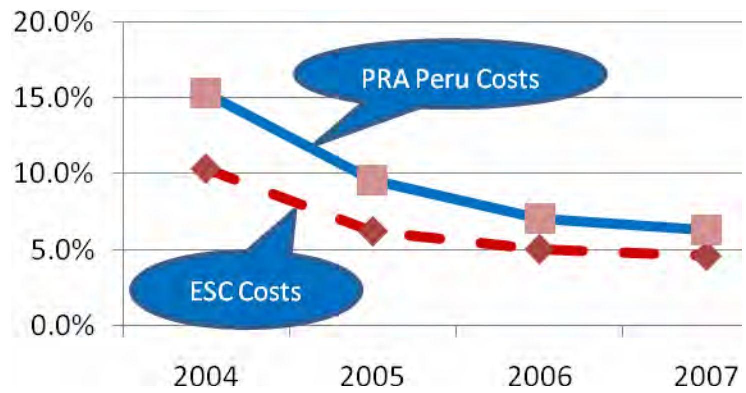
Source: PRA

[22] There is coca production in the region of the Huánuco ESC, but not in the areas serviced by PRA.

for the period 2004-07 (Table 14). That amount exceeded the average benefits for the seven ESCs located in non-coca producing areas which averaged $US 3.8 million per ESC per year.

Average costs per ESC per year in coca producing areas were more than three times the average costs per ESC per year in non-coca producing areas. As a result the ratio of benefits to costs was 10.5 in coca producing areas and 15.3 in non-coca producing areas.

Figure 12. PRA Peru Costs as a Percent of Sales



Source: PRA

Figure 12 shows costs for all ESCs and total PRA Peru costs by year as a percent of sales for that year for the years 2004 to 2007.[23] ESC costs in 2004 have dropped from about 10 percent of sales for that year to less than 5 percent of sales in 2007. Total PRA Peru costs in 2004 have declined from about 15 percent of sales for that year to just over 6 percent of sales in 2007.

These cost levels related to sales suggest that PRA is generating a history that will allow them to approach potential funding institutions with some confidence. PRAs can argue that their support can be multiplied by a factor of five times or more in increased sales of products from their region or community of interest. It is too soon, in the judgment of the evaluation team, to expect PRA Peru or even ESCs to become self-sustaining. It is feasible however, to consider that within a follow on project it may be possible to secure partial cost recovery with the focus to be able to extend PRA services to additional areas and products.

Selecting Clients

Common criteria used by PRA to select potential clients include the technical and financial capacity of the company to make the projected investments or purchases; the clarity of the assistance needed and the results expected; and the capacity and motivation of management to follow through on their commitments to the process. Finally, each situation is judged on the potential purchases or investments in the economic corridors. To date, a projection of at least $US 5 in sales for each dollar in technical assistance provided is the "soft" minimum for receiving PRA assistance.

As a general rule, once an enterprise and/or a market has been identified and it is determined that the applicant's raw material needs can be fulfilled through one of the PRA ESCs, a basic diagnosis of the applicant and the market to be supplied is completed. This includes a brief description of the activities to be implemented by the applicant, by PRA and by the potential suppliers, and a projection of product sales. These elements are contained in a business plan which becomes the outline for a work of PRA and for the client. This process ensures that both

[23] PRA Peru costs equals ESC costs for all 10 ESCs plus PRA Lima central office costs.

ends of the commodity chain can be profitable and identifies the necessary conditions for success.

PRA may be asked to support development of a new product. In this case first is assessed the sales potential for the product. As needed PRA will engage specialists to clarify technical production issues and generate reliable sales estimates.

With an approved business plan, agreements are negotiated, including a commitment to buy the product, and the project begins. This business plan determines the parameters of the PRA intervention, technical assistance to be provided, estimated costs and benefits, etc. If during implementation an issue arises, which was not contemplated in the business plan, or additional expertise is needed or additional level of effort, a request is submitted to PRA headquarters in Lima, amendments made to the business plan, and forward motion is continued.

The business plan includes the TA that is needed, which is usually requested by the client and/or the suppliers/growers, with guidance from PRA. For example, in some cases farmers may believe their product does not require improvement, however, the client and PRA may feel it does. Negotiations are undertaken and the farmers are convinced – in most cases – that they really need improvements in their products or handling processes. Technical assistance is demand driven; what has to be done to make the sale. Studies are not undertaken for esoteric purposes but may be needed from time to time to survey the market in a specific area[24].

The cost efficacy of technical assistance provided by local experts compared with external experts was not possible to ascertain, as PRA did not attribute any increase in sales to specific consultants. Most PRA consultants were acquired locally because the issues to be resolved relied on Peruvian market and production issues. Some problems will require consultants acquired internationally. For example, if you are looking for design specialists who are up to date in latest women's fashions, patterns, designs, and fabrics in Europe or the U.S., one would not look to local sources to provide this expertise. Likewise, if you want a specialist to design an integral program to eliminate the impact of sun blotch in the Peruvian avocado industry, you will need an international expert with experience fighting this disease.

If cost is an issue, the Mission could include in a follow on project the Farmer to Farmer program to help ensure that PRA has what it needs to successfully send foreign specialists in the most cost effective way.[25]

Initially, PRA used more due diligence with respect to the sustainability of the enterprises they selected for assistance. When the enterprises were from outside the production areas they were taken to the highlands by PRA. But experience has taught PRA that in spite of the due diligence and the best recommendations from friends of the project, there is no guarantee that the clients will continue in the project. Clients often dropped-out because of business decisions at the highest level and nothing that PRA did influenced their decisions. Some were sold and the new owners quit the project, while others went through an internal realignment and decided to focus on core business.

[24] For example: "Investigación sobre condiciones de la producción textil de Hancayo y Asistencia Técnica de las empresas en el desarrollo de puntos críticos para alcanzar una óptima adecuación del mercado," a report prepared for PRA, and "Estudio y Evaluación del Potencial Manufacturero en Huancayo – 2000," CESEM Huancayo, under contract with Chemonics-PRA.

[25] Farmer to Farmer is a USAID-based program to send US business, farm, and academic volunteers to developing countries to assist in resolving development issues.

After this type of experience in the initial years, PRA realized that those firms that made substantial investment and were willing to assume substantial risk to start and operate in the highlands or jungle areas were usually the businesses that stayed with the program for the project duration.

On the other side of the equation, however, are businesses that have their home in the target area, which are frequently sole proprietorships or farmer-owned businesses, e.g., cooperatives or associations. PRA does very little in terms of strengthening these businesses, and several business development specialists reported that PRA only focus on sales and what is necessary to meet the sales criteria such as a specific variety or perhaps aggressive prices. In terms of agronomic assistance, it is usually focused on producing the product demanded by the market with little attention paid to strengthening the underlying businesses or producer associations. Some evaluation team members felt PRA should do more to ensure the sustainability of the assisted enterprises.

PRA guards against embarking farmers on a misadventure that produces a product without a market, or to adopt a client that is marketing a product without a future. Feedback from interviews in the field suggested that that the products selected did indeed have room to increase productivity and production so as to lower unit costs and increase income to farmers. PRA seldom conducts studies; more they rely on client knowledge and available market intelligence to select companies that have products with a future. They listen to their clients and learn their views regarding the market and the future of a product. If the client company willing to invest substantial sums in developing the production base, then PRA is unlikely to do exhaustive studies to determine if the client choices have substance.

The evaluators found no evidence that PRA was putting effort into developing the market for local TA. Consultants were selected as individuals, with few coming through Peruvian consulting firms or associations. In some cases, the client may have suggested a name or two to contact, but generally PRA identified and selected individual consultants. To the knowledge of the evaluation team, PRA did not have an agenda to develop or strengthen local technical assistance providers.

In the case of farmer-owned businesses, PRA helped them connect with markets abroad and in Lima. One example is the fresh green pea market in Lima. PRA made the connection between the growers and their associations and a wholesale buyer of green peas in the market. In general, PRA receives high marks for the quality TA it provides, which improves productivity, assists farmers in organizing themselves and connecting growers with the market.

PRA does consider sales potential for the project as a prerequisite to adopting a specific client/product. Other things being equal, PRA selects the product/company giving the greatest sales potential for the projected cost of the intervention.

Some evaluation team members were concerned that some companies apply for PRA support for activities they would do without PRA support. It does not appear to the evaluation team that this is a problem at this time for PRA. If this attitude becomes known, clearly PRA should reject the application or discontinue support. However, rare is the occasion that such information would become available prior to project startup. PRA administration and USAID supervision should focus on selecting those client/product combinations that most create sales, as a proxy for employment, in the ESC regions per dollar of PRA support expenses.

Some observers were concerned that companies continue to receive PRA support after they are sufficiently well prepared to continue without public sector funding. This does not appear to be a problem for PRA at this time. If it does occur, PRA should insist that a share, or greater share, of PRA costs be paid by the company.

"Graduated" businesses are those that have successfully implemented the business plan and no longer receive support from PRA, yet continue to report sales. If the PRA project continues this may become a problem; as of now it is not a problem. However, to avoid potential problems USAID may want to set limits of how long sales by a graduated client should be included in the calculation for payment of incentives. However, each different activity of a client with PRA, or the same activity in a different location would reset the time clock for ending sales reporting.

Gender

In the Annual Report for 2007 PRA reported that 12 percent of active clients were women-led. Also in 2007, of the 1,454 microenterprises participating in PRA activities, 66 percent were women-led.

During FY2007, PRA reports, that 12,765 permanent jobs were generated of which 8,267 (65 percent) went to women (Table 15). Women were active participants in the field visits and interviews that were conducted by the evaluation team, both as business leaders, as group leaders and as workers and employees.

Table 15. Permanent Jobs Created by PRA in 2007, by Gender

ESC	Men	Women	Total	Percent Women
Ayachucho	614	1,209	1,823	66
Cusco	*552*	788	1,341	56
Huancayo	498	912	1,410	64
Huanuco	112	213	325	66
Jaen	420	1,418	1,838	77
Piura	348	970	1,318	74
Pucallpa	316	1,358	1,674	81
Tarapoto	607	551	1,158	48
Cajamarca	205	165	370	45
Huaylas	155	314	469	67
Puno	493	205	699	29
Huancavelica	177	162	339	48
Ancash	1	2	3	67
Total PRA	**4,499**	**8,267**	**12,765**	**65**

Source: PRA 2007 Annual Report

Poverty Estimates of Beneficiaries

The Poverty Assessment Tool (PAT) can be a rapid way to estimate poverty in the communities served by PRA. Though interesting, PRA does not use the results of this analysis to guide their decisions. If USAID finds the results of the PAT useful, the evaluation team suggests USAID finance another institution to conduct the study, with cooperation as needed by PRA. To keep PRA focused on making sales, minimize the number of activities that are not essential to their mission!

Conclusions

In the original PRA project documentation key project objectives are:

- Improve income of the poor,
- Provide employment for the poor,
- Focus impacts on selected economic corridors,
- Apply a private business focus to optimize use of resources, and
- Work through Economic Service Centers to 1) Facilitate access to information, 2) Aggressively broker deals, 3) Identify the need for policy studies and dialogue, and 4) Promote mechanism for coordination and problem solving.

A. PRA is an excellent economic development project that is achieving most of its objectives.

B. **Improve income of the poor:** PRA is improving incomes of the poor. The hypothesis that business growth, as measured by sales, generates income for the poor in the economic corridors is supported by the stories of participants, as well as a preliminary estimate of indirect income impacts using multipliers from Bolivia with similar geographical regions and producer income levels. Peru household income data that would enable reliable statistical inferences was not available.

C. **Provide employment for the poor:** Most of the 14 million PRA generated workdays were provided by the poor from the economic corridors. Nearly every beneficiary statement to evaluation team members cited improved employment with PRA activities.

D. **Focus on selected economic corridors:** Only economic activities connected with the selected economic corridors are accepted for support by PRA. Many PRA directed personnel specifically sought out the poor to participate in PRA activities.

E. **Work through Economic Service Centers:** Locating the ESCs in the economic corridors near the target clients and providing nearly all PRA assistance through the ESCs worked well. Facilitating access to information and aggressively brokering deals are the most successful components of assistance provided to clients. Identifying the need for policy studies and dialogue and promoting mechanisms for coordination and problem solving was limited and by project's end was mostly dormant.[26]

F. PRA is changing attitudes and actions on how economic development projects are implemented. Non-governmental organizations that implement economic development projects, especially operators of the ESCs or NGOs that are working in the areas where PRA is working, are those that most frequently are adapting the PRA market-pull methods in their projects. Several municipal and regional governments are also observing the increased sales and revenue flowing back to the towns and villages, and are

[26] For a brief period during PRA implementation policy actions focused on removing barriers to increased business, which resulted in studies and activities to fund and implement improved roads. This evaluation did not address this component.

contributing personnel time and other resources to support business growth. They state that increased sales generate greater income for their constituents.

G. A PRA strength is building confidence between buyers and sellers, especially small producers. For many, the experience divide between city center buyers and small rural producers is too great for a satisfying business experience for either party. Identifying the buyer, first with specific product standards, communicates market signals in a way that producers can better respond to. Technical assistance focuses on those specific actions that are needed to meet market conditions. Producers are not just getting trained, they are preparing for a sale.

H. For the most part, PRA keeps projects simple and focused on making the deal, which is a cornerstone of its success in Peru. For those companies with good potential, PRA helps define sales objectives and shared actions.

I. Market-pull works, which is a decisive factor in achieving impact.

J. The PRA field team understands and applies the market-pull message and keeps it central to its work. Keeping focused requires vigilance. When working closely with a group of poor producers, one finds weaknesses that may not hinder the sale, but would strengthen the group if resolved. PRA leadership discourages detours from their primary objective.

K. Due to its success to date, the PRA methodology is being adopted by private and public sectors. The hope that other businesses would adopt the PRA methodology *without PRA assistance*, occurred only occasionally. Many businesses that observed success by other businesses using the PRA methodology themselves approached PRA for assistance. Not anticipated was the extent to which NGOs and local and regional governments are applying parts of the PRA methodology.

L. Using NGOs as ESC operators has been an effective approach. Other types of institutions could also be good operators. Setting clear selection and operating criteria is the key element.

M. In 2007 every dollar in local ESC costs generates about 20 dollars in sales, and every dollar of PRA Peru (ESC plus Lima office) costs generates more than 15 dollars in sales. Since these numbers reflect seven years of business building, it is expected that when starting out with a new community the numbers will be much smaller, especially in the early years. Nevertheless, in a follow on project, PRA could consider offering performance targets to local communities and governments and businesses in exchange for their financial support.

N. Momentum is high at present. USAID can enhance impact most by continuity.

O. PRA's monitoring and evaluation unit reliably measure key variables, such as sales, employment generated and investments. The monitoring group works independently of the operations group and no evidence surfaced suggesting that decisions by the monitoring personnel regarding which sales or investments to count or on how to estimate work days were changed by PRA or USAID leadership.

   The cost data by client does not provide reliable estimates of true costs because only reports the costs of consultants engaged for that client. ESC personnel do not allocate their time by client, nor are non-personnel costs allocated by client.

P. PRA and Alternative Development have similar objectives for the areas in which they overlap, but use fundamentally different approaches that do work well together. In some cases they can cooperate, each doing the part they do best, with positive results for each project and USAID. Insisting on cooperation for all or nearly all cases will be counterproductive.

Q. Women are active and significant participants at all levels in the businesses and groups supported by PRA.

Ayacucho: Planting of artichokes, Artichoke Technical Specialists of AIB Agroindustrias, Business Development Specialists of PRA y the producer

R. The MYPE Competitiva and PRA projects have a limited relationship and no active coordination of activities was identified by the evaluation team.

S. To date the participation of mining companies has positive results for PRA, the leveraging USAID and GOP resources and strengthening the private sector focus of the project. Potential undesirable interference by the mining companies has not occurred. Both mining companies are pleased with PRA results and anticipate providing continued funding.

T. The continuity of the Project Manager– who thoroughly understands the PRA concept and methodology – from the beginning has also contributed to the success of PRA.

Recommendations

A. PRA is working effectively. A follow-on project should maintain the current approach.

B. Keep the project focus simple – on market-pull and making deals.

C. Market-pull first, supply push follows. Retain this order for continued PRA success.

D. PRA can be a good source for identifying needed changes in the business environment. A separate group should work to resolve these environment issues. PRA's decision to work with a client should always only consider if the client can be successful in the current business environment.

E. Retain incentives based on targets for sales and investment. Employment is a derived number based on sales; incentives on employment will only amplify the incentives on sales.

Incentives may vary by purpose, for example sales or investments, by year, or by ESC. However, keep them simple and clearly related to project objectives. Note, the greater are the options for incentives the greater the burden for someone to be sufficiently informed about PRA to approve effective performance targets.

F. Collect employment data by companies directly, with their monthly reports. Continue estimating work days for agricultural production and other products that are made with individual and family labor.

G. Continue use of NGOs or other legal entities as subcontractors (ESC operators), but insist on local presence and decision-making.

H. Do not put PRA under AD, and do not ask AD to become PRA. Cooperation should be encouraged, yet forced collaboration and duplication must be avoided.

I. A break in sales momentum will be costly; it is important to move quickly to the next phase of PRA.

J. Gathering actual data on family impact is needed. Participant income could be collected within the project activities at a reasonable cost and would help meet the needs of some of the funding agencies. Data capable of statistically reliable control group incomes is more costly and not recommended to be included in a follow on project.

K. Bring in other funding sources to extend the impact of PRA. It is important to especially cultivate those institutions that traditionally provide supply-push support for development projects, including GOP as well as international development agencies. Also continue the funding relationships with mining companies.

L. Going forward, PRA should develop guidelines on how ESCs should interact with local governments that wish to promote business development in their community. This is especially critical if the communities are offering funding to support the ESC.

M. Do not send the wrong message to PRA implementers regarding short-term technical assistance. There may be times when a foreign expert – whether or not s/he speaks Spanish - is preferable to a host country national with language capabilities but short on experience.

N. Explore possibilities to secure Farmer to Farmer volunteers for the PRA follow-on. This may entail funding a Farmer to Farmer representative in Peru to ensure the scope of work plans are well prepared and coordinated carefully with the client.

O. Activate cooperation between MYPE Competitiva and PRA to help remove barriers to business development. PRA can identify policies, regulations and practices that constrain business, and MYPE Competitiva can support Peruvian institutions to implement the appropriate changes.

Lessons Learned

A. When the PRA implementation agency was changed from CONFIEP to Chemonics the logic behind the implementation of the policy component changed significantly.

Addressing the expectations and/or approaches for the policy component at that time would have simplified project administration, and helped PRA focus on perfecting its original core services and capabilities.

B. Cooperation between PRA and Alternative Development only will occur with active USAID encouragement, for example written into the Statement of Work for each project. Allow the respective project directors to make specific decisions on how and when to cooperate.

C. The insertion of PRA into the Alternative Development activity and its subsequent extraction lost one to two years of time for PRA to perfect its methodologies and ability to create new products/markets, or improve its capacity to help producers deliver products the market wanted.

D. For projects offering direct support to individual businesses, continuity of support is a critical component that reduces risk for existing and potential businesses. Move forward decision-making for extensions to a project or if a follow on project will be implemented to allow promotion of business participation to continue without interruption.

E. The companies that make substantive investments in the areas where they are sourcing their raw materials are the firms which are the better, sustainable PRA clients and generate longer lasting impact. Firms with little or no investments in the highlands are more likely to drop-out from the project or at the end of the day leave the farmers with crops in the field. Likewise, firms which actually plant a crop themselves and have first-hand experience growing are more likely to understand the costs of production and the problems facing farmers.

F. Stability of key USAID personnel such as the Project Manager is important to project success.

Unresolved Issues

A. PRA is built on the hypothesis that business growth, as measured by sales, generates income for residents of the economic corridors. This evaluation provides preliminary direct evidence using multipliers from Bolivia, circumstantial and anecdotal evidence that this hypothesis holds. Available project data does not permit statistical inferences nor is data available to verify that income increases reported by participants exceeds overall income increases in the region.

B. Policy dialogue is an important issue that could improve the business climate in Peru. PRA is a good source to identify issues that need resolution/changing, however it is not the vehicle for effecting these changes. Somehow a good policy dialogue related to business climate, rural and agricultural development, the availability of medium-term investment credit and other issues needs to be fostered.

C. Strengthening of selected PRA clients could lead to important additional gains. PRA is currently not tasked with such interventions and probably should not be in any follow-on project. However, clients such as farmer associations, other farmer owned businesses (e.g., agricultural service cooperatives), small handicraft operations (e.g., Artesanias

Sumak Maki, Nilda Lopez) and certain other medium size firms could use business/cooperative/association development expertise.

D. Another issue regards the development of certain monopoly situations, e.g., Leche Gloria in the Mantaro Valley. Farmers are at a disadvantage as Gloria is the only reliable destination for fresh milk. Helping the Mantaro Valley dairy producers – and in other areas where similar situations may also exist – to create a bargaining association or similar group to represent farmer interests offsetting any monopoly situation will be important.

E. For certain types of agricultural and livestock development projects medium-term credit is necessary. Planting avocados, coffee, cocoa and developing a dairy industry are long-term projects that require 3 to 5 years before pay-back. Currently there is no medium- or long-term credit available for agricultural production in Peru. PRA cannot resolve this issue. However, working in these industries without the availability of medium-term credit is problematic and limits their potential growth. Creative methods to remedy this do exist that would involve raising capital on the local stock market through the sale of tax-free government guaranteed bonds. But to implement such a scheme would require not only policy dialogue but also technical assistance, both of which are outside the scope of PRA.

Annexes

Annex A: Contacts by the Evaluation Team

Name	Institution	Title	Telephone	Email
Abelardo Manrique Diaz S.	Univ. Nacional de Ancash & Laguna Canrash	Profesor Principal & trout farmer	(043)9847528	Abelardo_md@yahoo.es
Agusto Paredes	Assn de Productores Pesacocha, Juanduval	President		
Alejandra Blanco	Yanapana Perú	Coodinadora Proyectos	5184243636	alejandrablancorodriguez@hotmail.com
Alejandro Carillo Espinosa	Papr ka farmer, Santiago Huina, Huarma, Huaraz	Farmer		
Alejandro Huertas		Técnico PRA		
Alejandro Rojas Sarapura	CARE-Lima	Coordinator Sustainable Economic Development Programs	417-1100, Ext. 1136	arojas@care.org.pe
Alfredo Lira	Aib Agroindustrias	Gerente General Adjunto	9037-9816 & 9833-1089	alira@a b.com.pe
Alfredo Sullcaray	Group of handicraft artisans, Sumak Maki, Pucara, Acobamba	Leader of Group		
Allison Coppell de Guerrero	Cia. Minera Antamina S.A.	Coordinadora de Dessarrollo Productivo	51 1 217-3000	acoppel@antamina.com
Americo Torres	Artichoke Producer	Farmer delivering to Agromantaro		
Ana Maria Andrade Navarro	CARE y PRA	Jefe del ESC, Cusco	51 084 25	aandrade@care.org.pe
Antonio Castillo	PROINVERSION	Director	5116121200	acastillo@proinversion.gob.pe
Armando Taboada Espino	Municipality of Moro, Santa Province, Chimbote	Municipal Avocado Project Coordinator		
Augusto Fernandini	Agro Mantaro, San Isidro	Gerente	51 1 222 0513	augusto.agromantaro@speedy.com.pe
Bel Milsele Serio	Asociación Santa María de Chicmo	Presidente		
Benita Cutipa	Royal Knit	Gerente	5114255494	benita@rkperu.com
Bicquer Pérez	PRA	Técnico	51849668380	bicquerp@yahoo.es
Carlos A. Santa Cruz	Creaciones CARSANT	Gerente General	(064)9649872	csantacruz@carsant.com
Carlos Gantu M.	PRA	Artichoke specialist, Chavin Mpl.		
Carlos Sanchez G.	PRA Project	Gestor de Negocios	(067)965-2178	csanchez@infonegocio.net.pe
Carlos Silva Velasquez	CEDEPAS Norte	Director General Adjunto	073 34 6287	csilva@cedepas.org.pe
Carlos Trujillo	PRA	Gestor de Negocios	5161578410	ctrujillo@prapucallpa.com
Cesar Fernandez Maldonado	Municipality of Moro, Santa Province, Chimbote	PRA consultant		
Constancio Huayhuani	PRA	Gestor de Negocios	(067)965-2186	Huayhuani@infonegocio.net.pe
Dante Lale Ortiz, Juan Mendizabal, Denis Isla Mendizabal	Assn de Productores Agropecuarios de Gramasu, Sachopen	President, Secretary & Treasurer		
Dante Pallardel Meza & eight coffee farmers & coop directors	Coop Agraria Sanchirio Palomar	Gerente General	(064)531010 & (064)995-1996	cafesanchirio@hotmail.com
Diego Gordillo	Mountain Lodges of Perú	Gerente Operaciones	5184243636	diego.gordillo@mountainlodgesofperu.com
Doug Tinsler	Chemonics Washington	Vice President, Asia	202-955-3300	dtinsler@chemonmics.com

Elmer Valdeiglesias	Asoc. Productores Apus Salcantay	Técnico PRA		
Enrique Rivera	Vivero Los Inkas	Farm Manager		
Erica L. Hill	Chemonics Washington	Associate, Latin America and the Carribean	202 955 3351	ehill@chemonics.com
Esperanza Dionicio Castillo	Cooperativa PANGOA	Gerente	(064)543-017	cacpangoa@terra.com.pe
Fanny Mosquera	PRA	Chief of ESC	(067)965-0134	fmosquera@infonegocio.net.pe
Faustino Hurtado	Comunidad Auqu bamba	Presidente		asoc.auqui@yahoo.es
Felipe Guaman	Municipality of Moro, Santa Province, Chimbote	Asst Director Economic Development		
Felipe Villanueva	Comité de Productores de Plátano Ucayali (COPPU)	Tesorero		
Fernando Hurtado Pascual	DEVIDA, Comisión Nacional para el Desarrollo y Vida sin Drogas	Gerente de Desarrollo Alternativo	511 449 0007	thurtado@devida.gob.pe
Fernando Mendoza	Vicuña Hearders Assn. Clost to Huancavelica	President		
Fernando Orihuela R. & Comtroller	Granja Orihuela	Owner, Gen. Manager, Comtroller	(064)331-959	forihuela@hotmail.com
Fernando Ruiz Caro	Cámara de Comecio Cuzco	Presidente	5184222502	ruizcaro@terra.com.pe
Five directors & staff	Cooperativa PANGOA	Directors & staff	(064)543-017	cacpangoa@terra.com.pe
Flora Alicia Huancalaquiri	Royal Knit EIRL	Capacitadora		
Germán Saldaña	Dirección Subdirección Regional Agraria	Responsable		
Gino Fosca Harten	Empacadora de Frutos Tropicales SAC	Gerente General	51 1 98 25 6208	gfosca@empafrut.com
Glodaldo Alvarez	Municipality of Acobamba	Mayor		
Gonzalo Aguirre	PRA	Gestor de Negocios	51 73 34 6287	gonzaloaguirre@tierra.com.pe
Guzman Llamoca C.	Assn. Promotores Alpacqueros Pecuarios y Servicios Multiples de Huancavelica (APROAL)	President		
Hector Martinez	Municipality Chavin de Huantar	Chief of Economic Development Dept		
Hector Rubina	Soc. Agricola Viru	General Manager		
Hercules Cordova	PRA	Gestor de Negocios	5161481513	hcordova@prapucllpa.com
Heriberto Tamani	OLAMSA (ACEITE DE PALMA)	Presidente	5161590982	olamsa@terra.com.pe
Holmes Coz Briceno	Municipality of Acoria	Chief of Municipal Trout Production		
Honorato Chavez	Asoc. Productores Apus Salcantay	Directivo		
Inés Ardiles Guerrero	PRA Lima	Coordinadora, Centros de Servicios Economicós - Sierra	51 1 441 1110	iardiles@chemonicspe.com
Ing. Flavio D. Ventura Silva	APIREC (Asociacion de Pisicultores Region Ventro) & F&C Asesores y Consultores	Fish farm owner & President of APIREC		
Ivan E. Isla Rojas	Coop Satipo Ltda	Presidente	(064)545030	satipo@cacsatipo.org
Ivan Pineda	INDACO - APROCAV	Presidente	5184282785	ivanpineda@hotmail.com
Jacqueline Quintana Flores	PRONAMACHCS	Gerente de Produccion y Transformacion Agraria	01-98465010	jquintana@pronamaches.gob.pe
Jaime Sucaticona Ticona	CECOVASA	Gerente General	51 51 32 1587	cecovasa@ddm.com.pe

James T. Riordan	Chemonics Washington	Director, Latin America and the Carribbean	202 955 7562	jriordan@chemonics.com
Javier Soto	PRA	Gestor de Negocios	5161578410	jsoto@prapucallpa.com
Jay Goulden	CARE-Lima	Program Director	417-1100 Ext. 659	jgoulden@care.org.pe
Jeremiah Carew	USAID/Lima	Jefe Ajunto, Oficina de Programs	51 1 618 1221	jcarew@usaid.gov
Joaquin de la Piedra	Piscifactorias de los Andes S.A.	Gerente General	51 1 344 0757	jdelapiedra@pisciperu.com.pe
Joel Chavez Yalico	Comité de Productores de Plátano Ucayali (COPPU)	Extensionista		joelcarlos22@hotmail.com
John B. Nittler	Chemonics Washington	Vice President Principal Latin America and the Carribean	202 955 3351	jnittler @chemonics.com
Jorge Chara B.	Finca Rio Colorado, Passion Fruit	Administrator		
Jorge López de Castilla	Sierra Exportadora	Gerente General	2150730	jlopez@sierraexportadora.gob.pe
Jorge Vigo	OLAMSA (ACEITE DE PALMA)	Gerente General	5161590982	olamsa@terra.com.pe
Jose Casimiro	CAPAS-PRA	Paprika technician		
José Iturrios Padilla	PRA Lima	Chief of Party	51 1 221 3266	jiturrios@chemonicspe.com
Jose Sanchez	SemPerú Selva	Gerente Técnico	5161577858	josesanchez@semperu.com
Juan Balberto Chaufa T.	Assn de Productores de Palta de Montecomun, Moro, Chimbote	President		
Juan Carlos Mathews S.	MYPE Competitiva, Nathan Associates	Chief of Party	511 22 68 022	mypecompetitiva.com
Juan del Mar	Cooperativa Huayapota	Jefe Programa Organico	5184282292	coclacof@terra.com.pe
Juan Loayza Bellido	Louis Dreyfus Peru	Controller	51 1 221 4321	juan.loayza@ldcommodities.com
Juan Malpartida Porras	Consultant PARA	Consultant	067-453212	jdmalpartida@msn.com
Juan Manuel Robles Ayllon	USAID/Lima	Office of Economic Development and the Environment	51 1 618 1352	jrobles@usaid.gov
Juan Muñoz	PRA	Jefe ESC	5161578410	jmunoz@prapucallpa.com
Julio Lozano Meza, Hector Guillermo Chavez & five additional technicians & farmers	Coop Satipo Ltda	Farmers & Directors	(064)545030	satipo@cacsatipo.org
Julio Mantari de la Cruz	Owner fish farm in Concepcion	Owner	(064)984-8205, (064)581-829	
Justo Sanchez	Artichoke Producer	Farmer delivering to Agromantaro		
Leonidas Bendezu Fernandez	Municipality of Acoria	Mayor		
Luis A. Heras Schaefer	Centro Piscicola Arco Iris	Gerente	(01)96213311	luisheras@terra.com.pe
Luis Pardo Figueroa T.	Piscifactorias de los Andes S.A.	Jefe de Procesamiento	(064)581-625	lpardo@piscisperi.com
Luis Rodriguez Feliz	Papr ka farmer, Santiago Huina, Huarma, Huaraz	Farmer		
Manuel Calderón	Asociación Valle Sagrado	Fiscal		
Manuel Estacio Solis	PRA	Técnico PRA		
Manuel Guevara Pstpkoc	KANTU	Gerente de Ventas	5184270704	mguevara@ckantu.com
Manuel Orellano	Artichoke Producer	Farmer delivering to		

Cordoba		Agromantaro		
Manuel Sanchez	Comité de Productores de Plátano Ucayali (COPPU)	Presidente		
Manuel Santa Maria Rizo Patron	Cia. Minera Antamina S.A.	Oficina de Relaciones Comun itarias, Area Asuntos Corporativos	51 1 217-3000	msantamaria@antamina.com
Marco Aspilcueta Barbachán	PRA Lima	Especialisto en Monitoreo y Evaluacion	51 1 221 3266	maspilcueta@chemonicspe.com
Marco Herrera Montanez	Exportadora Agricola Organica SAC	Coordinador de Proyectos de Produccion Organica	51 1 247 1197	marco.herrera@sierrayselva.com
Marco Huayanay	PRA	Técnico PRA		
Mario Bringas	PARA	Jefe de ESC	(064)963-1590	mariobringas@terra.com.pe
Mario Ocharan Casabona	Prom Peru	Market Intelligence Management	222-1222 & 221-0880	mocharan@promperu.gob.pe
Mariscal Alvarado	Leche Gloria, Concepcion	Administrator Cooling Plant	(064)436-063	plantahuancayo@yahoo.es
Maritsa Arriola B.	AICASA Export	Gerente General	51 1 528 5360	aicasa@aicasaperu.com
Mauricio Moscoso	PRA	Director de los ESC	9665-5652	mmoscoso@chemonicspe.com
Miguel Angel Zegarra	PRA	Gestor de Negocios	(064)963-1568	miguelangelzg@terra.com.pe
Miguel Fossa	Limones Piuranos SAC	Gerente General	51 73 31 0166	miguelfossa@limonespiuranos.com
Miguel Paz	CECOVASA (Café)	Commercial Manager	5114233927	info@cecovasa.com.pe
Miguel Valdivieso	SemPerú Selva	Gerente Planeamiento	5161577858	semperuselva@semperu.com
Milton Quijano	CAPAS S.A.C.	Promoter of Paprika		
Miluska Arriola	AICASA Export	Gerente Comercial		miluzca@aicasaperu.com
Nancy Zamalloa	Piscifactorias de los Andes S.A.	Jefe de Producción		
Nehemias Cayo Poma G.	PRA	Paprika Specialist in Santiago Huina, Huarma, Huaraz		
Nilda Lopez	Handicrafts Producer	Owner and leader of group of over 100 women, Huancavelica		
Noel Caque	Chavin	Municipal artichoke technician		
Noelle Veltze	PRA Lima	Gerente de Operaciones	51 1 221 3266	nveltze@chemonicspe.com
Octavio Oncoya	Papr ka farmer, Santiago Huina, Huarma, Huaraz	Farmer		
Orlando, Lourdes, Pasquel, Wilin	Dairy farmers, Huancayo region	Dairy farmers associated w/Leche Gloria, Concepcion		
Oswaldo Guerrero	Municipality Chavin de Huantar	Chief of Economic & Social Development Dept.		
Oswaldo Ramirez Tuya	PRA	Gestor de Negocios	(043)994-7031	oramirez@praancash.com
Otilia Quispe	Asociación Choaucamayo	Fiscal		
Paul figueroa Cuentas	PRA	Jefe del CSE	51 73 34 6267	pfigueroa@terra.com.pe
Paulino Loa	Oficina municipal de Promoción Económica (OMPE)	Responsable		
Paulov Sifuentes Fernandez	CAPAS S.A.C.	Gerente General	2355907, 2354666, Cell: 405-2696	capasagroperu@peru.com
Pedro Camacho Daza	PRA	Jefe, Centro de Servicios Economicos Ancash	51 043 42 8668	pcamacho@praancash.com
Policarpio Benadillo	Papr ka farmer, Santiago Huina, Huarma, Huaraz	Farmer		
Primitivo Ortiz	Artichoke producer, Chavin			
Raúl del Aguila	Central COCLA	Gerente General	5184282292	coclacof@terra.com.pe

Rita Amparo Orrego B.	CEAR	Presidente	(064)235717	ritaorrego@hotmail.com
Roberto Flores	Breshia Export	Gerente		
Romulo Echegaray	Cooperativa Divisoria	Gerente	5162563972	romuloechegaray@hotmail.com
Roque Benavides	Cia. De Minas Buenaventura SSA	President and CEO	51 1 419 2538	roqueban@buenaventura.com.pe
Sandra Hidalgo Reque	Globe Natural	Agricultural Division	51 1 254 6138	shidalgo@globenatural.com
Santos Escobar Mena	Asociacion de Pequenos Productores de Banano Organico Saman y Anexos	Presidente	51 9 54 3811	appbosa@yahoo.com
Sonia Gomez	PRA	Gestor de Negicios	(067)969-2000	s.gomez@infonegocio.net.pe
Steve Olive	USAID/Lima	Chief, Office of Economic Growth and Environment	51 1 618 1356	solive@usaid.gov
T. David Johnston	USAID/Wash			djohnston@usaid.gov
Ten farmers growing green peas	Pea association of Allpas, Acobamba, Huancavelica	Farmers		
Two artichoke farmers	Artichoke Producers	Farmers delivering to Agromantaro		
Vicente Nuñez	SemPerú Selva	Gerente General	5161577858	vicente.nunez@sfmbam.com
Zulma Jeri	PRA-Huancayo	Gestora de Negocios	(064)963-1533	zulmajeripra@terra.com.pe

Annex B. Literature and References

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Annex C. Sales, Investments and Work Days Generated by Year by ESC

Resultados de ventas $US del PRA, periodo 2000-2007 (año calendario Perú)									
CSE	2000	2001	2002	2003	2004	2005	2006	2007	TOTAL
Ancash	0	0	0	0	0	0	0	104,816	104,816
Ayacucho*	793	477,900	740,938	1,283,477	995,952	2,630,104	3,864,952	5,254,747	15,248,863
Cajamarca	249,990	1,098,811	3,335,906	2,262,896	2,731,216	2,364,196	2,432,215	2,992,603	17,467,832
Cusco	0	221,705	1,637,485	3,485,396	2,748,343	5,819,506	6,937,245	8,848,843	29,698,522
Huancavelica	0	0	1,772	189,175	404,304	1,080,238	1,011,459	1,017,439	3,704,388
Huancayo	221,764	829,812	2,402,075	3,078,794	4,403,177	6,261,890	10,266,731	12,346,920	39,811,162
Huanuco	367,915	640,533	931,537	1,050,751	680,291	697,544	1,084,662	1,587,831	7,041,064
Huaylas	10,419	492,178	969,867	1,418,838	2,565,875	3,875,966	4,907,945	5,411,396	19,652,483
Jaen	14,603	428,311	1,481,222	2,013,874	6,006,296	5,238,596	5,470,288	7,623,721	28,276,910
Piura	0	0	0	0	0	874,599	6,919,963	9,389,971	17,184,533
Pucallpa**	8,862	618,993	1,233,243	1,918,220	4,744,627	5,878,054	7,605,325	8,556,951	30,564,274
Puno	94,146	266,948	439,589	2,413,453	3,572,757	1,347,996	1,151,313	1,351,977	10,638,179
Tarapoto***	90,461	697,620	308,990	1,593,387	1,956,515	2,850,196	3,658,108	1,896,306	13,051,583
Total Sales	1,058,953	5,772,808	13,482,624	20,708,261	30,809,353	38,918,884	55,310,205	66,383,520	232,444,609

* Se le incluye los resultados del CSE PDA VRAE

** Se le incluye los resultados del CSE PDA Aguaytía y Tingo María

*** Se le incluye los resultados del CSE PDA Tocache-Juanjuí

Resultado de Inversiones $US del PRA, periodo Enero 2000-Diciembre 2007									
CSE	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**TOTAL**
ANCASH	0	0	0	0	0	0	0	13,329	13,329
AYACUCHO	0	23,010	2,464	0	44,079	101,440	180,831	182,512	534,336
CAJAMARCA	16,800	30,703	227,123	59,774	44,809	0	0	0	379,210
CUSCO	0	16,000	116	0	0	692,317	144,776	1,009,145	1,862,354
HUANCAVELICA	0	0	114	0	0	177,569	29,929	0	207,613
HUANCAYO	4,000	54,362	176,179	404,918	278,399	1,767,730	626,705	185,523	3,497,817
HUANUCO	24,525	13,779	0	0	0	113,488	0	28,156	179,948
HUAYLAS	9,400	242,850	1,231,341	347,012	157,661	2,147	0	0	1,990,412
JAEN	43	30,971	1,300	8,626	23,379	464,002	299,107	376,439	1,203,868
PIURA	0	0	0	0	0	24,686	1,799,513	367,219	2,191,418
PUCALLPA	14,048	12,786	44,978	115,286	1,009,810	612,716	976,037	154,322	2,939,982
PUNO	19,889	286	0	0	149,694	0	0	0	169,868
TARAPOTO	0	39,603	733,242	110,621	132,481	0	0	0	1,015,947
Total general	**88,704**	**464,351**	**2,416,858**	**1,046,237**	**1,840,312**	**3,956,096**	**4,056,898**	**2,316,645**	**16,186,100**

* Año calendario Enero-Diciembre

Resultado de Empleo (Jornales) del PRA, periodo Enero 2000-Diciembre 2007

CSE	2000	2001	2002	2003	2004	2005	2006	2007	TOTAL
ANCASH	0	0	0	0	0	0	0	1,589	1,589
AYACUCHO	113	40,502	159,351	258,916	148,179	224,188	347,303	440,880	1,619,431
CAJAMARCA	37,206	117,738	202,250	126,142	136,279	90,547	76,313	73,972	860,447
CUSCO	0	6,196	98,079	320,068	208,965	383,138	272,536	251,824	1,540,806
HUANCAVELICA	0	0	342	37,648	58,173	119,058	76,334	108,488	400,042
HUANCAYO	3,905	18,194	166,015	200,149	294,005	247,439	297,928	271,109	1,498,744
HUANUCO	22,897	52,651	65,892	83,649	44,772	46,141	50,861	60,956	427,819
HUAYLAS	1,681	56,791	48,056	24,257	44,901	93,960	96,901	96,145	462,690
JAEN	1,985	65,613	232,609	174,777	250,331	268,702	319,178	351,124	1,664,319
PIURA	0	0	0	0	0	51,077	299,062	343,857	693,996
PUCALLPA	1,698	69,802	191,604	177,397	405,201	340,866	346,391	284,832	1,817,789
PUNO	2,889	13,548	40,988	521,526	414,306	253,059	129,151	134,017	1,509,485
TARAPOTO	6,102	48,030	38,444	215,650	211,040	322,379	499,339	176,336	1,517,321
Total general	**78,475**	**489,065**	**1,243,631**	**2,140,178**	**2,216,152**	**2,440,553**	**2,811,298**	**2,595,127**	**14,014,478**

* Año calendario Enero-Diciembre

Annex D. PRA Active Clients 2008

CSE ANCASH	
PISCIFACTORIA DE LOS ANDES	TRUCHA
AGRIFOOD EXPORT S.R.L.	TARA
CSE AYACUCHO	CACAO
CACAO VRAE S.A.	
CONSORCIO COOPERATIVASAGRARIAS CAFETALERAS CACVRA QUINACHO	CACAO
CONSORCIO PAPA BUENA	PAPA
ESFIEL S. A.	MENESTRAS Y LEGUMINOSAS
JULIAN CURO BENDEZU	PALTA
PRODEMA	ALIMENTOS PROCESADOS
ARTESANIAS J.LESLY EXPORTS	ARTÍCULOS DEL HOGAR Y ARTESANIA
R BERROCAL S.R LTDA	ARTÍCULOS DEL HOGAR Y ARTESANIA
NUTREINA S.A.	ALCACHOFA
EMPRESA AGROMPEX EIRL	MANI
MACEDONIO PALOMINO TORRES	ARTÍCULOS DEL HOGAR Y ARTESANIA
MULTIAGRO IMPORT EXPORT SAC	CAFÉ
ALLPA SAC	ARTÍCULOS DEL HOGAR Y ARTESANIA
MOLINERA LOS ANGELES S.A	CEREALES
PERUARTCRAFTS SAC	ARTÍCULOS DEL HOGAR Y ARTESANIA
ASOCIACION DE PRODUCTORES AGROPECUARIOS "LA COMPAÑÍA "	AJO
AGROCONDOR SRL	MAIZ
ASOCIACION DE JOVENES MICROEMPRESARIOS DE PICHARI	ARTÍCULOS DEL HOGAR Y ARTESANIA
B & Q S. A. C.	FRUTAS
MULTISERVICIOS NSQ SAC	MADERA
SUMAQ QARA E. I. R. L.	ARTÍCULOS DEL HOGAR Y ARTESANIA
AGROCONDOR S. R. L	AROMATICAS Y MEDICINALES
RAUL LAURA BELTRAN	ARTÍCULOS DEL HOGAR Y ARTESANIA
ASOCIACION LOS TRECE DE AYNA	TRUCHA
ASOCIACION DE PRODUCTORES DEL DISTRITO DE ACOCRO	ALCACHOFA
CEDIAPI MISKITA KUYAYKI	MIEL
MACHU PICCHU COFFE TRADING	CACAO
CSE CUSCO	
CERAMICAS KANTU SCRL	LISTELOS CERAMICOS
PISCIFACTORIA DE LOS ANDES SA	TRUCHA
CECOVASA (CAFÉ ORGANICO)	CAFÉ
ALISUR SAC	MENESTRAS Y LEGUMINOSAS
INDACO S.A	POLLOS
	CACAO

	CACAO
AICASA	CAFÉ
AICACOLOR	COLORANTE NATURAL
GREENHILL FOODS	CEREALES
MONTAIN LODGE PERUVIAN	TURISMO
ASOCIACION DE PRODUCTORES DE KIWICHA	CEREALES
ARTESANIA EL INCA	ARTÍCULOS DEL HOGAR Y ARTESANIA
AGRIFOOD EXPORT SRL	TARA
SOCIEDAD AGRICOLA VIRU	ALCACHOFA
PRODUCTORES DE KIWICHA DE MOLLEPATA	CEREALES
COCLA LTDA 281	AROMATICAS Y MEDICINALES
CSE HUANCAVELICA	
FEDERACION ASOCIACIO. PRODUCT. AGROPEC. ACOBAMBA(FAPAA)	MENESTRAS Y LEGUMINOSAS
ASOCIACION PROMOTORES ALPAQUEROS HVCA.	FIBRAS Y LANAS
AGRICULTORES HUANCAVELICA	ALCACHOFA
PISCIGRANJA MUNICIPAL DE ACORIA	TRUCHA
COMITÉ DE CRIADORES DE CAMELIDOS SILVESTRES DE HUANCAVELICA-VICUÑA	FIBRAS Y LANAS
LUZ - ORFITA	MENESTRAS Y LEGUMINOSAS
ALLPA S.A.C	ARTÍCULOS DEL HOGAR Y ARTESANIA
NILTAIRO	ARTÍCULOS DEL HOGAR Y ARTESANIA
COMUNIDAD CAMPESINA "CENTRO UNION"	MACA
RAYMISA S.A.	ARTÍCULOS DEL HOGAR Y ARTESANIA
ARTESANIA "SUMAK MAKI"	ARTÍCULOS DEL HOGAR Y ARTESANIA
ASOCIACIÓN QAMPAQ ART	ARTÍCULOS DEL HOGAR Y ARTESANIA
PERU ARTCRAFTS	ARTÍCULOS DEL HOGAR Y ARTESANIA
CSE HUANCAYO	
PISCIFACTORIA DE LOS ANDES SA	TRUCHA
SELVA INDUSTRIAL S.A.	PRODUCTOS PROCESADOS
AGROMANTARO S.A.C.	ALCACHOFA
GLORIA S.A.	DERIVADOS LÁCTEOS
TALSA	ALCACHOFA
COOPERATIVA AGRARIA CAFETALERA PANGOA LTDA	CAFÉ, CACAO, FRUTAS
COOPERATIVA AGRARIA CAFETALERA SATIPO LTDA	CAFÉ, CACAO, FRUTAS
PROFRUTEX	FRUTAS
ASOCIACIÓN DE PRODUCTORES ECOLÓGICOS DE SANGARENI – APROESA	CAFÉ
ECOMUSA SANCHIRIO ORGANIC COFFEE	CAFÉ
CORPORACIÓN DE PRODUCTORES CAFÉ PERÚ S.A.C.	CAFÉ
ASOCIACIÓN DE PRODUCTORES AGROPECUARIOS GRAMAZÚ – TSACHOPEN	CAFÉ
CSE HUANUCO	
DEPRONAR	TARA

AGROMANTARO S.A.C.	ALCACHOFA
HORTENSIAS HUANUCO	FLORES Y PLANTAS
SILVIA RAMÍREZ DE AZAÑEDO	FRUTAS
CSE HUAYLAS	
DANPER TRUJILLO SAC	ALCACHOFA
CSE JAEN	
AGROSINOR SAC	ARROZ
COOPERATIVA AGRARIA CAFETALERA BAGUA GRANDE	CAFÉ
RAINFOREST TRADING SAC	CAFÉ
MOLISELVA/ J.CAMPOS & HNOS	FRUTAS
ASOCIACION PRODUCTORES DE PAPAYA DE CHIRIACO	FRUTAS
LOUIS DREYFUS PERU S.A.	CAFÉ
UNICAFEC - UNIÓN DE CAFETALEROS ECOLOGICOS	CAFÉ
JORGE BASILIO GROSSMAN	FRUTAS
APROCASSI - ASOCIACIÓN PROVINCIAL DE CAFETALEROS SOLIDARIOS DE SAN IGNACIO	CAFÉ
PRODUCTORES AGRUPADOS DE SANDÍA	FRUTAS
FRUTAS DERIVADAS DE LA SELVA SRL	FRUTAS
AGROINDUSTRIA PRO PERU	ALIMENTOS PROCESADOS
A.RUBIO / F.NUÑEZ	FRUTAS
ARTURO RUBIO & FRUDERSEL	FRUTAS
A. RUBIO / F. NUÑEZ	FRUTAS
CSE PIURA	
GLOBE NATURAL INTERNATIONAL SAC	MENESTRAS Y LEGUMINOSAS
EMPAFRUT SAC	FRUTAS
DINA RUIDIAS VALLADOLID	LIMON
PROCESADORA MEJIA SAC	MENESTRAS Y LEGUMINOSAS
MANGOS VALLA EIRL	FRUTAS
CAUPI MORROPON	MENESTRAS Y LEGUMINOSAS
EXPORT IMPORT CANDRES SAC	MENESTRAS Y LEGUMINOSAS
CARAPEZ TRADERS SAC	PRODUCTOS HIDROBIOLOGICOS
GRUPO AJIES Y PIMIENTOS	AJIES Y PIMIENTO
APPBOSA	FRUTAS
ASPPBO	FRUTAS
PROCESADORA SAC - PRODUCTORES DE GANDUL	MENESTRAS Y LEGUMINOSAS
AMPBAO	FRUTAS
DON LIMON SAC	LIMON
SEACORP PERU SAC	PRODUCTOS HIDROBIOLOGICOS
TOMAS PEÑA	MENESTRAS Y LEGUMINOSAS
ALISUR SAC	MENESTRAS Y LEGUMINOSAS
APOQ	FRUTAS
CSE PUCALLPA	
NCS AMERICAN FORESTAL	MADERA
MADERAS PERUANAS	MADERA

CONSORCIO DE PRODUCTORES DE PLATANO DE UCAYALI - COPPU	FRUTAS
CONSORCIO FORESTAL AMAZONICO	MADERA
ASOCIACIÓN DE PALMICULTORES DE SHAMBILLO	PALMA ACEITERA
COOPERATIVA AGRARIA LA DIVISORIA	CAFÉ, CACAO
AGROINDUSTRIAS CAMPO VERDE SAC	ALGODÓN
FORSAC	MADERA
ASOCIACIÓN DE PRODUCTORES DE LECHE DE LEONCIO PRADO – APROLEC-LP	DERIVADOS LÁCTEOS
ROLANDO CHAMBERGO YAURI	FRUTAS
AGRO INDUSTRIAL CAMPO NUEVO SAC	SOYA, MAIZ
MULTIAGROS EXPORT IMPORT SAC	CACAO
ASOCIACION DE CACAOTEROS TECNIFICADOS DE PADRE ABAD	CACAO
AGROFLORA DEL HUALLAGA	FLORES Y PLANTAS
FEED CEREAL & COTTON EIRL	ALGODÓN
SUPER PISOS S.A	MADERA
CSE TATAPOTO	
ALGODONERA DE LA SELVA SAC	ALGODÓN
ALGODONERA JUANJUI SAC	ALGODÓN
ROMERO TRADING SAC	ALGODÓN
ACOPAGRO	CACAO
ROMERO TRADING SA	CACAO
CARLOS L TORREJON RUBIO Y PRODUCTORES DE ALMIZCLE	ALMIZCLE
COOPERATIVA AGRARIA INDUSTRIAL NARANJILLO LTDA	CACAO
AQUILINA PALOMINO CAPCHA	CACAO
CAI TOCACHE	CACAO

Annex E: PRAs 36 Largest Clients

No.	Client	Product	Corridor	Status **	Position in Commodity Chain ***	Size	Net Sales	Costs	Benefits / Costs ****
1	PISCIFACTORIA DE LOS ANDES SA	Trout	HUANCAYO	CC	Transform	LARGE	15,642,684	14,269	1,096
2	OLAMSA S.A	Oil Palm	PUCALLPA	G	Transform	MEDIUM	15,456,060	72,260	214
3	*SONG ROSES SAC*	Flowers	HUAYLAS	G	Primary	MEDIUM	12,271,565	8,012	1,532
4	AGROSINOR SAC	Rice	JAEN	CC	Transform	MEDIUM	10,400,961	25,037	415
5	MOLISELVA/ DON ISAAC	Rice	JAEN	G	Transform	MEDIUM	8,019,270	10,112	793
6	CERAMICAS KANTU SCRL	Ceramic Tiles	CUSCO	CC	Transform	MEDIUM	6,944,138	26,177	265
7	*TRASFORMADORA AGRICOLA SAC*	Tara	CAJAMARCA	G	Marketing	MEDIUM	6,082,681	4,457	1,365
8	LA GRANJA ORIHUELA EIRL	Chickens	HUANCAYO	G	Transform	MEDIUM	5,710,387	2,777	2,057
9	PISCIFACTORIA DE LOS ANDES SA	Trout	CUSCO	CC	Transform	LARGE	4,927,011	21,461	230
10	CECOVASA (CAFÉ ORGANICO)	Coffee	CUSCO	CC	Transform	LARGE	4,483,379	49,342	91
11	AICACOLOR	Natural Pigments-colors	CUSCO	G	Transform	MEDIUM	3,901,654	13,237	295
12	AGRICOLA EL BIAVO SAC Y EMPRESAS RELACIONADAS	Rice	TARAPOTO	Not CC	Transform	LARGE	3,628,475	4,202	864
13	SELVA INDUSTRIAL S.A.	Processed products	HUANCAYO	CC	Transform	MEDIUM	3,137,421	10,108	310
14	NCS AMERICAN FORESTAL	Logs-Wood	PUCALLPA	CC	Transform	MEDIUM	3,113,069	15,095	206
15	*ARIN SA*	Gold chains	CAJAMARCA	G	Transform	MEDIUM	3,062,027	1,785	1,715
16	GLOBE NATURAL INTERNATIONAL SAC	Beans & Other Legumes	PIURA	CC	Transform	LARGE	2,894,597	41,324	70

17	EMPAFRUT SAC	Fruits	PIURA	CC	Primary	MEDIUM	2,847,847	6,265	455
18	ALGODONERA DE LA SELVA SAC	Cotton	TARAPOTO	CC	Transform	MEDIUM	2,745,828	65,909	42
19	AGROMANTARO S.A.C.	Artichoke	HUANCAYO	CC	Transform	MEDIUM	2,587,415	19,814	131
20	MADERAS PERUANAS	Wood/Lumber	PUCALLPA	CC	Transform	MEDIUM	2,528,338	6,624	382
21	CACAO VRAE S.A.	Cocoa	AYACUCHO	CC	Transform	SMALL	2,187,470	37,627	58
22	EMPRESA CAOCA SRL	Fruits	JAEN	G	Marketing	SMALL	2,054,147	0	
23	GLORIA S.A.	Milk & other Dairy Products	HUANCAYO	CC	Transform	LARGE	2,046,010	8,317	246
24	DINA RUIDIAS VALLADOLID	Lemons	PIURA	CC	Marketing	SMALL	1,934,284	9,245	209
25	ROYAL KNIT E.I.R.L.	Knitwear	PUNO	G	Transform	SMALL	1,869,730	10,597	176
26	PROCESADORA MEJIA SAC	Beans and other Legumes	PIURA	CC	Transform	LARGE	1,837,415	30,326	61
27	POTATO PRODUCERS HUANUCO	Potato	HUANUCO	G	Primary	NOT A BUSINES S	1,820,493	104,390	17
28	AGROFORESTAL	Rice	TARAPOTO	Not CC	Transform	MEDIUM	1,778,608	8,695	205
29	CONSORCIO PAPA BUENA	Potato	AYACUCHO	CC	Marketing	SMALL	1,718,779	14,094	122
30	*CECOALP 2*	Alpaca fiber	PUNO	G	Transform	MEDIUM	1,669,193	0	
31	*AGRO EXPORT CAJAMARCA S.A.C*	Tara	CAJAMARCA	G	Transform	SMALL	1,647,790	3,514	469
32	TALSA	Artichoke	HUANCAYO	CC	Transform	LARGE	1,591,589	39,381	40
33	VIVERO LOS INKAS S.A.C	Flowers	HUANCAYO	G	Primary	MEDIUM	1,474,175	6,144	240
34	ALGODONERA JUANJUI SAC	Cotton	TARAPOTO	CC	Transform	MICRO	1,457,404	43,580	33
35	CONSORCIO DE PRODUCTORES DE PLATANO DE UCAYALI - COPPU	Fruits	PUCALLPA	CC	Primary	SMALL	1,436,359	15,869	91

36	SEM PERU SELVA SAC / PRODUCTORES DE MAD EN RESTINGAS DE UCAYALI - AMUCAU	Corn	PUCALLPA	G	Primary	MEDIUM	1,396,963	29,615	47

*	Companies with name in italics belong to closed ESCs
**	Status: CC = current client, G = graduated client
***	Transform = Transform Raw Products, Primary = Production of Primary Products, Marketing = Marketing and Sales
****	Costs by company only include direct consultant costs; they do not include the time of PRA personnel or other direct costs.
	SONGROSES- HUAYLAS: Están sumados los buquets y las rosas (dos planes de negocio)
	CECOVASA-CUSCO-PUNO: Están sumados los resultados del Puno y Cusco.
	AICACOLOR-CUSCO: Están sumados la bixina y la oleorresina de páprika
	SELVA INDUSTRIAL (SEINSA)-HUANCAYO: Están sumados todos los planes
	CAOCA-JAEN: Están sumados los dos planes de yacón y granadilla

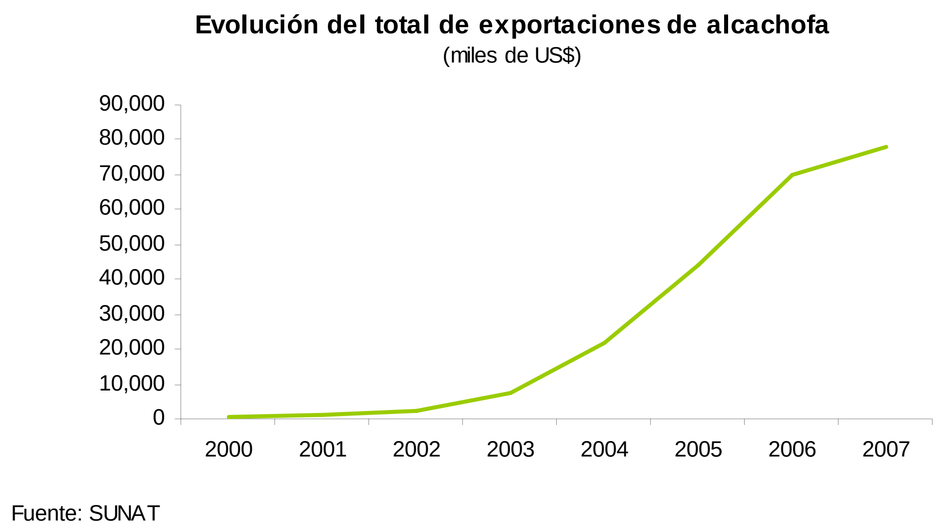
Annex F: Sector Analysis

Alcachofa

Por Gladys Triveño

Alcachofa es un producto de historia reciente. Hace menos de 10 años se empezó a desarrollar la cadena (Proyecto MSP-USAID). En un inicio, se comenzó a sembrar y probar distintas variedades de alcachofa sin espinas en Costa y mucho más tarde se introdujo en Sierra. El interés que ha generado esta hortaliza ha motivado que el Instituto Peruano del Espárrago, IPE, que reune a las principales empresas exportadoras de espárrago se cambie de nombre a Instituto Peruano del Espárrago y Hortalizas (IPEH). Muchas de las empresas que forman parte de esta organización son parte de la lista de clientes del PRA como compradores de alcachofa en Sierra.

Tiene mercado. Las exportaciones siguen una tendencia positiva de crecimiento.



El mayor porcentaje de exportaciones son procesadas. Las que más han crecido son las exportaciones de alcachofas preparadas. Esto explica que incluso en el caso de la producción en Sierra, se haya podido atraer a empresas para invertir cerca de las zonas productivas. Tal sería el caso de la inversión de AgroMantaro en Concepción, Junín.

*Fuente. SUNAT. Correspondiente a la partida 2005901000 hasta marzo de 2007, y la partida 2005991000 desde abril de 2007.

*Fuente: Sunat. Correspondiente a la partida 0709100000 hasta marzo de 2007, y la partida 0709903000 desde abril de 2007.

El Perú ha empezado a jugar en las ligas mayores. En 2006, fue el cuarto exportador mundial de alcachofa.

Principales exportadores mundiales de alcachofas, 2006

Países Exportadores	Total Exportado (miles de $US)
España	175,017
Italia	112,873
Francia	108,575
Perú	**69,702**
Países Bajos	62,509

Fuente: TRADEMAP, SUNAT, comprende partidas fresca y conservadas

Se ha convertido en el tercer productor mundial. Con un nivel de rendimiento mayor que el que alcanzan Italia y España, según la FAO.

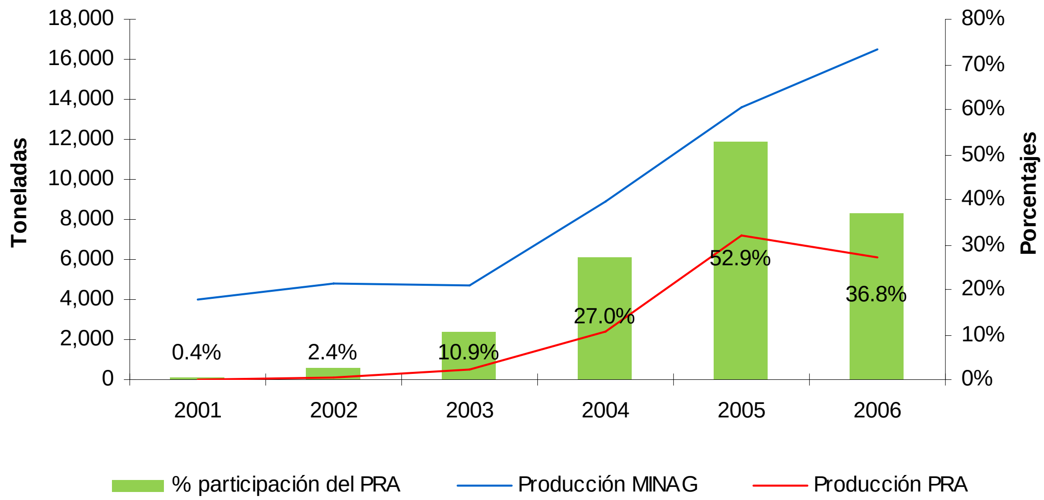
Productores Mundiales de Alcachofa, 2006

Países	Producción TM	Superficie cosechada (HA)	Rendimiento (TM/HA)
Italia	468,964	50,383	9.3
España	200,135	18,792	10.7
Perú	**113,114**	**6,722**	**16.8**
Argentina	89,498	4,861	18.4
Egipto	70,000	3,500	20.0
China	60,000	10,000	6.0
Marruecos	55,175	3,175	17.4
Francia	53,524	10,294	5.2
Estados Unidos	30,100	7,900	4.8
Otros	166,519	16,421	10.3
Total	1,315,029	131,868	10.0

Fuente: FAOSTAT y MINAG

El PRA ha contribuido a lograr esos resultados. En el siguiente gráfico se ve claramente, como el PRA ha ayudado a la evolución y despegue de la cadena.

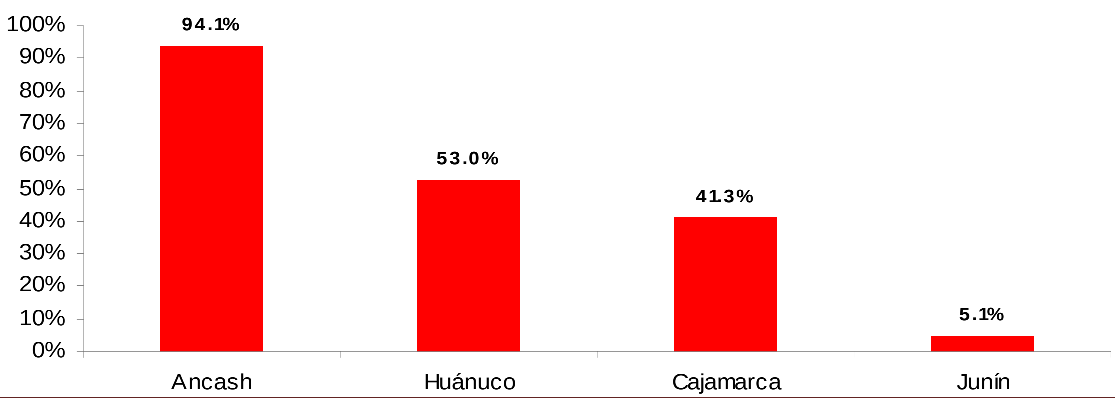
Producción de Alcachofa, en la regiones que actúa el PRA
(Toneladas)



Fuente: MINAG, Base de informacón del Proyecto PRA

La intervención del PRA en algunas regiones, representa un porcentaje importante de la producción que registra la región, según estadísticas del MINAG. Es importante mencionar que el porcentaje de Junín es reducido en la medida que esta región produce gran cantidad de la alcachofa con espinas orientada al mercado interno. La alcachofa que se produce con intervención del PRA se orienta prioritariamente al mercado externo.

Participación del PRA en la producción de alcachofa, por regiones , 2006
%



Fuente: MINAG, Base de información del Proyecto PRA

Las ventas de alcachofa, atribuibles a los CSE, se han incrementado en los últimos tres años. Junín sigue concentrando la mayor cantidad de ventas, seguido por Ancash y Ayacucho. A pesar de ello, las ventas de alcachofa con intervención del PRA solo representan el 4% del total exportado, pero lo positivo es que corresponden a Sierra.

Ventas Netas por Cada Región Donde Actúa el PARA (miles de $US)

Región	2005	2006	2007
Ayacucho	4.9	3.2	249.1
Cajamarca	31.0	16.9	0
Cusco	0	0	58.6
Huancavelica	129.9	157.4	47.6
Junín	829.5	1,339.8	2,406.5
Huánuco	0	99.1	168.5
Ancash	1,066,3	1,277.9	1,468.4
Total	2,061.5	2,894.3	4,398.7

Fuente: Base de Información del Proyecto PRA

Las externalidades que está generando la intervención del PRA

Las inversiones realizadas por Talsa y Agromantaro, así como la intervención de 4 empresas más que compran en la zona del Valle del Mantaro han impulsado la aparición de otros negocios vinculados.

Los proveedores de insumos. Han jugado un doble rol en la cadena productiva. Algunas de las empresas, suscriben alianzas estratégicas con tiendas de agroquímicos (fertilizantes, pesticidas, herramientas, etc.) para que además de suministrar los insumos, apoyen la labor de difusión del trabajo de la empresa en el cultivo de la alcachofa y concienticen a los productores con los cuales tenían contacto.

Las empresas de transporte. Cuando las empresas no tienen sus propios camiones, contratan empresas de transporte local para acopiar en zonas alejadas.

Supervisores de campo. Se ha creado una demanda de profesionales con conocimiento del cultivo que son los responsables de visitar los campos por cuenta de la empresa y en muchos casos reclutar productores. Estos pueden ser parte de la planilla de la empresa, ser uno de los líderes de las comunidades que producen alcachofa, o, incluso los proveedores de insumos.

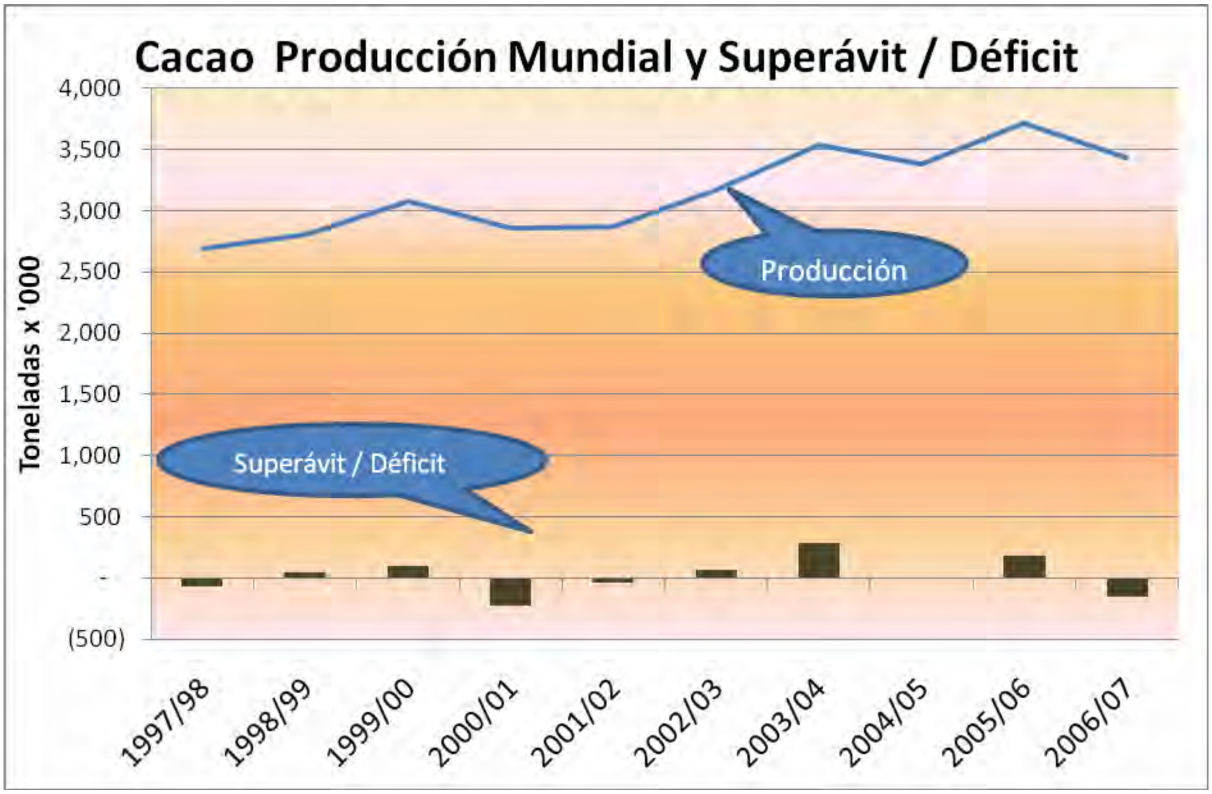
Jornaleras que participan del proceso productivo. En época de cosecha existe una gran demanda de jornaleras para que apoyen en el procesamiento de la alcachofa en conservas.

Proveedores de envases de vidrio. Lamentablemente, no hay una planta regional proveedora de estos envases y éstos son traídos desde Lima.

Cacao

Por Alfredo Mendívil

Producción de cacao mundialmente ésta incrementando gradualmente desde 2000, llegando a monto aproximada de 3.5 millones toneladas al año en los últimos años.



Fuente: International Cocoa Organization (ICCCO

Africa es la región de mayor producción, representando 72 por ciento de la producción mundial 2006/07. Producción en las Américas representan solo 12 por ciento. Perú no se presenta individualmente en los datos de figura en la ICCO.

Producción de Cacao Mundial y en las Américas

	2002/03	2003/04	2004/05	2005/06	2006/07
Africa	2,234	2,658	2,381	2,644	2,427
America	500	445	443	445	429
Brazil	163	163	171	162	140
Ecuador	87	117	116	114	114
Otros	250	165	156	169	175
Asia	498	548	560	627	580
Mundial					

Ya en la década de 1980 el cacao del Perú era reconocido como de gran calidad cuando se le aplicaba un apropiado tratamiento de post cosecha, lo que no ocurría normalmente, en parte debido al bajo precio en el mercado internacional, a los muy bajos rendimientos por hectárea (250 kg/Ha de promedio nacional) y a cultivarse por muy pequeños productores.

En estas condiciones, la ONUDI financiada por el programa de las NNUU contra las drogas, a partir de 1985 inició el llamado Proyecto Cacao en los valles del Alto Huallaga, Monzón, Huallaga Central y Pachitea. En vista que se debía mejorar la productividad y para eso se necesitaba de una modernización de la tecnología aplicada en la época, se contrató la consultoría del Dr. Fausto Coral, experto en cacao de nacionalidad brasileña y ampliamente conocido en los círculos científicos cacaoteros. El cambio propuesto y que se comenzó a aplicar en 1986 fue radical.

Considerando que el cacaotero es un árbol que bien cuidado debe producir comercialmente durante 30-40 años, la primera propuesta del consultor fue la introducción de clones (variedades) superiores que permitan mejorar aún más la productividad y calidad. Debido al ecosistema o al tipo de suelos existentes en el Perú y el Ecuador, el cacao producido en estos dos países es el de mejor calidad a nivel mundial, a tal punto que en esa época, los chocolates europeo muy finos debían contener por lo menos un 25% de cacao tipo Nacional del Ecuador (el peruano era de poca presencia por el bajo volumen que se comercializaba). Así se hizo y se pasó al segundo paso tecnológico, que fue la preparación de viveros, pues las plantas bien criadas y formadas resultarán en árboles sanos, fuertes y buenos productores por los siguientes 30-40 años).

También se debió modificar el tamaño de los árboles, que en el Perú eran de muy alto porte (entre 6 á 8 m. de altura), con lo que se dificultaba la cosecha y las podas. Se recomendó que los árboles no debían pasar de lo 3.5 m. de altura, en vista que el 80% de la producción del cacao se da hasta 1.5 m desde el suelo y principalmente en los troncos. Con esta altura también se facilita la cosecha y las podas de formación y sanitarias. En vista que las plantaciones existentes eran de árboles de gran altura, se introdujo modificaciones en la cosecha y podas, evitando subir al árbol, como era práctica común, y así evitar destruir o dañar los cojines florales (que es donde se producen los cacao) que no son recuperables. Igualmente se implantó mejoras en los tratamientos fitosanitarios y en la sombra del cultivo.

Como punto culminante, en esa época se diseñó prácticas especiales para la fermentación y secado de las almendras, dado que se acostumbraba no fermentarlas ni secarlas al sol, sino tan solo dejarlas colgadas de un árbol dentro de un saco de yuet. La fermentación uniforme a temperatura mayor de 55 ºC es recomendable para matar el germen y propiciar que se produzcan reacciones bioquímicas en las almendras, que son responsables del mejor sabor y olor finales. En los países de mayor producción en el mundo, la fermentación se acostumbra hacer en volúmenes de 1 m^3 con lo que obtiene muy buena uniformidad y temperatura en el proceso. Para la realidad nacional esto era impracticable dado que cada productor disponía para fermentar no más de 0.1 m^3 por lo que se diseñó y, luego de un importante período de pruebas, se liberó a los productores un fermentador de pequeño porte. Similar problema hubo con el secado, y hoy día ya no se seca directamente sobre el suelo, sino sobre mantas que evitan la contaminación de las almendras.

Los grandes acopiadores, sean estos empresas, cooperativas o asociaciones de productores, ya están acopiando el cacao “en baba” (sin fermentar), o bien lo tienen programado para un futuro cercano, para evitar la des-uniformidad en la fermentación y están terminando el secado en secadores artificiales, que uniformizan el contenido de humedad.

El aumento de áreas sembradas de cacao en los valles de selva donde se ubican los Corredores viene incrementándose muy rápidamente, debido a los incentivos que devienen del aumento de productividad con las tecnologías mejoradas que se aplican (en algunos casos pasan de los 1,250 Kg/ha.) y del precio de venta, que en las bolsas han llegado hasta US$ 2,800 por TM y el cacao peruano certificado "orgánico" además de su reconocida calidad, ha llegado a pagarse hasta en US$ 3,300 por TM en el año 2007.

Al igual que en el caso del café, son diversas las empresas que se disputan el cacao peruano y la novedad es la certificación "orgánica" de las tierras de cultivo, con lo cual se puede acceder a mercados de mayor precio, como son los "orgánicos". Las organizaciones acopiadoras están apoyando la certificación "orgánica" en vista que eso les facilita el acceso a mejores precios.

Café

Por Alfredo Mendívil con contribución por José Lazarte

Desde hace 2-3 años el precio del café en los mercados internacionales ha alcanzado los más altos niveles de los últimos 25 años y el café peruano se ha orientado hacia los denominados Mercados Especiales, tales como el orgánico, cultivado bajo sombra, de determinada zona de producción, Mercado Justo, etc. que paga premios sobre las cotizaciones de la Bolsa de Nueva York o Londres. El cambio se inició a mediados de los años ‘90 y más precisamente en 1994 a través de un proyecto financiado por la USAID denominado Microenterprisse and Small Producers Support Project – MSP, ejecutado conjuntamente con la Asociación de Exportadores – ADEX.

En vista que la tecnología aplicada para el cultivo del café en el Perú resultaba en muy bajos rendimientos (7-8 qq/ha como promedio nacional en esa época) y calidad, en parte motivados por los bajos precios en los mercados internacionales, donde llegó a cotizarse hasta en US$ 38.00 por qq, se invitó a un experto costarricense para que revise la tecnología que se venía aplicando y presentar las recomendaciones que considere conveniente. La respuesta fue contundente y dada la experiencia cafetalera del consultor se propuso un cambio radical, modernizando la tecnología.

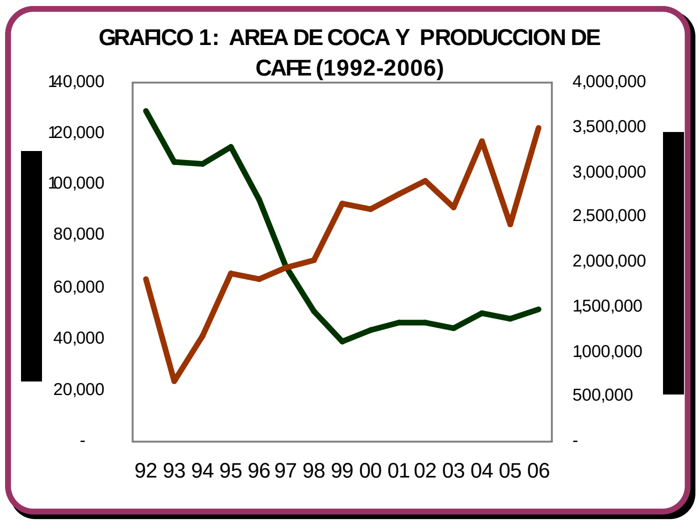
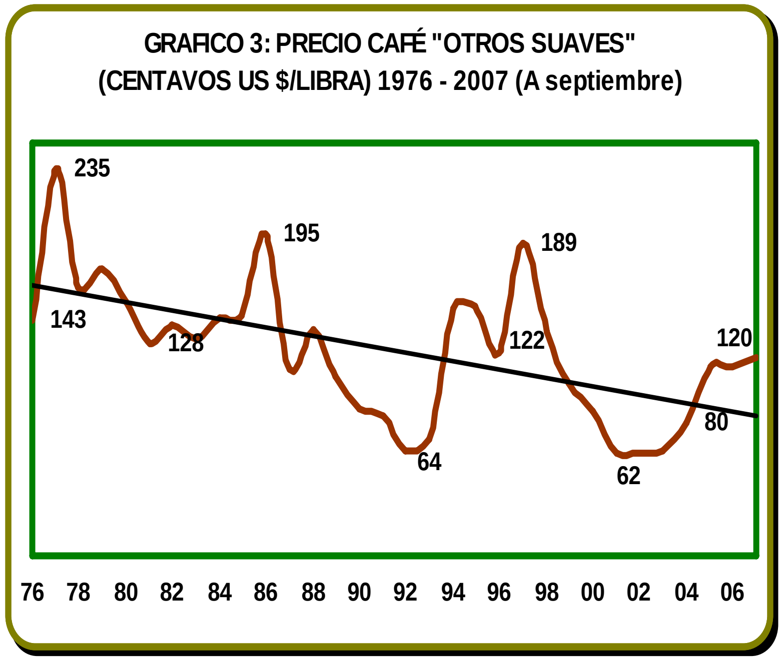


Grafico 1 muestra el incremento en las plantaciones de café en Perú (línea roja en el grafico). El desplegué de la producción de café ocurrió por varios razones, entre los cuales son la reducción de las áreas de coca (línea verde en el grafico), depreciación relativa de la agricultura andina (grafico 2), alza en los precios del café (grafico 3), y el apoyo internacional a la producción de café.

Así se inició una transformación de los cafetales en el Perú, aunque muy lentamente debido a sus altos costos de implantación y mantenimiento, contra los bajos rendimientos que se lograban, la lentitud de su rehabilitación o recuperación (3 años) y la débil situación económica de los productores, amenazados también por el narcotráfico y el terrorismo. Sin embargo, la USAID, a través del Oficial del Proyecto, Sr. Michael Maxie, realizó un intenso trabajo de presentación de los cafés peruanos en los foros y exposiciones cafetaleras en el mundo, con la categoría de “especiales”. Esta labor tuvo éxito y fue potenciada por el paulatino aumento de precios en los mercados internacionales, que animó a los productores a dar mayor atención a sus campos de café. Más adelante se incluyó la certificación “orgánica” de muchas áreas de cultivo. Otro aspecto que influyó en gran medida para su recuperación, fue que casi la totalidad del área de cultivo era de la variedad “Typica” cultivada bajo sombra natural de bosque raleado, que es reconocida mundialmente como generadora de cafés de alta calidad. Finalmente, en los últimos años el café peruano ha alcanzado los más altos precios cotizados en las Bolsas y la presentación de “cafés especiales” además de la certificación “orgánica”, que han permitido un vuelco total en su demanda y comercio, siendo disputado por los procesadores y exportadores nacionales, así como por los más sofisticados mercados internacionales.



Los compradores demandan un café bien procesado, esto es, bien fermentado, despulpado y secado uniformemente. Para esto se introdujo la implementación de tinas para el fermentado y se diseñaron despulpadoras de pequeño tamaño, al alcance de los pequeños productores. Para el secado se diseñaron secadores solares que protegen los granos de la lluvia y, bien orientados, permiten regular la temperatura interior manejando las puertas del mismo y mantener la más adecuada temperatura.

En la actualidad son muchas las empresas, cooperativas o asociaciones de productores que acopian y comercializan café directamente a los mercados internacionales. Apoyados por la calidad y los compradores en el exterior, las organizaciones acopiadoras obtienen créditos en bancos europeos y norteamericanos, a muy bajas tasas de interés, con los cuales financian el acopio, que se produce en muy corto período, aunque variable según se trate del lugar en el país.

Frijol

Por Jose Lazarte

Efectivamente, según ALISUR (www.alisur.net) una empresa que se dedica a la promoción y comercialización de frijoles, él "canario" cuenta con este galardón por "…su textura, sabor y ser el preferido por la mayoría de exigentes chef latinos".

El comité de productores de AUQUIBAMBA (Burgos) se dedica a la producción, acopio y comercialización de esta leguminosa, que ha logrado adaptarse en este valle interandino. Pertenecen al distrito de PICHIRHUA (Provincia de Abancay, Apurimac), clasificado como de "extrema pobreza"; sin embargo, aprovechando la asociatividad, el concurso de la empresa ALISUR y el soporte de PRA vienen realizando una digna gestión.

El primer punto del emprendimiento es "la conexión con el mercado", esto es enfoque de demanda por el cual el comprador (ALISUR) establece calidades, suministro y marco operativo para que la organización y los productores asociados establezcan su plan de trabajo. Todo este, regido por un contrato, en él cual ambas partes definen contraprestaciones.

Un segundo aspecto, aunque en la dinámica social vendría a ser él primer eslabón, es él planeamiento del cultivo. Es curioso, pero el "fríjol canario" es huésped de la costa, de modo que haberse cobijado en los andes a mas de 2.000 metros por encima del mar ya es un punto a favor, que estaría denotando un cambio en la cédula de cultivo y, por lo tanto reducir el riesgo que significa cultivar papa. Para dejarnos de dudas, él tubérculo en él período de nuestra visita, se cotizaba en 0.45 soles por kilo, en tanto que "el canario" recibe 2.60 soles por la misma unidad. De partida, la diferencia es notable.

Otro aspecto, que los productores destacan (tratándose de una innovación para ellos) es que para mejorar rendimientos (y más ingresos, por cierto) deben rotar el (los cultivos) y bien que lo han asumido, dado que en la campaña 2007, la producción del "canario" se redujo en 18%, bajando sus ingresos.

Es importante apreciar el eslabonamiento por él lado de la demanda, permitiéndoles construir una gerencia intermedia en la localidad, que organiza la producción, agenciando insumos para él manejo agrícola, él acopio de acuerdo a las especificaciones y el procesamiento (trilla, limpieza, embalaje) para posteriormente despachar al canal de distribución.

Esta experiencia, ha "globalizado" a Auquibamba debido a que resaltan una marca comercial de origen: "La Apurimeña", que es él logo con él cual se comercializa el producto en los retails de Lima. Por último, con escasos recursos, él comité ha establecido un esquema de doble entrada con la base asociativa: De un lado, con cargo a las ventas adquieren insumos para él campo, cumplida la campaña, acopian el producto lo estandarizan, aplican el descuento y honran las obligaciones con la mercantil. En mi opinión, la base de esta dinámica, es la confianza ¿Quién dijo que los pobres no son responsables? La clave del éxito es él capital social.

Trucha

Por Fernando Talavera

Al hablar del departamento de Junín, es casi obligatorio hablar de la trucha, este exquisito producto de la familia de los salmónidos que fuera introducida en Perú hace varias décadas, proveniente de los estados Unidos de Norteamérica y Canadá. Con el correr del tiempo, el Departamento de Junín se ha convertido en el primer productor a nivel nacional, absorbiendo mas del 50% de la producción nacional y la tendencia va a más.

Los centros de reproducción se instalaron en diferentes lugares de la sierra peruana (Huaraz, Huancayo, Cajamarca, Arequipa y Puno) diseminando los alevinos (larvas) a través de los ríos y lagunas del Perú, y es en Huancayo (Junín) donde el producto además de la crianza, comienza a ser procesado é incursiona en los mercados competitivos del exterior.

El desarrollo de la TRUCHA, pasa por diferentes etapas de crecimiento, que requieren atención y cuidado para evitar o reducir la mortalidad.

- Los llamados Alevinos,(larvas) de un mes, deben pesar alrededor de 5grs.
- Los juveniles primarios, hasta de cuatro meses, que deben pesar 20grs.
- Los juveniles mayores, hasta de 8 meses de edad, con mas de 140grs.
- Engorde, en esta etapa su peso va de 140 a 300 grs, con 9 o 10 meses.

La alimentación y oxigenación de las larvas es esencial a su crecimiento, al igual que las condiciones químicas del agua donde se desarrollan. Se calcula que de cada 50,000 alevinos, se puede obtener finalmente 9 toneladas de producto para la venta.

PRODUCCION

Los datos históricos de producción de trucha muestra que la producción en Perú ha multiplicado más de tres veces desde 2000 hasta 2006, con producción este año de 6,100 toneladas. Sin embargo, Perú queda un productor pequeño en el mundo y en comparación con Chile.

Durante el año 2005 la producción se incrementó a más de 5,000 TM, distribuidas en localidades como se presenta en el cuadro. Para el año 2006, se estima que la producción se incrementó a 6,100TM.

Producción de Trucha en Perú

Year	Peru	Bolivia	Chile	Global
1995	929	520	42,719	365,240
1996	1,400	300	54,429	384,180
1997	1,448	312	77,110	427,329
1998	1,600	320	75,108	437,989
1999	1,800	328	50,414	414,980
2000	1,857	335	79,566	447,204
2001	2,675	250	109,895	511,470
2002	2,981	328	111,681	506,741
2003	3,111	274	109,578	490,652
2004	4,699	310	122,252	499,262
2005	5,475	300	118,279	486,928
2006	6,100			

En Toneladas

Fuente: Naciones Unidas Food and Agriculture Organization

EXPORTACIONES

Las cifras que nos proporciona la Asociación de Exportadores son alentadoras, pues muestran un crecimiento sostenido en los últimos años:

Distribución de la producción de Trucha en Perú 2005

Localidad	Toneladas
Puno	2,243
Junín	2,119
Lima	291
Pasco	253
Huancavelica	134
Ayacucho	93
Huánuco	68
Cajamarca	48
Apurimac	57
Ancash	45
Cuzco	30
Tacna	29
La Libertad	27
Amazonas	22
Arequipa	20
Total	5,469

Fuente: Aquahoy

- AÑO 2002 monto exportado US$ 664,000
- AÑO 2005 monto exportado US$ 3,279,761
- AÑO 2006 monto exportado US$ 4,214,770

La mayoría de productores a nivel nacional son pequeños, pero existen tres empresas que si se han tomado en serio la producción técnica y exportación:

- Pisifactoria Los Andes
- Frigorifico SAMA
- Reinas del Pacífico

El primero de los nombrados lidera largamente el ranking de exportaciones. Esta empresa cuenta con una planta procesadora de primer nivel, y al momento ya tiene un total de 42 presentaciones en el mercado. Del total de su producción, el 25 por ciento se queda en el mercado peruano, en los principales supermercados y hoteles, incentivando el consumo interno.

Las principales presentaciones de exportación son en Filete de Trucha, Trucha Fresca sin Cabeza, Trucha Eviscerada, Filete de Trucha Congelada con Piel, y van principalmente a Canadá, UA, Suecia, Alemania y España.

DEMANDA EXTERNA.-

El mercado internacional, se mantiene insatisfecho, el consumo se muestra incentivado especialmente en el tipo ARCO IRIS, empujando la demanda internacional y también los precios. Los importadores mundiales principales son Japon (65%), Rusia (12%), Alemania (6%), Tailandia (5%), y Polonia (2%).

Es importante señalar que el mercado internacional en este preciado producto moviliza más de 500 millones de dólares anuales, generando además, efectos multiplicadores importantes ,no solo en términos de empleo, sino también en negocios y actividades colaterales, de pequeñas industrias, comercios y servicios.

DATOS GENERALES Y CONCLUSIONES.-

- El potencial en Perú para el desarrollo de trucha, es significativo, hay detectadas más de 1,200 lagunas con potencial para crianza.
- El costo de la inversión no es muy alta, permitiendo que muchos pequeños productores ingresen a la cadena productiva, y sean beneficiados.
- La Trucha es un producto altamente nutricional, con gran concentración de ácidos grasos Omega-3 y rica en vitamina A y D.
- La trucha como presentación puede servirse cruda, para sushi o sashimi, o también hervida, frita o a la plancha.
- Hay demanda internacional insatisfecha.

Nuestro país en términos de volúmenes exportados, no contribuye más que con un 0.8% (US$ 4 millones) de los $US 500 millones anuales que mueve el comercio internacional.

EL PRA Y SU CONTRIBUCION.-

Es importante señalar, que el proyecto PRA, ha venido ayudando significativamente en el desarrollo de esta actividad ,pues detectó esta demanda y apoyo decididamente en el aspecto técnico, y de capacitación, creando confianza ,entre productores y empresarios. Esto ha hecho posible la creación de una cadena de valor, que viene ampliándose, generando nuevos empleos que están ayudando a reducir la pobreza en el Perú.

Avocado

By Bob Flick

Avocados to Enter the US Market in 2008

The US Animal and Plant Health Inspection Service (APHIS) reported to Peru's National Agrarian Health Service (SENASA) that Peruvian avocados would enter the US market in the last quarter of 2008[27]. This signals the opening of an opportunity for Peru to develop their avocado industry, particularly the Hass variety, which is the principal variety sought for the U.S. market. In the meantime Peru continues to export the green skin variety better known as Fuerte, plus some Hass variety, to European markets, primarily France.

Source: www.livingperu.com

In a recent publication by Sierra Exportadora (Sierra Exportadora, Serie Estudos Economicos No. 1, February 2008), the potential for growth of the avocado industry in the Peruvian highlands is explored. According to this publication – which is in accord with well known and accepted market intelligence - the future of producing Hass avocados is bright, whether in Peru or other Pacific Andean countries. And with the U.S. market opening to Peruvian fruit later this year, a real target of business opportunity is available.

While per capita avocado consumption is up in both Europe and the US, US production continues to decline as orchards are being replaced with other higher value fruit (e.g., blueberries) or converted to shopping centers. Similarly in Spain, urbanization is also taking its toll on avocado production and Israel, another producer, has little room to expand production significantly. Turmoil in South Africa, where plantations are under threat of land reform, means additional new plantings are at a stand still. This bodes well for highland avocado production in South and Central America, where climate, soil and water conditions are favorable and markets are reachable by sea, particularly if Hass is shipped. In this vein, South African avocado and mango giant Westphalia, visited avocado production areas in Chile, Peru and Ecuador – where climate is perfect – in 2004 and 2005 seeking investment opportunities. Attracting the South Africans as investors would be a real coup for the Peruvian Hass industry.

Peru is said to currently export approximately 37,500 metric tons of avocados, 99 percent of which are thought to be the Fuerte variety. The GOP does not apparently distinguish between Hass or Fuerte in its export statistics and since the green skinned varieties are grown throughout most of Peru it is difficult to trace Hass by geographic region. Nevertheless, future plantings of avocados in Peru are said to be focused on Hass.

Production Problems to Resolve

[27] www.freshplaza.com. Article “Peruvian Avocados to Enter the US Market in 2008” published on web site on January 2, 2008.

In avocado growing areas in and around Moro, Chimbote, assisted by the PRA project are in need of expert international technical assistance regarding the viral affliction "Sun Blotch" (*Avocado Sunblotch Viroid – ASBVD)* and in dealing with *phytophthora cinnamomi*, commonly known as avocado root rot. [28] Reportedly there are NO nurseries with certified Sun Blotch-free plants or root stock and the only laboratory with capabilities to diagnose Sun Blotch is at La Molina, the national agricultural university of Peru in Lima. These two diseases are threats to the economic viability of growing avocados in Peru and the development of programs to effectively combat them are urgently needed. Interestingly, neither Sun Blotch nor root rot are causes to keep Peruvian avocados from the U.S. or European markets. However, unless these diseases are overcome Peru will not survive in the highly competitive world markets due to reduced yields and dying orchards.


Source: www.livinginperu.com

Reportedly Chile has an effective Sun Blotch eradication program that has met with success. Orchards are certified Sun Blotch free so planting material purchased from these sources are guaranteed clean. In Ecuador, on the other hand, very little Sun Blotch is found in key Hass producing valleys in the Andes (Imbabura, Pichincha, Tungurahua, and Loja, principally) and has not been reported as a problem. Colombia has not reported Sun Blotch to be a threat either and large areas of Hass have recently been planted in and around Medellin and other highland coffee producing areas.

[28] Farmers interviewed say the entire country has these problems.

Annex G. Benefits Cost Ratio by Product

Producto	Ventas Netas US$	Costo de AT $US (1)	Beneficio/Costo
ARROZ	26,168,753	140,250	187
TRUCHA	22,254,044	127,921	174
PALMA ACEITERA	16,269,332	142,165	114
FLORES Y PLANTAS	15,216,962	50,590	301
CAFÉ	14,583,585	279,294	52
FRUTAS	14,296,095	182,491	78
MENESTRAS Y LEGUMINOSAS	13,667,806	260,881	52
TARA	12,855,769	68,292	188
ALCACHOFA	11,268,662	359,258	31
MADERA	7,193,141	94,602	76
ALGODÓN	7,190,467	239,191	30
LISTELOS CERAMICOS	6,944,138	34,411	202
CACAO	6,448,317	208,404	31
POLLOS	6,177,807	19,621	315
PAPA	5,210,425	143,505	36
JOYERÍA	4,594,723	12,347	372
FIBRAS Y LANAS	4,078,073	45,474	90
COLORANTE NATURAL	4,032,274	18,565	217
ARTÍCULOS DEL HOGAR Y ARTESANIA	3,891,144	17,144	227
CONFECCIONES	3,828,473	56,075	68
TURISMO	3,632,394	12,510	290
PRODUCTOS PROCESADOS	3,479,343	21,538	162
DERIVADOS LÁCTEOS	3,445,357	36,063	96
MAIZ	3,089,855	193,515	16
LIMON	2,319,753	17,917	129
ALIMENTOS PROCESADOS	1,744,900	8,300	210
CEREALES	1,432,663	77,137	19
PRODUCTOS HIDROBIOLOGICOS	1,125,663	16,672	68
PALTA	863,601	13,084	66
MANI	692,080	15,401	45
AJIES Y PIMIENTO	606,416	14,003	43
AJONJOLI	442,732	5,345	83
ESPECIAS	422,671	1,611	262
ALMIZCLE	283,143	18,773	15
PIMIENTO PIQUILLO	232,502	17,747	13
AROMATICAS Y MEDICINALES	223,299	36,622	6
BARBASCO	221,004	1,332	166
GANADO EN PIE	128,686	7,318	18
FORRAJE	121,470	8,093	15
AJO	91,283	23,757	4
SOYA	77,116	31,508	2
MACA	45,721	2,185	21
MIEL	18,646	1,778	10
CAUCHO NATURAL	1,300	219	6
Total general	230,911,588	3,082,908	75

Para la gestión 2000 a 2007. **(**1) Para obtener esta cifra distribuimos los gastos en AT por asignar entre los sectores y clientes de acuerdo a su peso en las ventas totales.

Annex H: Examples of PRA and PDA Collaboration

Following are a few instances of where PRA and PDA jointly supported business development. Many of these initiatives originated during the period when PRA was directly supporting Alternative Development activities.

Examples Observed by Evaluation Team

Juanjui

Los productores de cacao de la zona de Juanjui que se han beneficiado con los plantones distribuidos por el PDA entre los agricultores firmantes del referido convenio, son clientes preferenciales de las empresas y cooperativas que apoya el PRA, orientándose con la relación de agricultores beneficiarios de esta distribución y el cronograma de cosechas de acuerdo al desarrollo esperado de las siembras, proporcionados por el PDA.

El volumen de producción es aún reducido en razón a la edad de las plantaciones. Sin embargo, el PRA ya ha promovido el relacionamiento de los productores de cacao de Huicungo, Alto del Sol, San Ramón, APAVI y APROVIT, entre otros comités de cacaoteros de la región Juanjui, con la empresa Romero Trading y las cooperativas ACOPAGRO y Agraria Industrial Naranjillo, propiciando y apoyando en la certificación orgánica de sus tierras, con la finalidad de que obtengan mejores precios en los mercados internacionales de cacao.

En vista que gran parte de los productores de cacao son también productores de algodón áspero, el PRA ha prestado apoyo y asesoramiento a las empresas comercializadoras de este producto en beneficio de los agricultores firmantes del convenio de erradicación voluntaria y propiciando la certificación orgánica de sus tierras, además de la producción de semillas certificadas, con la finalidad de asegurar mayor uniformidad de la fibra y elevar la productividad. Entre las empresas que comercializan el algodón áspero que han sido relacionadas con los productores beneficiarios del PDA, se encuentra Romero Trading S.A., Algodonera de la Selva S.A.C. – ALSELVA y Algodonera Juanjui S.A.C.

Aguaytía

En esta zona, el Proyecto PRA promovió la comercialización en Lima de la producción de plátano "Bellaco" generada por los beneficiarios del PDA agrupados en el Consorcio de Productores de Plátano de Ucayali – COPPU, que habían perdido sus cultivos de plátano variedad FIAH por no tener aceptación en el mercado nacional.

Por otro lado, también han prestado y continúan prestando atención prioritaria a los agricultores productores de Café y Cacao organizados en la "Cooperativa Agraria de Comercialización La Divisoria", que agrupa a productores firmantes del convenio de erradicación voluntaria en San Alejandro y La Divisoria. En este caso también se ha orientado la producción hacia mercados especiales por origen y características especiales (producción orgánica), obteniendo precios muy superiores a los cotizados en las bolsas de Nueva York y Londres, así como en Alemania, Italia y Francia, entre otros.

Valle de los Ríos Apurímac y Ene

Luego que la USAID dispusiera el retiro del PDA de este importante valle cocalero, el Proyecto PRA ha multiplicado sus esfuerzos en apoyo de los productores firmantes del convenio de erradicación voluntaria y otros beneficiados por el apoyo prestado por la USAID desde varios años antes.

En este sentido, destaca el apoyo comercial prestado a las empresas MULTIAGRO y Machu Picchu, además de la Cooperativa Valle del Río Apurímac – CACVRA y Cacao VRAE para la comercialización de cacao y café, permitiendo que los productores agrupados en diversas asociaciones como la Asociación de Productores Agropecuarios Sierra y Selva Valle del Río Apurímac y las Comunidades Nativas de Quempiri puedan comercializar directamente y sin intermediarios, su producción de cacao y café con las empresas y cooperativas arriba mencionadas, obteniendo mejores precios y otros beneficios adicionales, como entre otros se puede mencionar la asistencia técnica en el cultivo del cacao.

Paralelamente, los beneficiarios del PDA para la crianza de truchas agrupados en la Asociación Los 13 de Ayna y la Asociación de campesinos de Anco, que quedaron sin apoyo luego de la salida del PDA, recibieron el apoyo del PRA para mejorar la tecnología de crianza y comercializar adecuadamente su producción, especialmente dentro del mismo VRAE.

Queda claramente establecido que el Proyecto PARA ha puesto especial atención a coordinar y apoyar a los beneficiarios del PDA. Esta colaboración no concertada, se ha observado bastante más estrecha a nivel campo que a nivel de oficinas centrales. Se sugiere que en el futuro la coordinación sea más cercana, para permitir que cuando las metas de producción del PDA se estén dando, el PRA pueda ya contar con arreglos comerciales para la misma.

Examples Provided by PRA Staff

1. Negocio de Madera Certificada con la Comunidad Nativa de SINCHI ROCA: El PDA financió el trabajo de campo para el inventario forestal y la elaboración de los planes de manejo. EL PRA apoyó con asistencia técnica para las operaciones forestales y el sostenimiento de la certificación forestal y articulación con el mercado.
2. Negocio de Caucho con Sinchi Roca y Puerto Nuevo: El PRA identificó las oportunidades comerciales y contactó con compradores de caucho. El PDA financió el equipamiento, los gastos operativos y capacitación a los extractores.
3. Para la certificación de la concesión forestal de Maderas Peruanas, el PDA apoyo con asistencia técnica para la elaboración de mapas.
4. Negocio de Café y CACAO con la Cooperativa La Divisoria: El PDA apoyó en el financiamiento para la instalación de nuevas áreas de cultivo. El PRA contribuyó asistencia técnica para mejorar la calidad del producto y acceso a la certificación orgánica.
5. CCACAO en San Alejandro: A través de las ECA (Escuelas de Campo) promovidas por el PDA , el PRA coordinó para que en el plan de trabajo de las ECAs se incluya la certificación orgánica.

6. Piña Goleen: El PDA financió la instalación de piña en el sector de Huacamayo (Aguaytía) y el PRA ayudó con asistencia técnica para mejorar calidad de la fruta y programar el abastecimiento y articulación con el mercado.
7. Venta de Leche Fresca por pequeños ganaderos de la comunidad de Guacamayo: El PDA apoyó con un modulo de 25 vaquillonas y un toro y el PRA apoyó con el acercamiento comercial a los productores con APROLEC (Cliente del PRA en Tingo María), capacitación a través de pasantías y articulación con el mercado.
8. Maíz amarillo duro en la Zona de Neshuya, Curimana con la empresa SEM Perú Selva: El PDA financió la compra de semilla y los jornales de campo la empresa privada los fertilizantes y el PRA la asistencia técnica y la articulación con el mercado el acceso al crédito por parte de la empresa privada.
9. Palma Aceitera con OLAMSA en Neshuya y ASPPASH en Shambillo: El PDA financia la adquisición de plantones y el PRA provee la asistencia técnica para mejorar la productividad y la calidad de la materia prima.
10. Algodón Áspero en la Zona de San Alejandro con ASFERA: El PDA financió la instalación del cultivos con comunidades que erradicaron la coca y el PRA organizó el acopio y la articulación con el mercado y acceso al crédito.
11. Platino en Aguaytia con el COPPU: El PDA financió la instalación del cultivo y el PRA ayudó con la asistencia técnica para mejorar la calidad de la fruta y el acceso al mercado.

Annex I: Evaluation SOW with Response to Questions

The SOW for the Evaluation Team is contained below. In the section titled "Objectives of the Evaluation," a brief response is provided for specific questions, written in italics.

USAID/Peru, through its Economic Growth and Environment (EGE) Team, wishes to contract the services of a multi-disciplinary team to conduct a final evaluation of the Poverty Reduction and Alleviation (PRA) activity.

Purpose: The evaluation will provide the USAID/Peru Front Office with an informed basis to consider options for follow-on economic growth assistance that would nurture continued development of market-led rural diversification in Peru's economic corridors. In particular, subsequent assistance will focus on helping Peru maximize potential economic growth and poverty reduction benefits under the U.S.-Peru Trade Promotion Agreement (PTPA) and other market opportunities. In turn, the evaluation's findings, conclusions, and recommendations will provide the Mission's EGE Team with a foundation for designing the follow-on activity.

Focus: In the prior (mid-term) evaluation of PRA, the focus was on determining the impact and cost effectiveness of the activities and operations of PRA and providing recommendations on means and measures that could be taken to improve the project's performance in the future. The specific questions raised in the Terms of Reference for the mid-term evaluation are presented in Annex A. An electronic copy of the mid-term evaluation itself, titled "A Qualitative Assessment of the Poverty Reduction and Alleviation Program Funded by the U.S. Agency for International Development in Peru – Volume 1" (January 2003), is available.

The final evaluation will examine the impact (both direct and indirect), cost effectiveness, and strengths and weaknesses of PRA-supported activities and operations. In addition, the evaluation will include some sector analysis regarding how to enhance sustainable, market-led diversification that increases the competitiveness of targeted economic corridors and enterprises. This mix of PRA evaluation and sector analysis will provide a solid basis for informing the design of the follow-on activity.

Scope:

1. The scope is an external evaluation of the original PRA activity (as designed) in the context of current economic growth dynamics (e.g., pending entry into force of the PTPA). As originally designed, the key activity was the Economic Services Centers (ESC) component which provided a range of business development services to assisted enterprises. The evaluation will not address two activity components that were subsequently added to PRA: (a) the public-private partnership (PPP) for infrastructure component and (b) the forestry component that will be addressed through other avenues. Neither will the final evaluation examine the PRA policy component which became relatively inactive over the course of the project.

2. For the ESC component, the evaluation will conduct analysis of data drawn from a sample of the principal enterprises and business/value chains. On average, PRA has assisted four enterprises per economic corridor, across 10 corridors: Ancash, Ayacucho, Cusco, Huancavelica, Huancayo, Huánuco, Jaén, Piura, Pucallpa, and Tarapoto.

   The evaluation team will present to the Mission, for review and approval, a sample design for collection and analysis of data across three samples: Sample 1 (PRA-assisted enterprises); Sample 2 ("demonstration effect enterprises" that did not receive PRA assistance but that are replicating investments in product lines initially produced by enterprises that received PRA assistance); and Sample 3 (business/value chains within an economic corridor having PRA-assisted enterprises). Sample 2 is particularly important in terms of generating information to estimate PRA's indirect impact. The samples should roughly reflect the percentage distribution of agricultural and non-agricultural enterprises assisted by PRA.

3. The evaluation will cover a five-year period of PRA implementation from January 2003 – January 2008 (reference: the mid-term evaluation was completed in January 2003).

Background

PRA Genesis - In 1994, USAID/Peru prepared a comprehensive Food Security Strategy for Peru. The strategy examined the status of food security in Peru, identified major obstacles to improving food security, and defined promising programmatic responses for USAID/Peru. Its main conclusions and recommendations were summarized as follows (in the terms of reference for the mid-term evaluation):

- Peru's food insecurity is principally a question of poverty;
- Poverty, especially extreme poverty, is concentrated in rural areas of the Sierra, as well as among the non-Spanish speaking population;
- The poor and extremely poor suffer not only from low incomes, but also from limited access to markets and public services;
- The root cause of poverty in Peru is low labor productivity which, in turn, reflects inadequate investment in human and material capital and poorly developed public policies and institutions.

The Poverty Reduction and Alleviation (PRA) Activity is an outgrowth of this USAID/Peru Food Security Strategy of 1994.

During 1996, USAID/Peru worked closely with the GOP to operationalize its Anti-Poverty Strategy. The result was an approach that links poverty-stricken rural areas to lower hierarchy cities and these, in turn, to higher hierarchy cities in an "economic corridors" strategy. Using the USAID/Peru-funded GOP Poverty Map of Peru (which geographically identified 419 poor and extremely poor districts) and data on population and market growth of intermediate cities during 1990-95, 24 economic corridors were identified.

To set priorities among the 24 corridors, the Anti-Poverty Strategy ranked each by two criteria: the economic potential of the corridor and its connection with extremely poor people. According to the ranking, PRA concentrates its attention on the following 10 priority corridors: Ayacucho, Cajamarca, Cuzco, Huancayo, Huanuco, Huaylas, Jaen, Pucallpa, Puno, and Tarapoto.

In order to consolidate USAID/Peru efforts to implement the poverty reduction and alleviation strategy, not only does PRA focus its activities within the economic corridors, but the Title II program uses its phase-down approach to do the same, thereby complementing PRA's actions.

PRA Objectives - The goal of PRA is to improve the incomes of Peru's poor and extremely poor, thereby reducing their poverty and achieving sustained improvements in their food security. Its purpose is to expand opportunities for sustained productive employment and income growth for the poor and the extremely poor. Experiences in Peru and elsewhere in Latin America suggest that there are four essential interconnecting conditions to achieve a permanent reduction in poverty, that is, to create substantial numbers of income- and job-creating opportunities. Simultaneously, a fifth condition must prevail to temporarily alleviate extreme poverty; that is, a social safety net must underlie those still unable to increase incomes or find jobs. Together, these five conditions are:

- The existence of a favorable investment climate - investors will not open or expand businesses if the policy environment is not propitious, or if government investment is wasteful and unproductive;
- The availability at reasonable cost of know-how to identify market opportunities and broker trade agreements;
- The presence of reliable public infrastructure - especially roads, electricity, and irrigation - that lowers high costs of doing business;
- Investment in human capital, specifically in basic education where the foundation for future learning is laid, and in vocational training where productive skills are developed; and
- The existence of a social safety net which targets the extremely poor who are as yet unable to take advantage of the first four conditions for reducing poverty, but which improves their capacity to eventually participate in these areas.

Based on these interconnected conditions, USAID/Peru developed its economic corridors approach for its Strategic Objective No. 2: Increased Economic Opportunities for the Poor in Selected Economic Corridors. This approach presents the rationale for and logic of PRA.

Economic Service Centers: The Economic Service Centers (ESCs) are PRA's cornerstone. One (or more) has been established in ten priority economic corridors where they draw upon the experiences of both producers and investors and provide services directly to them to improve their competitiveness. Each Center has a number of principal functions, including:

0. Facilitate access to information on markets (both domestic and foreign), technical and management assistance, financial services, legal protection, notary services, transport, insurance, etc., with the objective of lowering the costs of entry into markets and broadening the participation of local people in them. The Centers do not provide any physical or financial inputs, but facilitate the access of producers and investors to information and services.

1. Act as an aggressive broker of deals between foreign and domestic buyers and investors, on the one hand, and local producers, on the other. When necessary, the Centers provide specialized technical assistance and on-the-job training to resolve specific problems that stand in the way of local businesses getting started and expanding. In short, the approach is arranging for buyers and sellers to get together who most likely would not have met otherwise.

2. Identify the need for policy studies and dialogue - Each Center seeks to identify policy-based constraints that restrict economic opportunities and increase the transaction costs of micro, small, and medium farms and businesses. The Center communicates the constraints to PRA management, which can then conduct appropriate analyses and bring alternative solutions to the attention of officials. (*NOTE: the team will not evaluate this component*)

3. Promote mechanisms for coordination and problem solving among key private and public sector entities in economic corridors at a regional level. Each Center works to identify the key institutional players at the corridor level who influence decision making as well as the actions required to address constraints that restrict economic opportunities. As necessary, each Center facilitates the formation of task-oriented committees or advisory groups. The Center will act as a catalyst and bring together institutional representatives at the highest level possible to ensure the leverage and decision making authority required for effective implementation.

The other two elements of the poverty reduction track - investment in productive infrastructure and investment in education - are very important in increasing incomes and employment of the poor and extremely poor, and are handled in a complementary manner with GOP and other USAID/Peru and donor funding. Simultaneously, the poverty alleviation track will be coordinated with the GOP and the USAID/Peru Title II programs.

As will be noted further below, subsequent to the mid-term evaluation, PRA acquired two new functions: (1) beginning in 2003, public-private partnerships (PPPs) to address infrastructure needs such as roads; and (2) beginning in 2006, forestry certification under forest concessions. Based on discussions within the Mission, it was agreed that this final evaluation will not include evaluation of either of these two components that will be assessed through alternative avenues.

The Mission recognizes that the direct impact that PRA can make in these corridors is extremely limited given all the widespread needs stemming from the high levels of poverty, extreme poverty, and unemployment. The hypothesis and expectation is that the promotion of successful business ventures in some of the more remote areas of Peru will demonstrate the viability of working in these areas and encourage continued and further investment in the future. Put more directly, that success will breed further success. Accordingly, as identified in the Terms of Reference for the mid-term evaluation, the chief means for measuring progress for this activity model are: increases in sales of clients that are directly attributable to PRA assistance; increases in employment stemming from these interventions; and increases in investment that PRA clients make in the corridors.

Decisions on the institutional partners responsible for each individual Center were made on a corridor-by-corridor basis. Electing the most appropriate institutional home for the Centers by taking into account the particular institutions available and the services demanded in each locale was considered to improve the chances for leaving behind sustainable employment and income opportunities.

It should be noted that, from the outset, the organizational and operational sustainability of the Centers themselves was not of particular interest. If, after five years, the Centers were to be closed amidst a more vibrant local economy providing incomes and jobs for the poor within a Center's corridor, with other service providers fulfilling functions previously provided by the Centers, the Mission's view was that the strategy would have proved successful.

The design also called for an institutional contractor to assist the local implementing partner in obtaining the expertise needed to undertake the required policy studies, locate technical experts, and undertake publicity campaigns, among other functions. It was to be contracted directly by USAID/Peru, and to monitor and gather data on the effectiveness of the ESCs in fulfilling their role within PRA and in meeting the needs of clients in the priority economic corridors.

Chemonics International was competitively selected and contracted in October 1999 as the institutional contractor. In that role, the Chemonics team served as strategic advisors, technical assistance providers, and as a monitoring and evaluation team for the PRA activity.

Chemonics' contract was subsequently modified in April 2001 to expand their responsibilities to include achievement of the employment generation and increased sales objectives expected of the ten ESCs.

Objectives of the Evaluation: The final evaluation will provide quantitative and qualitative analysis of the impact (both direct and indirect), cost effectiveness, and strengths and weaknesses of PRA-supported activities and operations. In addition, the evaluation will include some sector analysis regarding how to enhance sustainable, market-led diversification that increases the competitiveness of targeted economic corridors and enterprises. This mix of PRA evaluation and sector analysis will provide a solid basis for informing the design of the follow-on activity which will be implemented with the PTPA and other market opportunities in mind.

USAID/Peru believes, based on the mid-term evaluation, subsequent quarterly reports, and contact with project beneficiaries, that the experience of PRA has proven the validity of the activity's original overarching development premise. This premise consists of first identifying effective demand for products and services that can be provided in selected economic corridors, and then linking that demand with local providers and producer groups. While the results achieved to date are impressive and augur well for continued economic expansion in the corridors, the Mission recognizes that fostering growth in these challenging areas is a long-term task.

There are a number of specific items and issues that the Mission seeks to have the evaluation address and, to ensure that these topics are covered, these TOR include a series of questions (listed below) that should be answered by the evaluation team. The team will examine issues and questions in the following five thematic areas:

1. **PRA's Direct and Indirect Impacts**

2. **PRA's Economic Service Centers (ESC) Component**

3. **PRA and Alternative Development**

4. **Assistance to Agricultural vs. Manufacturing and Services Sectors**

5. **Operational Questions**

1. **PRA's Direct and Indirect Impacts**: The evaluation team will have access to information regarding the degree to which PRA generated new sales among its clients and new employment over the life of the activity. But there are, as yet, two indirect impacts that need to be quantified: *(1) indirect, multiplier effect employment* (if feasible within cost and data limitations, this may be quantified via an input-output matrix); and *(2) demonstration effect businesses* (e.g., how many artichoke enterprises now exist, and what portion of those were directly assisted by PRA vs. the portion that were not directly assisted? For example, from 2001-2007, PRA assistance was directly responsible for an increase of 366 hectares of artichokes in Huancayo, located in the Department of Junin. During that same time period, overall artichoke production in Junin increased by roughly 430 hectares. Can we assume that the example of those businesses supported by PRA indirectly led to some portion of the remaining increase in artichoke production in Junin not directly attributable to PRA assistance? Did other producers begin to plant different varieties of artichoke originally introduced by PRA?).

   - Taking into account these two indirect effects, what was PRA's impact on regional GDP? What impact did such a multiplier effect have on employment? *See Table 6.*

   - What have been the indirect impacts of PRA assistance relative to its original development hypothesis, design, benchmarks, and targets? Are impacts greater now than when PRA was last evaluated in late 2002? *Selected indicators of indirect impact are discussed in the section PRA's Direct and Indirect Impacts. Sales, work days generated and investments have all increased compared to the2002 evaluation.*

   - Taking into account direct and indirect impacts of different interventions, where is the return on USAID investment the highest in terms of geographic location and sub-sector? Analysis to answer this question might find, for example, that investment in artichokes in Huancayo had the highest return on $1 USAID investment, while investment in gold jewelry in Piura had the least. *See tables 12 and 13, annex E, and figure 11 for data on the benefits to costs.*

   - How many beneficiaries were reached, how much were sales increased, how many jobs were created, and at what cost per beneficiary? (NOTE: The PRA database contains detailed information in this area.) *See figures 2,3 and43 for sales, work days and employment data. Data on costs is contained in tables 11, 12 and13, figures10, 10 and 12, and in annex E.*

   - Do per beneficiary costs differ in coca-producing corridors compared with corridors not producing coca? Is it more expensive to link markets to ex-coca growers in intensive coca growing regions? *Benefits to costs vary substantially by ESC. Intensive coca growing is only one of many factors determining the benefits to costs ratio, and probably not the most* *important reason. Huánuco, for example had one of the lowest benefit to cost ration, but Pucallpa had a relative high cost to benefit ratio.*

- How does impact disaggregate by gender (e.g., to what extent has PRA helped women) and by corridor (e.g. corridors with coca production vs. corridors without coca production)? *PRA did not maintain results data by sex of the beneficiary or of the company owner or managers. Overall PRA estimates that 37 percent of beneficiaries are women. Women participants in the focus groups with producers accounted for about one third.*

- Was there a significant demonstration effect stimulating the entry of new producers or investors in product lines where early producers were initially assisted by PRA? *There was a demonstration effect for some crops, and the evaluation team with PRA staff identified 101 instances of at least partial utilization of the PRA methodology by non PRA clients (see table 4).*

- What has been the experience of producers who did not receive project assistance but are now investing in growing the same crops or manufacturing the same products that initially were produced by enterprises that received PRA assistance? *Buyers of products supported by PRA have begun to place field agents to encourage other growers to plant the desired crops, much like PRA does, though their level of technical assistance is lower than that provided by PRA.*

- How did enterprises (not receiving PRA assistance) learn how to make replicative investments in PRA-assisted product lines, and what assistance, if any, did they receive from non-PRA sources? *In most cases the technical assistance provided by PRA is easily replicated. Replication or no is more a business investment decision than a technical barrier.*

2. **Economic Service Centers (ESC) Component:**

- Within the ESC component, what worked, what did not, and why? How are the existing alliances working? *The centers visited had been working for several years and seemed to have operational details worked out, except for Ancash, which was new, and was having administrative problems to process payments quickly. We anticipate that will be resolved.*

  The ESCs selected all had a presence in the area, which facilitated making contacts and effectively administrating the program. The evaluation team did not attempt to evaluate the issues surrounding PRISMA as an ESC operator.

- What external factors influenced positive or negative outcomes? *During the project period Peru enjoyed an overall growing economy, helped by generally high and increasing prices for several of the commodities supported through PRA, for example, rice, cotton, cacao, coffee, and others. This was a welcome positive influence. On the disruptive side, temporary inclusion of PRA in providing services for the alternative development created an artificial expansion, and later a contraction phase that created much uncertainty and, we are told, motivated business agents to minimize recruitment of new clients until the budget issues were settled and the needed offices were closed.*

- How effectively has PRA coordinated with Sierra Exportadora, other GOP entities, Title II Private Voluntary Organizations (PVOs), the private sector, and other USAID projects (MYPE Competitive, Alternative Development, etc.)? Provide specific examples of successful collaboration. *Coordination with alternative development after the separation has* *been moderate to limited. Cooperation with Sierra Exportadora has begun and it appears that more will be coming in the months ahead. There is little coordination with MYPE Competitive.*

- Are any of the ESC-supported functions starting to be provided by other non-USAID funded sources (e.g., public sector agencies at national or decentralized levels, for-profit enterprises, or non-profits)? To what extent have clusters or value-chains emerged or evolved to support specific products and what factors constrain development of sustainable and competitive clusters that can help producers:

    - To access market information needed to make business investment and management decisions?

    - To link with buyers and make business deals?

    - To access technical and management assistance, especially to (1) ensure that product characteristics meet product specifications demanded by the market (including export markets); and (2) increase productivity to help ensure enterprise profitability for producers?

    - To attract investment to the Economic Corridors that will help develop, expand, and enhance the sustainability of business enterprises?

    Sierra Exportadora claims it will follow PRA methodology in the future; in the field today it is not apparent that the current projects are market-pull to the extent that PRA defines that concept. NGOs may be the group that is most trying to duplicate PRA methodology for those projects that sell products in the market. Most of PRA activities include value chains supported by PRA. Clusters are functioning for trout, although at a relatively low level of organization. Artichoke production in the sierra is attracting additional buyers and suppliers outside PRA and clusters may soon form for this product.

- If PRA were to be continued in some format, which of the four (above listed) functions originally supported by PRA would merit continued USAID support, which should no longer be supported by USAID (or receive reduced support – e.g., with producers covering a larger percentage of cost), and what (if any) functions would merit being added? *PRA engages in all of the above activities, though they are mostly reactive rather than proactive. That means, their client tells them what is needed, then PRA tries to effectively provide the needed assistance.*

- What options might USAID and local stakeholders explore under a follow-on activity to build sustainability of PRA-type service provision into local institutions? Based on a review of PRA and related developments in the environment, what are the options for building "sustainability" into the follow-on mechanism (e.g. public-private partnerships)? *The evaluation team believes that the ESC benefits to costs ratio raises the option that during the next project it is possible to promote partial recovery of costs for some centers and some clients. With guidance from USAID the team did not attempt to develop more detailed guidelines. The evaluation team considers that few ESCs will ever be fully self sustainable.*

3. **PRA and Alternative Development:** Building on the analysis provided in answering the aforementioned thematic issues and questions, the evaluation will answer the following additional questions:

- How successful has PRA been in making market linkages in PDA (Alternative Development Program) areas and what can be done to improve those linkages? *Beginning in 2003 PRA focused major resources on making linkages in PDA service areas. Many of those linkages continued after the direct cooperation was reassigned by USAID. PRA continues to link production in the PDA regions with markets, but coordination with PDA is much reduced. The body of the report has suggestions for improved linkages.*

- Did PRA help meet alternative development (AD) objectives? *Yes.*

- Given that PRA is now partially funded by AD Program Element funding, should the follow-on activity be financed by AD program element funding or not? *PRA and PDA should be able to cooperate in many areas, but the projects have fundamentally distinct underpinnings and philosophies. .*

- Based on the team's analyses in economic corridors that fall within the purview of the AD program, what management and financing arrangements should USAID utilize to bring about further collaboration and greater impact for both programs in these areas?

- Did combining PRA and Counternarcotics objectives work and how might this work better in the future? *Trying to combine the objectives of PRA and counternarcotics did not work, their objectives may seem to be similar, but their methodologies are quite different and did not mesh well when attached during 2003 and 2004.*

4. **Assistance to Agricultural vs. Manufacturing and Services Sectors:** Peru's population is becoming more urban which implies an expectation that manufacturing and services would make an increasing contribution to an economy's GDP. PRA was not directed to work in specific sectors, just to pursue increments in sales, but roughly 95% of PRA-assisted activities have been in the agricultural sector. Perhaps enterprises based in PRA's target corridors have a comparative advantage (based on access to land and labor) to quickly link with market demand for agricultural products. At the same time, perhaps the enabling environment for investment in manufacturing and services is yet relatively weak but could improve as Peru moves to implement the U.S.-Peru Trade Promotion Agreement (PTPA).

   - Why is the percentage of PRA's work so high with respect to the agricultural sector? *See table 8 for an estimate of share of work in the agricultural sector, and the discussion relating to this question.*

   - Would PRA have had a greater impact on linking markets to manufacturing and service enterprises in PRA-assisted corridors if greater emphasis had been placed on and more attention directed to addressing policy reforms? *We found no data that would directly address this question for policies at the national or regional level; so here is an opinion based on observations in the field and conversations with participants. Existing policies clearly restrain trade and increase costs. If PRA had been able to resolve these issues perhaps the impacts would have been greater. However, after the departure of CONFIEP was not the best placed institution to promote policy change. Incentives on sales, and not on policy change means policy work will take place only if it can demonstrate immediate and significant changes in sales. On occasion PRA personnel did assist resolving policy issues for local communities.*

- In terms of different economic growth models, what type(s) of USAID assistance would be most effective in:

    - Nurturing an enabling environment for entrepreneurial (innovative) capitalism in the economic corridors and Peru's economy overall?

    - Helping entrepreneurs and investors to more effectively link into supply chains and attract investment and support of big firm enterprises (e.g. Wong, Carrefour, etc.)?

    - Advancing reforms to support market-led diversification in the economic corridors or Peru's economy overall?

    The second option is what PRA does best. The business environment is very important and needs work; let PRA provide input for policy work, but not be charged with implementing that task. As an aside, the big firm enterprises seldom invest in suppliers, more often the reverse applies: suppliers are required to invest in "shelf space."

- What are the views of key stakeholders – other donors, national ministries or agencies (Agriculture, Trade, Labor, Environment), regional and municipal governments – regarding the PRA approach to market-led (trade-led) diversification as an engine for economic growth and poverty reduction? *The response of DEVIDA, Sierra Exportadora, regional and local governments and NGOs that were implementing projects aimed at selling to buyers were very optimistic about the PRA methodology. Producers also believe it works for them.*

- How can the successes of PRA be used to convince national, regional, and local governments of their proper role in the development process? *During the follow on project PRA should be able to project with some confidence that for every dollar of support they can generate X dollars of sales, or the client (or a local government, for example) does not pay.*

- What constraints, within and outside the region, impede the corridors from becoming more competitive, and at what level do these constraints need to be addressed (national, provincial/municipal, enterprise, and/or other)?

- Which constraints should USAID's MYPE Competitiva Project address that would impact favorably on competitiveness in the corridors served by PRA?

- What role(s) can USAID play in relation to other donors, and in which priority areas would USAID-assisted interventions be most effective in addressing the identified constraints? *Encourage PRA do what it does best, market pull. Then try to coordinate with other institutions to provide support for the supply-push that actually takes much of PRA's budget. This will not be simple; the typical supply-push by a donor does much more than prepare to make a sale.*

- What are the opportunities for alliances/public-private partnerships?

5. **Operational Questions:** The evaluation team will examine the following operational questions:

    - Calculate the cost efficacy ratio, defined as the ratio of project investment (fixed costs plus technical assistance costs) relative to the increased sales that can be attributed as resulting from the technical assistance provided to PRA-assisted enterprises, for each of the following categories:

- Economic corridors;
- 30 principal PRA-assisted clients, classified by value of sales. *See the report for this data.*

- What criteria have been used to define the technical assistance needed to assist enterprises in solving problems? *The client requests the technical assistance, PRA accepts or rejects. Of course there is negotiation with the client on what is best to do. PRA does tend to focus on assistance that increases sales, little more.*

- What can be concluded about the comparative cost efficacy of technical assistance provided by local experts compared with external experts? *A comparison of apples to oranges. When local assistance is available and can resolve the problem acquire locally. Sometimes only internationally acquired consultants have the experience to resolve a problem.*

- What evidence exists that PRA has directed attention to the concept of the sustainability of:
  - The assisted enterprises? *They attempt to assess sustainability when deciding to accept a client. Once accepted, their TA is focused on successful sales, beyond that they do little institution building.*
  - Productive sub-sectors (products) within economic corridors? *Again PRA focuses on sales, but that focus has generated more stable market conditions for several crops, such as artichokes, trout, dry beans and peas, limes, and of course cacao and coffee – with a lot of help from AD for these last two.*
  - The development of a local market of technical assistance services? *Little emphasis is given to establishing a local market for technical assistance services. Several employees of PRA have been hired by buyers to help maintain purchases.*

- How do the principal enterprises receiving PRA assistance rate the value of the technical assistance received, by the following categories: *Very high for all of the below.*
  - Technical aspects of producing a product?
  - Organizational aspects of getting several producers to produce the same product?
  - Markets (i.e., market information, facilitating contacts with buyers, etc.)?

- What is the evidence that the type of technical assistance and the level of profit that a client would require in order to make an investment has been determined in accordance with pre-established technical criteria that include whether the assistance would result in sustainable sales? *Each client is evaluated based on their situation. There are not a sufficient number of clients in a specific sector to establish prudential norms that would suggest sustainable sales. There are only a few trout buyers and they are so different that pre-established criteria is not workable. On the agricultural production side PRA does use pre-established criteria for how to deliver technical assistance and, in some cases, which producers to admit to the group.*

- How adequate are the criteria that the PRA monitoring office uses to collect and analyze the data that provide the basis for estimating the impact of PRA assistance? *Monitoring appears to work independently of PRA operations. We did not receive any complaints that PRA leadership over ruled a decision by monitoring on what portion of sales, work days generated, or investments to include in the reports by participants. The data collection process appears to be reliable and reasonable.*

Sources of Information

The evaluation team will be expected to meet with members of the USAID/Peru Economic Growth and Environment (EGE) Team, the USAID Alternative Development Team, the USAID MYPE Competitiva Team, USAID senior management, the Chemonics team responsible for managing PRA, the staffs of the ten ESC operators, other key players associated with PRA, and at least twenty of the principal clients of PRA. The team will also review written material related to the project from the following sources:

- USAID: Activity Approval Document; Chemonics original contract and amendments; PRA mid-term evaluation report; and project correspondence.

- Chemonics: Quarterly, semiannual and annual reports; Monitoring and Evaluation Unit's quarterly and field trip reports; product strategies; and overseas and local technical assistance consultants' reports.

- Access to Chemonics' PRA database to conduct quantitative analyses in support of this evaluation.

- Economic Service Centers (ESCs): Client business plans and quarterly progress reports; biweekly operations reports; and local technical assistance reports.

- Other sources of economic, business, and poverty data: e.g., *El Instituto Nacional de Estadística e Información* (www.inei.gob.pe); CPI polling firm (www.cpi.com.pe); The World Bank; Economist Intelligence Unit; etc.

Methodology

This will be an external evaluation but should be conducted in consultation with USAID/Peru and Chemonics to ensure that the team has the fullest possible background and contact information. The key issues to be addressed by the evaluation team should be developed in consultation with the EGE Team during the evaluation team's first meeting with the Mission. The methodological instruments to be used should focus on obtaining information, opinions, and quantitative data from counterparts, contractors, partners, PRA clients, beneficiaries, GOP entities, and other donors. These will include the preparation of appropriate questionnaires that will enable the team to gather all the information required from all parties involved in, or related to, the activity.

The evaluation team should consider starting its work with a paper review of all the documents cited in the "Sources of Information" section above. It should also be prepared to conduct interviews with a sample of assisted enterprises and "demonstration effect" (or "replicative") enterprises in a sample of corridors. The evaluation methodology also should provide for an assessment of approximately 10 business/value chains (to include participating productive and service enterprises). At this point, it is unclear whether the evaluation will use probability or non-probability samples. The Mission expects the evaluation team to present strong quantitative analysis, within data limitations, that clearly addresses key issues found in the research questions such as the direct and indirect impact and cost effectiveness of PRA.

The Mission is looking for new, creative suggestions regarding this evaluation, and it is anticipated that the implementer will provide a more detailed explanation of the proposed methodology for carrying out the work. The methodology will be comprised of a mix of tools appropriate to the evaluation's research questions. These tools may include a combination of the following:

- Review PRA documentation (e.g., mid-term evaluation; quarterly reports);
- Quantitative analyses (e.g., cost-benefit or return on investment analysis, as appropriate);
- Review trade and competitiveness constraints identified by MYPE Competitiva and other sources (e.g., Alternative Development Project; World Bank "Doing Business" Report);
- Organize focus group discussions with PRA, MYPE Competitiva, and Alternative Development stakeholders;
- Conduct stakeholder interviews (ESCs; service providers; assisted and non-assisted enterprises);
- Case studies of successful enterprises and successful (or emerging) supply chains, value chains, and/or clusters.

To facilitate the bidder's formulation of the methodology to be used for quantitative analyses of such issues as direct and indirect impact and cost-benefit ratios, Annex B provides a summary description of the content and structure of the data in the PRA database.