

PERU-ECUADOR BORDER DEVELOPMENT

JULY 2007



The 510-foot Rio Nieva bridge was a major accomplishment of the USAID program in FY 2005. It provides access for indigenous populations and settlers to the Amazon River and Ecuador and has reduced travel time between two major towns in the area by half.

Implementing Partners:

Chemonics International Inc., Ministry of Energy and Mines, municipal credit union and local non-governmental organizations.

Partner: *Peru Chapter of the Peru-Ecuador Binational Plan.*

The 1998 Peace Accords ended decades of conflict between Peru and Ecuador along their shared border. As part of the Peace Agreement, both countries have committed themselves to improving the living standards and providing tangible development benefits to the population living in the border region. The United States, as a guarantor to that agreement, committed to support peace by investing over \$20 million in development on both sides of the border. USAID/Peru has carried out that charge in Peru in close coordination with the Peru Chapter of the Peru-Ecuador Binational Plan – the implementation mechanism for the Peace Accords. The Peru-Ecuador Border program promotes improved basic living conditions and sustainable broad-based development in order to integrate the border regions into their respective national economies and enhance prospects for a lasting peace.

The program has had two phases. Phase I, which began in 2001 and ended in late 2004, focused on community development. Interventions targeted the extremely poor and isolated rural areas of the Piura, Amazonas, and Loreto regions. USAID assistance brought immediate improvements to the lives of inhabitants of the border region and addressed the wounds of war by protecting human rights and creating a culture of peace. Activities expanded government health services in isolated border communities, improved school management, brought small infrastructure projects, and strengthened local government, making it more democratic and transparent. Ombudsmen addressed human rights issues and trained citizens on human rights concepts. USAID activities provided a wider understanding of the Peace Accords by promoting policy dialog and facilitating cross-border linkages in support of the implementation of the Binational Plan.

The focus of Phase II, which began in 2005, is on economic development. Economic activity in the border region is generated mostly through informal micro and small enterprises. The lack of infrastructure and absence of financial and non-financial services for small businesses hinder economic opportunities for the border population, who are among the poorest in the country. USAID's efforts are directed at improving the business environment, increasing access to economic infrastructure and financial services, and enhancing the competitiveness of small enterprises. Through higher incomes and greater economic interdependence, USAID's interventions will promote political, social, and economic stability on the border with Ecuador and help ensure a lasting peace between the two countries.



A traditional handcraft generates higher incomes for women in Piura: Martha Sosa, pictured above, is one of 300 women from Catacaos, in the border region, that have received USAID support. A local NGO provides the women with technical assistance in management, marketing, design, and product standardization. Sales have increased, including a recent order for 1,500 hats that was exported to a customer in Texas, and the women have doubled their incomes.



Women sorting sweet pepper (Pimiento Piquillo): With the support of USAID's Economic Service Center in Piura, new businesses are starting to flourish in the border region and generating new jobs. Production of sweet peppers is a new business employing 300 people per day per hectare (80% women) and an additional 50 workers in the storage facility. The peppers are then processed and packaged for export to Europe.

USAID provides business development services to small farmers and entrepreneurs in targeted border regions. These services identify markets for local products and link entrepreneurs and producers to organizations that help improve productivity and competitiveness in the market place. Some of the value chains that are receiving support are for mango, coffee, plantain, lemon, papaya, beans, and shellfish. Credit to these businesses is being expanded through Development Credit Authority loan guarantees to municipal credit unions. USAID is building key economic infrastructure, including a crucial bridge completed in 2005, along with rural electrification projects. Finally, a groundbreaking activity has streamlined the business registration process in one pilot municipality, reducing informality and easing business formation. This experience is being leveraged for broader efforts to reduce this key benchmark in Peru.

Under these two phases, the Border program has been successful in providing tangible changes in the poorest areas of the border and is beginning to have an impact on the economic growth of these areas:

- ▣ **Health:** 900 health providers were trained to work in 297 communities, and 27 health posts were upgraded with improved infrastructure and/or equipment. Births attended by skilled personnel increased from 23% in 2001 to 53% in 2004 in USAID-supported areas.
- ▣ **Human Rights:** USAID efforts were catalytic in establishing mechanisms for the protection of human rights in all target districts through a network of more than 1,000 human rights promoters in communities. Roving ombudsman teams attended to more than 4,200 cases and requests. At the community level, the portion of the population that could identify and understand basic rights increased from 45% in 2001 to 86% in 2004.
- ▣ **Business Development:** In FY 2006, USAID activities generated \$10 million in new sales, created 1,640 jobs, and worked intensively with 170 small and medium enterprises to improve quality and linkages to markets.
- ▣ **Business Registration:** The number of days required to register a business in one municipality was reduced from nearly 6 months to 9 business days, reducing the cost by over 60%.
- ▣ **Infrastructure:** The 510-foot Rio Nieva bridge was completed in FY 2005 and now carries vehicles and people, providing access to indigenous populations and settlers to the Amazon River and Ecuador. With the new bridge, travel time between the two major towns in the area has been reduced by half. Rural electrification grid has been extended to serve 32 communities.