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# Peru Cacao Alliance Phase II

Work Plan Year 5

Cooperative Agreement No.: AID-527-A-16-00002



PCA technical team members after a training session in Tingo María, Huánuco - November 2019

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# ACRONYMS

|          |  |
|----------|--|
| AFS      | Agroforestry System  |
| COFIDE   | Development Bank of Peru   |
| DCA      | Development Credit Authority   |
| DEVIDA   | National Drug Control Commission                                     |
| DRIS     | Desarrollo Rural Sustentable   |
| EBP      | Environmental Best Practices   |
| ECR      | Environmental Compliance Report                                      |
| EMMP     | Environmental Monitoring and Mitigation Plan                         |
| EU       | European Union   |
| GHG      | Greenhouse gases   |
| GOP      | Government of Peru   |
| IEE      | Initial Environmental Examination                                    |
| IMS      | Investment Mapping System  |
| INTP     | Integral Nutrition and Timely Pruning                                |
| IPM      | Integrated Pest Management   |
| MINAGRI  | Peruvian Ministry of Agriculture                                     |
| MINCETUR | Ministry of Foreign Trade and Tourism                                |
| MSMEs    | Micro, Small and Medium Enterprises                                  |
| SENASA   | National Agrarian Health   |
| PCA      | Peru Cacao Alliance  |
| S.E.     | Schools of Excellence  |
| SMS      | Text Message   |
| SCMs     | Supply Chain Managers  |
| TA       | Technical Assistance   |
| TABSAC   | National Agrarian University - La Molina and Técnicas Agrobiológicas |
| UNALM    | Universidad Nacional Agraria La Molina                               |
| USAID    | United States Agency for International Development                   |
| WHO      | World Health Organization  |
| WTO      | World Trade Organization   |

# EXECUTIVE SUMMARY

Year 4 was not a typical year in the implementation of the Peru Cacao Alliance (PCA). Although the team made significant progress during the first half of the year, all field activities were put on hold on March 16th, 2020 due to the health emergency declared by the Peruvian government. The ongoing COVID-19 pandemic has had a significant impact in Peru; in an effort to limit the spread of the disease, the Government of Peru (GOP) put social isolation and quarantine measures into place, and economic activities came to a halt. Although the slow process of re-activating the Peruvian economy began in July 2020, PCA has been unable to resume in-person field work in the Alliance's intervention areas. In light of this challenge, the PCA team has adjusted activities to continue offering critical information and technical support through a variety of channels including radio programs, phone consultations, SMS and WhatsApp messaging, and online conferences and training sessions hosted via Zoom and Facebook Live.

In Year 5, we intend to resume field work while complying with all government health regulations and guidelines. Although this will limit the number of people participating in in-person trainings, we will continue to offer additional tools to farmers and partners through virtual outreach methods, as mentioned above. We anticipate that 24,000 families will benefit from the Alliance's services during Year 5, including 4,000 families in the areas of Monzón, Ciudad Constitución, Puerto Bermúdez, Codo de Pozuzo, and Iscozacín, which are particularly challenging areas due to the lack of cacao culture and limited number of cacao-growing families.

The first half of Year 5 will be key to achieving PCA's objectives, as the agricultural practices implemented by farmers during this period will affect yields in 2021. PCA will close its offices in the San Martín and Ucayali regions, as well as in parts of the Huánuco region, in February 2021; however, PCA partners will continue to work with the farmers that supply them with cacao. At the end of Year 5, a total of 8,000 families from across the PCA intervention areas are expected to graduate from receiving direct technical assistance from PCA, joining the 5,000 families that graduated during Year 4. This is a reflection of the sustainable ecosystems that have been developed in target areas and that will allow farming families to continue successfully producing and selling cacao. Although PCA offices will be closed, the Alliance will still implement select activities in these areas, including periodically strengthening the technical skills of agricultural technicians, implementing quality control activities, and supporting financial inclusion.

PCA will also continue to work with our private sector partners to establish linkages with cacao-growing farmers. The PCA team will build on the commitment of technology companies, financial firms, and Supply Chain Managers (SCMs) to the ongoing development of the cacao value chain and to continue to build farmer capacity.



# RESULT 1: FACILITATE MARKET ACCESS



Buyers in differentiated markets are not only looking for volume; quality is also a central factor in buyer decisions and building sustainable supply relationships.

## A.1.1 Facilitate linkages between SCMs and end buyers

Rural families in alternative development areas connect with end buyers in high value markets via SCMs. To facilitate linkages between SCMs and end buyers, PCA will implement the following activities in Year 5:

- Strengthen PCA producer organizations' organic certification programs via 32 trainings on integrated pest management (IPM), with an emphasis on cultural, physical, chemical, and biological control (4 in Pasco, 10 in Ucayali, 8 in Huánuco, and 10 in San Martín). Most organizations already have a certification, which they have financed independently of PCA support. These trainings will focus on leading producers, agricultural technicians from the producer organizations, and PCA technicians.

**Table 1: Planned IPM Trainings by Regional Office**

| Region       | Micro-corridor  | # of Trainings | # of People Trained (ag technicians, TAs, and leading producers) |
|--------------|---|----------------|--|
| Pasco        | Ciudad Constitución   | 2              | 40   |
|              | Iscozacín   | 1              | 25   |
|              | Puerto Bermúdez   | 1              | 40   |
|              | <b>Subtotal</b>   | <b>4</b>       | <b>105</b>   |
| Ucayali      | Atalaya   | 2              | 40   |
|              | Nueva Requena - Campo Verde - Honoria - Tournavista - Masisea | 3              | 60   |
|              | Neshuya - Curimana  | 3              | 60   |
|              | Von Humboldt - Aguaytia                                       | 2              | 40   |
|              | <b>Subtotal</b>   | <b>10</b>      | <b>200</b>   |
| Huanuco      | Monzón  | 1              | 20   |
|              | Tocache   | 3              | 60   |
|              | Left bank   | 2              | 40   |
|              | Right bank  | 2              | 40   |
|              | <b>Subtotal</b>   | <b>8</b>       | <b>160</b>   |
| San Martín   | San Martín - Norte  | 4              | 160  |
|              | San Martín - Sur  | 6              | 240  |
|              | <b>Subtotal</b>   | <b>10</b>      | <b>400</b>   |
| <b>Total</b> |   | <b>32</b>      | <b>865</b>   |

Source: Agribusiness and Environmental Management Area

- Additionally, 20 SCMs will strengthen their organic programs (2 in the Ucayali region, 13 in the Huánuco region, and 5 in the San Martín region). Table 2 provides a list of the SCMs by regional office. Stronger organic programs help to build and maintain linkages with buyers in high value, differentiated markets.

**Table 2: SCMs Strengthening Organic Programs**

| REGION     | SCM                                | BUYER  | ACTIVITY  | MICRO-CORRIDOR                          |
|------------|------------------------------------|--|---|---|
| Ucayali    | CAC "Colpa de Loros"               | KAOKA  | Strengthen the organic program through farmer trainings on IPM, with an emphasis on cultural, physical, chemical, and biological control. | Neshuya - Curimana - Km 86              |
|            | Comité Central de Curimaná (CCC)   | ICAM, SUMAQAO  |   | Curimana                                |
| Huánuco    | CAC " La Divisoria" LTDA           | PRONATEC AG  | Strengthen the organic program through farmer trainings on IPM, with an emphasis on cultural, physical, chemical, and biological control. | Right Huallaga river bank and left bank |
|            | COOPA                              | ICAM   |   |   |
|            | CAI Bella                          | ICAM, Winter   |   |   |
|            | Aucacop                            | Winter   |   |   |
|            | Cooperativa Grano de Oro La Morada | Winter   |   |   |
|            | CIMA Cordillera                    | ECOM, MPF  |   |   |
|            | COPAIN                             | ECOM   |   | Tocache Norte and Tocache Sur           |
|            | CAICAH "Alto Huallaga"             | Winter, ICAM SPA, PRONATEC   |   |   |
|            | CP CACAO                           | ICAM, ZOOTHER,   |   |   |
|            | Nueva Visión                       | Winter, ECOM   |   |   |
|            | Asociación Cacao Ecologico         | MPF, ECOM  |   |   |
|            | CAT                                | ICAM, PRONATEC   |   |   |
| San Martín | CAC "Acopagro"                     | TCHO, ICAM, PRONATEC, Machu Picchu Foods, MINKA SCS AG, Tradin Organic | Strengthen the organic program through farmer trainings on IPM, with an emphasis on cultural, physical, chemical, and biological control. | San Martín Norte and San Martín Sur     |
|            | CAC "Allima Cacao"                 | ICAM, ECOM, MPF  |   |   |
|            | CAC "Cuencas del Huallaga"         | ICAM, NORANDINO  |   |   |
|            | CAC "Oro Verde"                    | ICAM   |   |   |
|            | COPANA                             | MPF, ECOM  |   |   |

Source: Agribusiness and Environmental Management Area

### A.1.2 Support commercial SCMs to develop relationships with independent farming families

During Year 5, PCA will continue to connect farmers with SCMs that are active in each region. More than 15 SCMs are currently working to access new domestic and international cacao markets, including Villa Andina SAC, CAC Colpa de Loros, Central de Curimana, CAC Oro Verde, ACOPAGRO, ALLIMACACAO, and more.

PCA will also work to connect 11,310 independent farmers with the companies mentioned above to develop commercial relationships, as well as with any other SCMs that join the Alliance over the course of the year. The collection targets established by each SCM will be a key factor in this process, as they will dictate each SCM's interest and level of involvement in the project. Although we are monitoring global trends closely, to date, demand for cacao has not dropped as a result of COVID-19. Companies are eager to secure

supply. We are optimistic that we will be able to hit the target for commercial relationships in spite of the pandemic.

In Year 5, PCA will implement the following activities to support commercial SCMs to develop relationships with independent farming families:

- Host meetings to introduce SCMs to leading cacao producers – “Leaders” that have participated in PCA’s Leadership Academy - located in each corridor via the corresponding regional office. These leading producers share information with producers in their communities but are distinct from technological agents as they do not necessarily have plans to create a business for technical assistance or input provision.
- Host technical trainings for SCM teams on integrated nutrition and timely pruning (INTP), IPM, and environmental best practices (EBPs) so that they are able to pass this knowledge on to independent farmers through technical assistance.
- Support organic and free-trade certification programs.
- Support the development of differentiated products based on quality, food safety, history, origin, and other factors.



**Table 3: Number of Families That Will Access New Market Opportunities During Year 5**

| REGIONAL OFFICE | MICRO-CORRIDOR(S)                      | SCM  | ACTIVITY   | # OF FAMILIES INCORPORATED                                   | # OF FAMILIES INCORPORATED   |
|-----------------|--|--|--|--|--|
| Ucayali         | Neshuya - Campo Verde - Nueva Requena. | Villa Andina SAC   | Host meetings to introduce SCMs to leading producers of fine flavor cacao. | 1,700  | 1,700 farmers incorporated into the organic program.                       |
|                 | Honorita - Tournavista - Masisea       |  |  |  |  |
|                 | Curimana                               | Comité Central de Curimana                                   |  | 600  | 600 farmers incorporated into the commercialization program.               |
|                 | Neshuya - Curimana - Km 86             | CAC "Colpa de Loros"   | Host meetings to introduce SCMs to leading producers of fine flavor cacao  | 600  | 600 farmers incorporated into the organic program.                         |
|                 | Puerto Inca - Aguaytia                 | Procesadora Tropical   | Host meetings to introduce SCMs to leading plantain producers.             | 565  | 565 farmers incorporated into the Bellaco ("Hartón") plantain value chain. |
| Huánuco         | Tocache Norte and Tocache Sur          | CP CACAO   | Host meetings to introduce SCMs to leading producers of fine flavor cacao. | 120  | 120 farmers incorporated into the commercialization program.               |
|                 |  | Nueva Visión   |  | 110  | 110 farmers incorporated into the commercialization program.               |
|                 |  | Asociación Cacao Ecologico                                   |  | 206  | 206 farmers incorporated into the commercialization program.               |
|                 |  | Cooperativa Agroindustrial Tocache                           |  | 415  | 415 farmers incorporated into the commercialization program.               |
|                 | Right bank and left bank               | Cooperativa Alto Huallaga                                    |  | 405  | 405 farmers incorporated into the commercialization program.               |
|                 |  | COOPACAMP  |  | 200  | 200 farmers incorporated into the commercialization program.               |
|                 |  | COOPA  |  | 170  | 170 farmers incorporated into the commercialization program.               |
|                 |  | CAI Bella  |  | 120  | 120 farmers incorporated into the commercialization program.               |
|                 |  | Aucacop  |  | 159  | 159 farmers incorporated into the commercialization program.               |
|                 |  | CAC Divisoria  |  | 300  | 300 farmers incorporated into the commercialization program.               |
|                 |  | Cooperativa Grano de Oro La Morada                           |  | 40   | 40 farmers incorporated into the commercialization program.                |
| CIMA Cordillera | 200                                    | 200 farmers incorporated into the commercialization program. |  |  |  |
| San Martín      | San Martín Norte and San Martín Sur    | CACA ACOPAGRO  | Host meetings to introduce SCMs to leading producers of fine flavor cacao. | 2,500  | 2,500 farmers incorporated into the commercialization program.             |
|                 |  | CAC Oro Verde  |  | 900  | 500 farmers incorporated into the commercialization program.               |
|                 |  | Asoc. Alto Huallaga  |  | 700  | 500 farmers incorporated into the commercialization program.               |
|                 |  | COOPALGSA  | 500  | 500 farmers incorporated into the commercialization program. |  |
|                 |  | ALLIMA   | 800  | 500 farmers incorporated into the commercialization program. |  |
| <b>Total</b>    |  |  |  | <b>11,310</b>  |  |

Source: PCA Agribusiness and Environmental Management Team

It is important to note that the majority of the farmers that the Alliance serves are independent (not part of an association or organization) and prefer to stay independent – selling their product to the highest bidder at harvest. This complicates the process of establishing relationships with SCMs.

#### A.1.4 Develop guidelines and an action plan to manage cadmium levels in cacao

PCA has made significant contributions to the dialogue and work to establish norms surrounding acceptable levels of cadmium in Peruvian cacao beans and has participated in the following groups:

- ✓ Committee on Contaminants in Foods
- ✓ Committee to present proposals to the World Trade Organization (WTO) and the European Union (EU)

In the field, PCA has implemented various efforts to manage and measure cadmium, including:

- Conducting various field tests in partnership with the National Agrarian University - La Molina and Técnicas Agrobiológicas (TABSAC) regarding mycorrhiza and hyperaccumulator plants (*Amaranthus sp.*) that have shown promising results.
- Working with Cacao Seguro and Bioversity to validate protocols for use of soil improvers and integrated nutrition to mitigate cadmium levels in the regions where the Alliance is active.

In Year 5, we will continue to implement trainings on the use of INTP, including balanced fertilization, as a way to avoid plant absorption of heavy metals present in the soil. We will also continue to participate on the committees mentioned above.

Table 4 provides an overview of some of the activities that will be implemented to manage cadmium levels during Year 5.

**Table 4: Action Plan to Manage Cadmium Levels in Cacao**

| STRATEGIC/LEAD PARTNER                                      | ACTIVITY  | EXPECTED RESULTS  |
|---|---|---|
| <b>Work on policies and regulations:</b>                    |   |   |
| SENASA (Directorate of Agricultural Inputs and Food Safety) | Meetings with the Committee on Food Contaminants.   | At least one proposal agreed upon for submission to the Codex Alimentarius. |
| MINCETUR  | Follow up on the Specific Trade Concern presented to the WTO.   | Peru's position regarding EU regulations is presented.                      |
| <b>Mitigation in the field:</b>                             |   |   |
| Bioversity - Cacao Seguro                                   | Nine treatments and 10 repeat samplings of cacao production plantations at six plots (two in San Martín, two in Huánuco, and two in Ucayali). | At least one treatment shows positive results for cadmium mitigation.       |
| Peru Cacao Alliance   | Promote INTP as a strategic mitigation measure to decrease cadmium levels.  | At least 20 megaevents on INTP are held across the three regions.           |

### **A.1.5 Support SCMs and end buyers in the development and promotion of differentiated products**

In partnership with PROMPERU, PCA is working with eight SCMs (four in the San Martín region and four in the Huánuco region) to implement EBPs to reduce greenhouse gases (GHG). It is through these practices that SCMs may be able to access differentiated markets, including markets for carbon neutral or zero-carbon products. We will continue to implement this initiative in Year 5, and complement it with the following strategies:

- Implement a plan to monitor and mitigate GHG production, which includes gathering information from producer plots to evaluate how they are implementing carbon mitigation activities (such as composting cacao by-products) and the impact on GHG production.
- Report on progress made towards decreasing GHG.

In the Ucayali region, the cooperative “Colpa de Loros” will begin to plant timber species in cacao monocultures (enrichment planting), which will allow them to implement an agro-forestry model and offer differentiated products on the basis of environmental sustainability.

**Table 5: Environmental Responsibility Activities**

| REGION     | CROP  | SCM(s)  | ACTIVITY  | EXPECTED RESULTS  |
|------------|-------|---|---|---|
| San Martín | Cacao | ACOPAGRO, ALLIMA CACAO, CAI TOCACHE, AND ORO VERDE            | Implement a plan to monitor and mitigate GHG production.          | Eight organizations implement a plan to monitor and mitigate GHG production in the field and among all their members. |
| Huánuco    | Cacao | CAC "Paraíso", ASPROC NBT, CAC "Cordillera Azul", and CPCACAO |   |   |
| Ucayali    | Cacao | CAC "Colpa de Loros"  | Plant timber species in cacao monocultures (enrichment planting). | At least 70% of CAC "Colpa de Loros" members have an agroforestry system in place for their cacao.                    |

Quality is a key factor that helps differentiate Peruvian cacao. During Year 5, the Alliance will implement the following activities to help ensure high-quality products:

- Offer training and technical assistance on correct harvest processes, as this is the first step towards ensuring appropriate processing. Optimizing maturity at the time of harvest helps ensure the ideal quantity of sugar in each pod, which contributes to a successful fermentation process.
- Offer training and technical assistance on correct post-harvest processes, with a particular focus on fermentation and drying. Protocols should be established based on the type of cacao being processed in order to standardize the quality of the final product and sell it to the highest-value markets.
- Offer training on quality management systems. Considering the current context, these trainings will focus on complementary food safety and hygiene systems based on good manufacturing practices.
- Support PCA members to define flavor profiles for submission to events, fairs, contests, and business matchmaking events.

**Table 6: Quality Trainings by Regional Office**

| REGION  | ORGANIZATION   | ACTIVITIES   | # OF TRAININGS |
|---|--|--|----------------|
| Huánuco   | Cooperativa Agroindustrial Alto Huallaga Ltda.   | Provide guidance on goods receipt process, EBPs, wastewater management, and traceability improvements in order to position certified cacao in target markets.  | 1              |
|   | Cooperativa Agroindustrial y de Servicios del Centro Poblado de Bella, Bajo Monzón (CAI BELLA) | Provide guidance on goods receipt process, EBPs, wastewater management, and traceability improvements in order to position certified cacao in target markets.  | 1              |
|   | CAC Divisoria Ltda.  | Provide guidance on the appropriate layout of post-harvest collection centers to avoid cross-contamination.  | 1              |
|   | Cooperativa Bolsón Inka Cuchara  |  | 1              |
|   | Cooperativa AUCACOOOP  |  | 1              |
|   | Cooperativa Grano de Oro La Morada   |  | 1              |
|   | Cooperativa Agroindustrial Tocache - CAI Tocache   |  | 1              |
|   | Cooperativa Agroindustrial ASPROC-NBT  | 1  |                |
|   | Cooperativa Agroindustrial Paraiso   | Provide guidance on post-harvest quality improvement and EBPs.   | 1              |
|   | Cooperativa Agro Industrial Cordillera Azul - COOPACANP  | Provide guidance on post-harvest quality improvement and GMP.  | 1              |
|   | Central Cacao de Aroma   | Provide guidance on preparing samples and on the layout of the laboratory and nibs processing plant, as necessary.   | 1              |
|   | KATO SAC   | Provide guidance on chocolate-making process improvements to ensure high quality final products.   | 1              |
|   | Cooperativa Cacaotera Agro Industrial de Uchiza - COCAU  | Provide guidance on the appropriate layout of post-harvest collection center to avoid cross-contamination.   | 1              |
|   | Cooperativa CP Cacao Tocache Ltda.   | Provide guidance on post-harvest quality improvements, GMP, and EBPs.  | 1              |
|   | Cooperativa Agro Industrial Uchiza - CAU   |  | 1              |
| Asociación de Cacaoteros Ecológicos                             | 1  |  |                |
| Cooperativa Agraria Valle del Monzón                            | 1  |  |                |
| SAN MARTÍN  | COOPALGSA  | Provide guidance on post-harvest quality improvements, GMP, and EBPs.  | 1              |
|   | Allima Cacao   | Develop flavor profiles.<br>Improve quality of the chocolate.<br>Provide training to the post-harvest team on production and processing.   | 1              |
|   | Casa Qoya - Nina Chocolates  | Provide post-harvest and tasting trainings to processing personnel.  | 1              |
|   | COPANA (Cooperativa Agraria Nuevo Amanecer Ltda)   | Develop post-harvest capacities of quality control personnel.  | 1              |
|   | APARMASH (Asociación de Productores Rio Mayo Shanao)   | Develop post-harvest capacities of quality control personnel.  | 1              |
|   | Asociación Cuenca del Huallaga   | Develop post-harvest capacities of quality control personnel.  | 1              |
|   | COOPABAM (Cooperativa Agraria del Alto y Bajo Mayo)  | Develop flavor profiles of cacao by area.  | 1              |
| ASAPROT (Asociación de Agricultores y Productores de Tabalosos) | Develop flavor profile by area.<br>Work on food safety issues.                                 | 1  |                |
| UCAYALI   | Comité Central con Desarrollo al Futuro de Curimana  | Provide guidance on process improvements.  | 1              |
|   | Cooperativa Colpa de Loros   | Implement Schools of Excellence.   | 1              |
|   | Cooperativa Cacao Fino y Aroma   | Provide training on the operation of their post-harvest collection centers to avoid cross-contamination.   | 1              |
|   | Cooperativa Agraria Huipoca (ASCAH) (80 Members)   | Provide guidance to processing personnel to improve fermentation methods at post-harvest centers and to avoid cross-contamination.   | 1              |
| PASCO   | Cooperativa APASC SANCORE PALCAZU  | Provide guidance to processing personnel to improve fermentation methods at post-harvest centers and to avoid cross-contamination.<br>Provide organizational strengthening support.                        | 1              |
|   | Cooperativa Agraria Cacaotera Puerto Inca - CACPI  | Provide guidance to processing personnel to improve fermentation methods at post-harvest centers and to avoid cross-contamination.   | 1              |
|   | Asociación de Productores Agropecuarios Fernando Belaunde Terry                                | Provide trainings on harvest and post-harvest processes for cacao.   | 1              |
|   | Asociación de productores agropecuarios San Juan de Cahuapanas                                 | Provide guidance to processing personnel to improve fermentation methods at post-harvest centers and to avoid cross-contamination.   | 1              |
|   | Cooperativa Agraria Ashaninka del Valle del Pichis   | Provide guidance to processing personnel to improve fermentation methods at post-harvest centers and to avoid cross-contamination.<br>Provide guidance on leveraging funds for cacao processing equipment. | 1              |
|   | Asociación de Pequeños Productores Agroecológicos Laguna Raya (APPALAR)                        | Provide guidance to processing personnel to improve fermentation methods at post-harvest centers and to avoid cross-contamination.   | 1              |
|   | Inversiones Import Export Yerson EIRL  | Provide guidance to processing personnel to improve fermentation methods at post-harvest centers and to avoid cross-contamination.   | 1              |

Source: PCA Quality Program Coordination

As part of PCA's efforts to support the differentiation of Peruvian cacao, PCA plans to participate in the following events during Year 5:

- The "Salon del Cacao y Chocolate" (2020 virtual edition and 2021 in-person edition); participation will be as a member of the organizing committee
- ExpoAmazónica conferences
- Various international conferences<sup>1</sup>

In Huánuco, San Martín, Ucayali, and Pasco, PCA will also participate in sales and marketing activities and events to share information on the potential for fine flavor cacao and specific flavor profiles as a business opportunity for entering high-value markets, and work to increase local chocolate consumption per capita.

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<sup>1</sup> The conferences will be determined throughout the year, as some have been cancelled or moved to an online format, while others may proceed as the COVID-19 situation evolves. Approval will be requested from the COR prior to participation in any international conferences or fairs.



Table 7: Activity Timeline

| HIERARCHY OF OBJECTIVES/ACTIVITIES | INDICATORS  | TARGET  | 2020   |      |     |     |     | 2021 |     |     |     |     |     |     |  |
|------------------------------------|---|---|--------|------|-----|-----|-----|------|-----|-----|-----|-----|-----|-----|--|
|                                    |   |   | Aug    | Sept | Oct | Nov | Dec | Jan  | Feb | Mar | Apr | May | Jun | Jul |  |
| <b>A.1.1</b>                       | <b>Facilitate intermediation between SCMs and end buyers</b>                              |   |        |      |     |     |     |      |     |     |     |     |     |     |  |
| a                                  | Strengthen SCM organic programs to offer higher quality products                          | # of SCMs with improved cacao collection and commercialization capacities | 13     |      |     |     |     |      |     |     |     |     |     |     |  |
| b                                  | Improve centralized, post-harvest processes for cacao                                     | At least six organizations increase cacao sales                           | 10     |      |     |     |     |      |     |     |     |     |     |     |  |
| <b>A.1.2</b>                       | <b>Support commercial SCMs to develop relationships with independent farming families</b> |   |        |      |     |     |     |      |     |     |     |     |     |     |  |
| a                                  | Establish commercial relationships between farmers and SCMs – cacao                       | # of farmers connected  | 12,200 |      |     |     |     |      |     |     |     |     |     |     |  |
| b                                  | Establish commercial relationships between farmers and SCMs – plantain                    | # of farmers connected  | 800    |      |     |     |     |      |     |     |     |     |     |     |  |
| <b>A.1.4</b>                       | <b>Develop guidelines and an action plan to manage cadmium levels in cacao</b>            |   |        |      |     |     |     |      |     |     |     |     |     |     |  |
| a                                  | Conduct mitigation tests using soil improvers and fertilizers                             | Technical report  | 3      |      |     |     |     |      |     |     |     |     |     |     |  |
| b                                  | Host coordination meetings  | Technical report  | 5      |      |     |     |     |      |     |     |     |     |     |     |  |
| <b>A.1.5</b>                       | <b>Support SCMs and end buyers to develop and promote differentiated products</b>         |   |        |      |     |     |     |      |     |     |     |     |     |     |  |
| a                                  | Develop differentiated products based on environmental responsibility                     | # of GHG monitoring and mitigation plans                                  | 8      |      |     |     |     |      |     |     |     |     |     |     |  |
| b                                  | Plant timber species in cacao monocultures (forest enrichment planting)                   | Report on forest enrichment planting                                      | 2      |      |     |     |     |      |     |     |     |     |     |     |  |
| c                                  | Develop products based on food safety (cacao quality)                                     | Quality report  | 10     |      |     |     |     |      |     |     |     |     |     |     |  |

## RESULT 2: INCREASE CACAO FARMER PRODUCTIVITY AND CACAO QUALITY



Farmer partner from Tingo María, Huánuco - 2019

### **A.2.1 Develop and implement a methodology for the widespread adoption of new technology packages for Agroforestry Systems (AFS) among small farmers**

#### **2.1.1 Develop and implement capacity building strategies for farmers**

Over the course of Year 5, PCA will focus on implementation in the new intervention areas: Monzón and Constitución (Puerto Bermúdez, Iscozacín, and Codo de Pozuzo). In Year 4, the PCA team experienced significant challenges in launching activities in these areas, particularly in setting up the Regional Office in Constitución. Challenges have included the following:

- The baseline census of cacao-growing families provided by organizations active in the area was not accurate. Although the records reflected a total of 1,800 cacao-growing families, the

PCA technical team has only been able to identify 1,300. The information came from a combination of sources, including DEVIDA and local government programs. We understand that in some cases families may have produced cacao in the past, but have not continued, and in other cases that members of the same families were double-counted, leading to the discrepancy.

- The Puerto Bermúdez corridor does not offer many opportunities for private investment in cacao plantations, as the majority of the land belongs to indigenous communities. The PCA team is investigating the possibility of plantain and achiote production, but introducing a new products can be a lengthy process, which the team has not been able to advance to date, due to the pandemic.
- The Ciudad Constitución corridor is still dominated by coca production.
- The majority of the farmers in these areas are classified by the GOP within socioeconomic groups D and E, limiting their ability to invest in cacao production. Furthermore, access to safe water in homes is limited, increasing vulnerability to illnesses and limiting ability to engage in productive activities.
- High numbers of farmers prefer to remain informal because they are primarily dedicated to illegal activities. This impedes farmers from entering into formal agreements with SCMs and buyers.

Because of these challenges, PCA has expanded the intervention area to also include Iscozacín and Codo de Pozuzo, where cacao farming is new.

To strengthen the Alliance's activities in Iscozacín and Puerto Bermúdez, we signed a collaboration agreement with Desarrollo Rural Sustentable (DRIS) to build on their work providing technical assistance to farmers from the Yánasha and Asháninka indigenous communities. DRIS has a track record of successfully working with local promoters that are members of these communities.

Based on the progress made to date, we expect to support 4,000 farming families in Iscozacín and Puerto Bermúdez. Additional information is presented in Table 8.

**Table 8: Estimated Number of Farmers to Receive Support in New Areas (Monzón and Constitución)**

| Regional Office | Corridor (s)                         | # of Registered Farmers | # of Farmers to Be Registered | Total # of Farmers That Will Receive Support | # of Hectares |
|-----------------|--------------------------------------|-------------------------|-------------------------------|--|---------------|
| Huánuco         | Monzón                               | 933                     | 167                           | 1,100  | 2,310         |
| Pasco           | Ciudad Constitución                  | 372                     | 428                           | 800  | 2,000         |
|                 | Puerto Bermúdez                      | 774                     | 126                           | 900  | 902           |
|                 | Iscozacín                            | 303                     | 497                           | 800  | 1,760         |
|                 | Codo de Pozuzo and surrounding areas | 129                     | 271                           | 400  | 752           |
| <b>Total</b>    |                                      | <b>2,511</b>            | <b>1,489</b>                  | <b>4,000</b>                                 | <b>7,724</b>  |

Source: PCA information system, Monitoring and Evaluation

In Year 4, PCA launched an initiative to strengthen the technical teams from the principal organizations active in the new regions, including DEVIDA (including the Constitución, Aguaytia, Tocache and Tingo Maria offices), Proyecto PIR, DRIS, and others. During Year 5, the PCA team plans to provide trainings for these teams focused on interpreting soil test results and establishing INTP, IPM, and EBP plans.

PCA is committed to supporting 20,000 families in PCA's existing regions. At the time of writing, PCA has supported 17,654 farmers in Year 4, as detailed in Table 9. A total of 4058 families are no longer active (1696 in Huánuco, 1002 in Ucayali, 1235 in San Martín, and 275 in Pasco). The reasons registered farmers are no longer active include the following:

- ✓ The family's plot is located in permanent production forests.
- ✓ The family's economic situation has improved, and they are no longer focused on their cacao crops.
- ✓ The family has experienced health issues.
- ✓ The family has migrated to another area.
- ✓ The family has experienced the death of the landholder.
- ✓ The family engages in illegal activities or has been impacted by them.

**Table 9: Number of families registered in the system and currently active**

| Regional Office | # of Registered Farmers | # of Active Farmers | # of Hectares | # of Managers | # of Lead Ag Technicians | # of PCA Ag Technicians |
|-----------------|-------------------------|---------------------|---------------|---------------|--------------------------|-------------------------|
| Huánuco         | 6,826                   | 5,130               | 15,629        | 1             | 4                        | 14                      |
| Ucayali         | 4,751                   | 3,749               | 10,387        | 2             | 2                        | 5                       |
| San Martín      | 9,735                   | 8,500               | 23,135        | 1             | 2                        | 2                       |
| Pasco           | 400                     | 275                 | 1,452         | 1             | 2                        | 18                      |
| <b>Total</b>    | <b>21,712</b>           | <b>17,654</b>       | <b>49,151</b> | <b>6</b>      | <b>12</b>                | <b>21</b>               |

Source: PCA information system, Monitoring and Evaluation

Due to the COVID-19 pandemic, the PCA technical team had to suspend all field work in March 2020. The team established alternative strategies to maintain contact with farmers, and implemented pilot programs with alternative communication channels, such as phone calls, SMS messages, radio programs, and loudspeakers.

Based on the pilots, PCA will use the following channels to continue to support 5,000 farmers during Year 5:

- Radio: 2,300 families (The radio programs are scripted entertainment programs that incorporate timely farming activities based on the crop cycle)
- WhatsApp and SMS messages: 600 families
- Phone calls: 1,700 families
- Loudspeakers: 400 families

We will use a combination of channels as each of these outreach methods have their limitations:

- Not all farmers have cellphones, and even fewer have smartphones with Internet access.
- Internet connectivity on cacao plots is limited. The PCA team is considering the possibility of purchasing internet devices for leaders and/or technology agents in strategic areas.
- Local radio signals do not reach all of the communities and farms in the Alliance's areas of intervention.

Over the course of Year 5, approximately 17,654 of the 20,000 families registered in the Alliance's information system will receive support associated with the cacao production process, 1,000 will receive support associated with the plantain production process, and the rest will access other services, including PCA's quality assurance and financial services programs. The period from August to December 2020 is key to ensuring an increase in productivity of the 2020-2021 cacao growing season. During this period, the PCA technical team will carry out the following strategies to support farmers:

- **Technical visits:** PCA agricultural technicians (who each provide support to approximately 150 farmers) will visit a minimum of 40 farmers per month during the growing season to verify the proper application of INTP, IPM, and EBPs. During the technical visits, each technician will document the condition of the plot and the activities the farmer has implemented to improve productivity.



- **Field days:** PCA will organize field days to demonstrate innovative technologies and motivate participating farmers to use them. To date, PCA ag technicians have implemented field days to a group of approximately 25 farmers, but the size of groups will likely be reduced due to COVID-19. At these field days, PCA uses demonstration plots to disseminate information about relevant technologies.
- **Group Trainings:** PCA will offer trainings to small groups of producers (maximum 15) to comply with limitations on gatherings; these trainings will adhere to all GOP health and social distancing guidelines.
- **Cacao clinics:** PCA will refer farmers who have specific questions about crop technologies to service points where technicians will offer specialized guidance and support through cacao clinics run by more experienced Lead Agricultural Technicians.
- **CacaoTech technology fairs:** Due to the COVID-19 pandemic, these fairs will be hosted online. Farmers will have the opportunity to interact with companies including Husqvarna, Yara, Mallki, and TABSAC, as well as other product and service providers, as well as Technology Agents. When it is safe to do so, PCA will resume in-person events, subject to authorization from the local authorities; a maximum of 80 farmers will be invited per event, and the fairs will adhere to all current health and safety guidelines and restrictions. We will also take advantage of these fairs to provide workshops and clinics on cacao and to enable farmers to engage with cacao buyers.

**Table 10: Number of families supported by the PCA technical team**

| Trainings                       | Regional Office |             |            |             |              |             |              |             |            |             |              |            |
|---------------------------------|-----------------|-------------|------------|-------------|--------------|-------------|--------------|-------------|------------|-------------|--------------|------------|
|                                 | Pasco           |             |            | Huánuco     |              |             | Ucayali      |             |            | San Martín  |              |            |
|                                 | Total           | Men         | Women      | Total       | Men          | Women       | Total        | Men         | Women      | Total       | Men          | Women      |
| <b>Via PCA Ag Technicians</b>   |                 |             |            |             |              |             |              |             |            |             |              |            |
| Technical visits                | 1,350           | 945         | 405        | 1600        | 1,120        | 480         | 550          | 385         | 165        | 60          | 42           | 18         |
| Field days                      | 230             | 161         | 69         | 300         | 210          | 90          | 100          | 70          | 30         | 300         | 210          | 90         |
| Group trainings                 | 400             | 280         | 120        | 200         | 140          | 60          | 80           | 56          | 24         | 500         | 350          | 150        |
| Other channels                  | 700             | 490         | 210        | 1800        | 1,260        | 540         | 1,000        | 700         | 300        | 1500        | 1,050        | 450        |
| <b>Subtotal</b>                 | <b>2,680</b>    | <b>1876</b> | <b>804</b> | <b>3900</b> | <b>2,730</b> | <b>1170</b> | <b>1,730</b> | <b>1211</b> | <b>519</b> | <b>2360</b> | <b>1,652</b> | <b>708</b> |
| <b>Via Technological Agents</b> |                 |             |            |             |              |             |              |             |            |             |              |            |
| Various methods                 | 20              | 14          | 6          | 200         | 140          | 60          | 80           | 56          | 24         | 400         | 280          | 120        |
| <b>Subtotal</b>                 | <b>20</b>       | <b>14</b>   | <b>6</b>   | <b>200</b>  | <b>140</b>   | <b>60</b>   | <b>80</b>    | <b>56</b>   | <b>24</b>  | <b>400</b>  | <b>280</b>   | <b>120</b> |
| <b>Total</b>                    | <b>2,700</b>    | <b>1890</b> | <b>810</b> | <b>4100</b> | <b>2,870</b> | <b>1230</b> | <b>1,810</b> | <b>1267</b> | <b>543</b> | <b>2760</b> | <b>1,932</b> | <b>828</b> |

Source: PCA Agribusiness and Environmental Management Area

During Year 4, families in San Martín and certain areas of Ucayali graduated from direct Alliance technical assistance. To continue to support these farmers, PCA has established technical consortia comprised of SCMs, cacao-related organizations, and private companies that operate in each economic corridor, which offer standardized technology packages with a single, streamlined message for farmers. These technical consortia will continue to receive PCA support during the growing season, and are meant to facilitate technology and knowledge transfer on a sustainable basis. For efficiency, the consortia will use the Alliance's centralized information system to input information on farmers that have received support.

In Year 5, more than 13 SCM consortia will provide support to more than 9,387 families in the Ucayali and San Martín regions, including in Tocache. This consortium approach will be further strengthened by local PCA technology partners, financial partners, and buyers that support the economies in these areas. PCA technical support will come to an end by March 2021, at which point they will continue with only their own resources. Quarterly Reports in Year 5 will include detailed updates.

**Table 11: Number of Families Supported by SCMs During Year 5**

| Regional Office | Corridor(s)                     | SCM                                     | # of Farmers | # of Hectares |
|-----------------|---------------------------------|---|--------------|---------------|
| Huánuco         | Tocache                         | CAI Tocache, CP Cacao, and others       | 1,171        | 3,045         |
| Ucayali         | Atalaya                         | Villa Andina                            | 700          | 1820          |
|                 | Curimana                        | Comité Central con Desarrollo al Futuro | 800          | 2,080         |
|                 | Campo Verde-Honoría-Tournavista | Villa Andina                            | 700          | 1820          |
|                 | Neshuya                         | Colpa de Loros                          | 500          | 1,300         |
| San Martín      | Lamas                           | CAC Oro Verde                           | 860          | 1462          |
|                 | Sisa                            | Asoc. Cuencas del Huallaga              | 765          | 1,301         |
|                 | Juanjui                         | ACOPAGRO                                | 2,155        | 3663.5        |
|                 | Saposoá                         | COOPALGSA                               | 655          | 1,114         |
|                 | Pongo Barranquita               | COPANA                                  | 460          | 782           |
|                 | Chazuta                         | ALLIMA                                  | 621          | 1,056         |
| <b>Total</b>    |                                 |   | <b>9,387</b> | <b>19,442</b> |

Source: Prepared by authors. PCA Agribusiness Management Area

SCMs will contribute to consortia in the following ways:

- SCMs have teams of technicians and collection agents already present in the field. The ag technicians will provide TA to producers on the use of INTP, IPM, and EBPs, including both direct suppliers and those responsible for neighboring plots.
- Using demonstration plots to share productivity-enhancing technologies and monitoring and evaluating these plots during subsequent growing seasons.

PCA will contribute:

- One or two agricultural technicians so that the SCMs are able to support all the families within their target areas.
- Training for the SCM agricultural technicians on INTP, IPM, and EBPs.
- Support for the implementation of SCM organic programs.
- Support for the implementation of an environmental management program to decrease carbon emissions.
- Technical support for the implementation of demonstration plots.

Over the course of Year 5, a total of 8,000 farming families will graduate from receiving PCA assistance across the San Martín, Huánuco, and Ucayali regions. From October to December 2020, the graduation process will begin with families in the left bank and right bank of the Huánuco region and in Ucayali. PCA is currently identifying the SCMs, technology partners, and financial partners that will be included in the corresponding technical consortia.

Business managers from the three regional offices will be responsible for implementing and documenting this process from October to December 2020.

**Table 12: Graduation Schedule for Cacao-growing Families Registered in the Alliance’s Information System - Year 5:**

| Regional Office | Corridor(s)              | SCM   | # of “Graduating” Farmers | # of Hectares |
|-----------------|--------------------------|---|---------------------------|---------------|
| Huánuco         | Right bank and left bank | CAC Cuencas del Huallaga, Husqvarna, and others | 1,900                     | 5,130         |
| Ucayali         | Atalaya                  | Villa Andina                                    | 700                       | 1,890         |
|                 | Curimana                 | Comité Central con Desarrollo al Futuro         | 800                       | 2160          |
|                 | Neshuya                  | Colpa de Loros                                  | 500                       | 1,350         |
| San Martín      | Lamas                    | CAC Oro Verde                                   | 900                       | 2430          |
|                 | Sisa                     | Asoc. Cuencas del Huallaga                      | 900                       | 2,430         |
|                 | Juanjui                  | ACOPAGRO  | 300                       | 810           |
|                 | Saposoa                  | COOPALGSA                                       | 700                       | 1,890         |
|                 | Chazuta                  | ALLIMA  | 700                       | 1890          |
|                 | Barranquita              | COPANA  | 600                       | 1,620         |
| <b>Total</b>    |                          |   | <b>8,000</b>              | <b>14,850</b> |

Source: Prepared by authors. PCA Agribusiness Management Area

Although the current restrictions due to COVID-19 have limited PCA’s ability to complete full evaluations of demonstration plots, results collected during the main and mid-crop harvest season are encouraging, and PCA will continue the demonstration plots in the four regions during Year 5. Working with the most committed farmers that have achieved the best results, in August PCA plans begin development of 600 demonstration plots: 160 in San Martín, 200 in Huánuco, 80 in Ucayali, and 160 in Pasco.

### Developing local capacities in the micro-corridors

During Year 5 PCA will implement the following activities in order to develop the technical skills of farmers, agricultural technicians, and leading producers.

#### a. Certificate in IPM-INTP for cacao:

In partnership with the National Agrarian University - La Molina, we will develop the highly specialized course “Establishing Highly Productive Cacao Plantations Using INTP Technology” for

agricultural technicians that provide technical assistance in the Alliance's intervention areas. The course will include eight modules and will use a mix of online classes and in-person field work. We are targeting a minimum of 50 participants for this course.

**b. Leadership Academy:**

PCA plans to resume the Leadership Academies for cacao farmers in San Martín, Tingo María, and Ciudad de Constitución in September 2020, after they were put on hold due to COVID-19 restrictions that banned in-person trainings. This program trains leading producers to take on more robust leadership roles in their communities.

**c. Mentoring Program for Technology Agents:**

In prior years, PCA Lead Agricultural Technicians received training so they could offer business development support and guidance to Technology Agents through a mentoring program. To date, a total of 88 Technology Agents have graduated from this mentoring program, but many of them continue to face challenges, including:

- 1) Inexperience managing their activities as a business. In addition to their pruning services, many Technology Agents implement training activities on a pro bono basis because they are hesitant to put a price on this service.
- 2) General lack of resources necessary to maintain an inventory of the inputs, tools, and products that farmers need.

These challenges help explain the continuing decrease in active Technology Agents. Currently, the mentoring program is working with 53 Technology Agents who offer a variety of services and who are expected to support 700 farmers during Year 5 (See Table 10). To address these challenges, the PCA team is working on the supply and demand sides. To stimulate demand, PCA is promoting the importance of timely pruning. On the supply side, PCA staff continue to provide support to technology agents in developing their businesses. The PCA team continues to work with technology partners to develop commercial models that will enable technology agents to act as effective distributors, while earning sufficient income.

A total of 42 individuals (30 men and 12 women) are currently participating in the two Technology Agent training programs implemented by the Central Café & Cacao del Perú in Monzón and Ciudad de Constitución, respectively. These students will join the mentoring program when they graduate from the program in December.

**d. International exchange program:**

Through an agreement with the Central Café & Cacao del Perú, PCA will organize an international exchange program to Mexico for SCM and PCA agricultural technicians to learn more about the most recent advances in the mass production of biocontrol agents for managing and controlling pests. The Central Café & Cacao del Perú is working with Innóvate to cover the costs of each participant. Updates will be provided in Year 5 Quarterly Reports.

### **2.1.2 Develop a technology package for plantain production**

Although work on developing a technology package for plantain production in Year 4 in partnership with Procesadora Tropical was interrupted by the onset of the COVID-19 pandemic, the PCA team did make progress in IPM interventions, including controlling red palm weevil infestations and improving plant density per hectare.

In partnership with Procesadora Tropical, we expect to support 1,000 plantain-farming families over the course of Year 5. A peer exchange will be held in October for agricultural technicians from PCA and Procesadora Tropical.

### **A.2.2 Develop a strategy to expand the distribution network for agricultural supplies, fertilizers, equipment, and post-sale technical services offered by PCA technology partners**

In Year 4, PCA worked with its technology partners to expand the distribution network for their products and services. Of these partners, Husqvarna was particularly active, participating in technology fairs, mega events, and the field days implemented by agricultural technicians. As a result, the company increased its sales 15% year-over-year, with a particular increase in sales of cultivators. Additionally, the workshop series to train farmers on equipment repair and maintenance was highly successful. However, due to the ongoing COVID-19 public health crisis, both these workshops and the CacaoTech trade fairs have been put on hold.

PCA plans to resume the CacaoTech trade fairs during Year 5. These fairs offer a great opportunity for PCA distributors and technology partners to engage with top domestic and international agtech companies and learn about the cutting-edge technological advances and innovations that will shape the future of the cacao farming industry.

As part of our efforts to ensure the sustainability of the technical assistance offered by Technology Agents, we plan to implement an ecosystem development pilot program that includes farmers, agtech companies (Equilibra, Netafim, TABSAC, etc.), Technology Agents, and Romex, a major cacao bean buyer. Technology Agents will establish business agreements to promote the technology offered by PCA partners by demonstrating the value added by these technologies in terms of increased cacao yields and sales, thus increasing sales for PCA partners and expanding the market for agricultural inputs.

### **A.2.3 Develop and implement an online technical support system for crop management, integrated pest and disease management, and other services**

From May to July 2020, we implemented a pilot program focused on providing support to farming families through SMS and WhatsApp messages. However, we were unable to reach a significant percentage of PCA farmer partners because:



- Most farmers use prepaid plans. According to a report published by OSIPTEL, the Peruvian telecommunications regulator, 65% of cell phone users have a prepaid plan, and users frequently change numbers and switch from one provider to another. As a result, the PCA directory quickly becomes obsolete. As the PCA extension team returns to field activities, we will be able to regularly update our database, and ensure we have contact information for a family member or neighbor, in case there are future changes.
- Many of the areas where the Alliance is active do not have cell phone or Internet coverage.

PCA ag technicians are currently creating an up-to-date directory of farmers that do have access to cell phone services; we expect to add approximately 10,000 farmers in this directory during Q1 of Year 5. This information will help increase the efficiency of PCA outreach efforts by phone, SMS, and WhatsApp messages, and will improve the support PCA provides via these channels.

Table 13: Activity Timeline

| Activities   | 2020 |      |     |     |     | 2021 |     |     |     |     |     |     |
|--|------|------|-----|-----|-----|------|-----|-----|-----|-----|-----|-----|
|  | Aug  | Sept | Oct | Nov | Dec | Jan  | Feb | Mar | Apr | May | Jun | Jul |
| <b>2.1. Develop and implement a methodology for the widespread adoption of new technology packages for agroforestry system (AFS) among small farmers</b>                         |      |      |     |     |     |      |     |     |     |     |     |     |
| <b>2.1.1. Develop and implement capacity building strategies for farmers</b>   |      |      |     |     |     |      |     |     |     |     |     |     |
| a. Technical visits  |      |      |     |     |     |      |     |     |     |     |     |     |
| b. Field days  |      |      |     |     |     |      |     |     |     |     |     |     |
| c. Group trainings   |      |      |     |     |     |      |     |     |     |     |     |     |
| e. Cacao clinics   |      |      |     |     |     |      |     |     |     |     |     |     |
| d. Technology fairs (CACAO TECH)   |      |      |     |     |     |      |     |     |     |     |     |     |
| f. Certificate in IPM-INTP for cacao   |      |      |     |     |     |      |     |     |     |     |     |     |
| g. Leadership Academy  |      |      |     |     |     |      |     |     |     |     |     |     |
| h. Mentoring program for Technology Agents   |      |      |     |     |     |      |     |     |     |     |     |     |
| i. International exchange program  |      |      |     |     |     |      |     |     |     |     |     |     |
| <b>2.1.2. Develop a technology package for plantain production</b>   |      |      |     |     |     |      |     |     |     |     |     |     |
| a. Disseminate the technology package for plantain production  |      |      |     |     |     |      |     |     |     |     |     |     |
| <b>2.2. Develop a strategy to expand the distribution network for agricultural supplies, fertilizers, equipment, and post-sale technical services by PCA technology partners</b> |      |      |     |     |     |      |     |     |     |     |     |     |
| a. Establish connections between Technology Partners and farmers through PCA ag technicians and CACAO TECH technology fairs  |      |      |     |     |     |      |     |     |     |     |     |     |
| b. Establish connections between PCA Technology Partners and farmers through Technology Agents   |      |      |     |     |     |      |     |     |     |     |     |     |
| <b>2.3. Develop and implement an online technical support system for crop management, integrated pest and disease management, and other services</b>                             |      |      |     |     |     |      |     |     |     |     |     |     |
| a. Create WhatsApp groups for farmers to share information and engage with PCA ag technicians  |      |      |     |     |     |      |     |     |     |     |     |     |
| b. Use SMS to connect farmers and PCA ag technicians   |      |      |     |     |     |      |     |     |     |     |     |     |

# RESULT 3: INCREASE ACCESS TO FINANCE



Increasing farmers' access to financing facilitates their use of agtech, which increases yields - 2019

## A.3.1 Increase access to finance for PCA farmer partners

Over the course of Year 5, PCA will continue to work with the Alliance's 10 financial partners - MiBanco, Financiera Confianza, Cooperativa de Ahorro y Crédito Norandino, Cooperativa de Ahorro y Crédito Tocache, Cooperativa de Ahorro y Crédito Microfinanzas Prisma, Caja Rural Los Andes, Caja Huancayo, Cooperativa de Ahorro y Crédito Abaco, Pagos Digitales Perú, and Root Capital -in implementing the following activities to increase access to finance:

- Offer online trainings (via Zoom) for personnel from PCA's financial partners on the evaluation of agricultural and rural loans, with a focus on estimating crop yields, production costs, cacao crop phenology, INTP, IPM, agricultural insurance, and market trends.
- Continue to work with partner financial institutions to develop mobile applications that link the savings and loan processes in order to encourage sustainable financing through technological innovation.
- Continue to work with Alianza Crece to support the digital and financial literacy of families receiving PCA support.
- Provide ongoing support to Alianza Crece for the development and incubation of a Rural Innovation Program focused on encouraging the use of fintech in PCA intervention areas.
- Continue to encourage the use of new regional guarantees and other financing mechanisms (e.g., trusts, DCA guarantees, and agricultural insurance) among PCA financial partners in order to increase access to credit in PCA intervention areas.
- Develop video tutorials and host online events to promote access to agricultural and rural financing for PCA farmer partners.
- Host meetings convening insurance companies, financial services firms, and the Department of Agricultural Insurance in the Peruvian Ministry of Agriculture (MINAGRI) to explore the root causes of low demand for agricultural insurance among cacao farmers and the overall sector, in recognition of the role that adequate commercial agricultural insurance policies could play in offering protection for cacao farmers against the impacts of climate change.

### **A.3.2 Develop three online training programs for future agricultural analysts in cooperation with Cooperativa de Ahorro y Crédito Microfinanzas Prisma, Cooperativa de Ahorro y Crédito Tocache, and Caja Rural Los Andes**

In collaboration with three PCA financial partners (Cooperativa de Ahorro y Crédito Microfinanzas Prisma, Cooperativa de Ahorro y Crédito Tocache, and Caja Rural Los Andes), PCA will implement three online training programs for future agricultural analysts to support improved access to agricultural credit in PCA intervention areas.

The three financial partners will be responsible for recruiting program participants and will be expected to prioritize graduates from universities located in PCA intervention areas, including the National University of Ucayali, the National University of San Martín and the National Agrarian University - La Selva.

These training programs will help participating financial partners to increase their agricultural loan portfolios and will contribute to facilitating sustainable and efficient financing that will help increase the productivity of cacao and other crops.

As part of this process, PCA will implement the following activities:

- Support the creation of a syllabus for the agricultural analyst training program.
- Hire a specialist to standardize the training materials.
- Invite international speakers to share their experiences as part of the training team.

- Coordinate with the professional schools of local universities to establish memorandums of understanding.

### **A.3.3 Support producer organizations and member companies to develop financing agreements with financial institutions**

In Year 5, PCA will continue to help producer organizations and member companies located in PCA intervention areas to improve their access to finance. Access to working capital is a top priority for these actors, and many organizations—including Central Cacao de Aroma, Cooperativa Agroindustrial Alto Huallaga, Cooperativa Agroindustrial Acopagro, Cuencas del Huallaga, Nina Chocolate, Allima Cacao, and others—consistently request PCA’s guidance and support in this area.

In the Huánuco region, PCA will also continue to support CAI BELLA and COOPAIGOM, the organizations selected to work with Kiva and Root Capital to build their capacity to access finance. The Root Capital team is assisting both organizations to address the evaluation team’s comments as quickly as possible and to comply with the requirements for accessing financing through this mechanism.

In Year 5, PCA will continue to develop the following activities:

- Support producer organizations in preparing the requested documentation for financial institutions as part of new policies implemented in response to the impacts of COVID-19.
- Host meetings between financial institutions and SCMs.
- Support coordination between farmer organizations and government programs that offer access to working capital or fixed assets based on business plans, primarily for cacao and plantain production.
- Encourage the use of digital factoring in collaboration with PCA partner Innova Funding, a fintech company that promotes factoring as a more streamlined, easy-to-access alternative to traditional financing.

### **A.3.4 Ensure women’s priority access to financing**

In Year 5 PCA will continue to work with each of PCA’s financial partners to promote greater financial inclusion for women. PCA will also continue to work with Cedro, a local NGO, to hold workshops on digital and financial literacy and family budgeting for the cacao-farming families receiving PCA support. This year, PCA anticipates offering in-person and virtual trainings for 2,000 farmers.

PCA will also continue to support Financiera Confianza, MiBanco, Cooperativa de Ahorro y Crédito Norandino, Cooperativa de Ahorro y Crédito Microfinanzas Prisma, Cooperativa de Ahorro y Crédito Tocache, and Caja Los Andes to increase their development and use of tailored financial instruments designed for women by providing access to PCA’s database and inviting them to participate in relevant PCA activities in each region.

### **A.3.5 Increase the use of eWallet mobile money services**



Based on PCA's ongoing support for eWallet services in the city of Juanjui, and in light of current incentives to avoid the use of physical currency due to COVID-19, in Year 5 PCA will expand the use of the eWallet platform to the PCA intervention areas in the Huánuco and Ucayali regions.

PCA is currently designing a program to encourage members of Cooperativa de Ahorro y Microfinanzas Prisma to use the BIM platform, with the goal of reducing transaction costs and thereby increasing access to finance. Two additional financial partners—Cooperativa de Ahorro y Crédito Tocache and Caja Rural Los Andes—will also begin to use the platform in Year 5. PCA anticipates supporting 2,000 PCA farmers in using this service to complete payments and transactions, working closely with the Pagos Digitales Perú (PDP) team. PCA will coordinate with PDP to review how e-wallet services have developed thus far in the region supported by PCA, to build on successes and lessons learned.

In order to encourage the use of eWallet services, PCA will implement the following activities in Year 5:

- Use radio spots, ad campaigns, and training sessions to promote the use of the BIM platform in PCA intervention areas.
- Hire two outreach staff to promote and increase demand for eWallet services in the Huánuco and Ucayali regions.
- Encourage PCA staff and credit analysts from partner financial institutions to promote the use of the platform.
- Coordinate and strengthen our work with mobile carriers to help ensure that eWallet users have mobile devices that allow them to access the BIM platform. Promotions for use of these platforms are generating greater demand, which will need to be paired with phone and data packages that are attractive to producers. PCA will coordinate with PDP and other partners to promote the availability of package deals.



Table 14: Activity Timeline

| Activities  | 2020 |     |     | 2021 |     |     |     |     |     |     |     |      |
|---|------|-----|-----|------|-----|-----|-----|-----|-----|-----|-----|------|
|   | Oct  | Nov | Dec | Jan  | Feb | Mar | Apr | May | Jun | Jul | Aug | Sept |
| <b>A.3.1 Increase access to finance for PCA farmer partners</b>   |      |     |     |      |     |     |     |     |     |     |     |      |
| Support training and capacity building for personnel from the project's financial partners.   |      |     |     |      |     |     |     |     |     |     |     |      |
| Continue to work with PCA financial partners to develop mobile applications that link the savings and loan processes  |      |     |     |      |     |     |     |     |     |     |     |      |
| Support the digital and financial literacy of families receiving PCA support.   |      |     |     |      |     |     |     |     |     |     |     |      |
| Encourage the use of fintech in PCA intervention areas.   |      |     |     |      |     |     |     |     |     |     |     |      |
| Implement new guarantee coverage and other financing mechanisms to increase access to credit in PCA intervention areas.   |      |     |     |      |     |     |     |     |     |     |     |      |
| Develop video tutorials and host online sessions to promote access to agricultural and rural financing for PCA farmer partners.   |      |     |     |      |     |     |     |     |     |     |     |      |
| Host meetings between insurance companies, financial services firms, and the Department of Agricultural Insurance in the Peruvian Ministry of Agriculture (MINAGRI)   |      |     |     |      |     |     |     |     |     |     |     |      |
| <b>A.3.2 Develop three online training programs for agricultural analysts, in cooperation with Cooperativa de Ahorro y Créditos Microfinanzas Prisma, Cooperativa de Ahorro y Crédito Tocache, and Caja Rural Los Andes</b> |      |     |     |      |     |     |     |     |     |     |     |      |
| Support the creation of a syllabus for the agricultural analyst training program.   |      |     |     |      |     |     |     |     |     |     |     |      |
| Hire a specialist to standardize the content of the training program.   |      |     |     |      |     |     |     |     |     |     |     |      |
| Invite international speakers to share their experiences as part of the training team.  |      |     |     |      |     |     |     |     |     |     |     |      |
| Coordinate with the professional schools of local universities to establish memorandums of understanding.   |      |     |     |      |     |     |     |     |     |     |     |      |
| <b>A.3.3 Support producer organizations and member companies to develop financing agreements with financial institutions</b>  |      |     |     |      |     |     |     |     |     |     |     |      |
| Support producer organizations to prepare the requested documentation for financial institutions as part of the new policies implemented response to the impact of COVID-19.  |      |     |     |      |     |     |     |     |     |     |     |      |
| Host online meetings with financial institutions to share financing opportunities   |      |     |     |      |     |     |     |     |     |     |     |      |
| Support coordination with government programs that provide access to working capital or fixed assets based on business plans, primarily for cacao and plantain production.  |      |     |     |      |     |     |     |     |     |     |     |      |
| Encourage the use of digital invoicing in collaboration with PCA partner Innova Funding, a fintech company that promotes factoring as a more streamlined, easy-to-access alternative to traditional financing.              |      |     |     |      |     |     |     |     |     |     |     |      |

| Activities  | 2020 |     |     | 2021 |     |     |     |     |     |     |     |      |
|---|------|-----|-----|------|-----|-----|-----|-----|-----|-----|-----|------|
|   | Oct  | Nov | Dec | Jan  | Feb | Mar | Apr | May | Jun | Jul | Aug | Sept |
| <b>A.3.4 Ensure women's priority access to financing</b>  |      |     |     |      |     |     |     |     |     |     |     |      |
| Push for greater women's financial inclusion with each of the Alliance's financial partners.  |      |     |     |      |     |     |     |     |     |     |     |      |
| Support the implementation of financial and digital literacy and family budgeting workshops for the cacao-farming families that receive PCA support.      |      |     |     |      |     |     |     |     |     |     |     |      |
| Support financial institutions in increasing placements of tailored financial instruments that target women.  |      |     |     |      |     |     |     |     |     |     |     |      |
| <b>A.3.5 Increase the use of eWallet services</b>   |      |     |     |      |     |     |     |     |     |     |     |      |
| Encourage the use of the eWallet platform.  |      |     |     |      |     |     |     |     |     |     |     |      |
| Develop market demand for eWallet services in the Huánuco and Ucayali regions.  |      |     |     |      |     |     |     |     |     |     |     |      |
| Encourage PCA staff and credit analysts from partner financial institutions to promote the use of the platform.   |      |     |     |      |     |     |     |     |     |     |     |      |
| Coordinate and strengthen work with mobile carriers to help ensure that eWallet users have mobile devices that allow them to access the eWallet platform. |      |     |     |      |     |     |     |     |     |     |     |      |

# RESULT 4: ENCOURAGE PRIVATE INVESTMENT



## A competitive value chain attracts private investment - Huánuco, 2019

In Year 5, PCA will continue to seek out new investment opportunities, prioritizing the cacao value chain in PCA intervention areas and focusing exclusively on fixed asset investments. The goal is to leverage one million soles during Year 5 in order to stimulate the local economy in each PCA intervention area.

To accomplish this, PCA will implement the following activities:

- Coordinate with PCA members to identify existing and emerging investment needs that will help them achieve their business objectives.
- Work with Peru's development bank (COFIDE) to streamline the process for the creation and implementation of regional trusts for the governments of San Martín and Ucayali.

- Work alongside the Peruvian Ministry of Environment to create sustainable agriculture funds linked to the country's existing financial system, and coordinate with USAID's Institutional Strengthening Partnership for DEVIDA activity and offices of economic growth within provincial and district municipalities.

#### **A.4.1 Identify and support the development of trusts in PCA intervention areas**

##### **4.1.1 Support the use of regional trusts and guarantee funds in select PCA intervention areas**

- Organize a workshop in Ucayali with COFIDE, the Ministry of Production, and PCA financial partners (Financiera Confianza, MiBanco, Coopac Prisma, Caja Los Andes, Root Capital, Caja Huancayo, and ABACO) to define an implementation plan for a guarantee fund in this region.
- Coordinate with officials from the San Martín regional government to streamline the implementation of the regional FODESAM guarantee fund to help reinvigorate the regional economy.
- Identify investment opportunities that might be eligible for support from the guarantee funds in San Martín and Ucayali.
- Provide technical assistance to the Huánuco regional government as it works with COFIDE to structure an agricultural trust based on the models used in Ucayali and San Martín.

##### **4.1.2 Encourage PCA financial partners to access Development Finance Corporation (DFC) financing**

- Support PCA financial partners as they coordinate with USAID to help them better understand the conditions and requirements for accessing the new DCA guarantees.
- Train staff from PCA financial partners on procedures related to the use of DCA guarantees, as necessary.

#### **A.4.2 Identify and sign agreements with investment funds focused on climate-smart agriculture and reforestation activities**

- Strengthen coordination with the United Nations Development Programme's Sustainable Productive Landscapes project, which supports the creation of sustainable production systems that do not contribute to deforestation and that generate multiple environmental benefits., on the implementation of policies and regulations at the national level, and supports the application of sustainable land management approaches in the regions of Ucayali (in the province of Padre Abad and the Nueva Requena district) and Huanuco (in the province of Puerto Inca).
- Strengthen the Alliance's active collaboration with the Ministry of Environment, Ministry of Production, and Ministry of Agriculture in order to streamline the incorporation of green finance into the agricultural sector.

- Identify investment needs along the cacao value chain related to two of the current priorities of the Inter-American Development Bank: the circular economy and the bioeconomy, which are based on the responsible use and management of biological resources.

Table 15: Activity Timeline

| DESCRIPTION OF ACTIVITIES AND SUB-ACTIVITIES   | 2020 |     |     | 2021 |     |     |     |     |     |     |     |      |
|--|------|-----|-----|------|-----|-----|-----|-----|-----|-----|-----|------|
|  | Oct  | Nov | Dec | Jan  | Feb | Mar | Apr | May | Jun | Jul | Aug | Sept |
| <b>A.4.1 Identify and support the development of trusts in PCA intervention areas</b>  |      |     |     |      |     |     |     |     |     |     |     |      |
| <b>A.4.1.1 Support the use of regional trusts and guarantee funds trusts in select PCA intervention areas</b>  |      |     |     |      |     |     |     |     |     |     |     |      |
| Organize a workshop with COFIDE to define an implementation plan for the guarantee fund available in the Ucayali region.   |      |     |     |      |     |     |     |     |     |     |     |      |
| Coordinate with officials from the San Martín regional government to streamline the implementation of the regional FODESAM guarantee fund and reinvigorate the regional economy.   |      |     |     |      |     |     |     |     |     |     |     |      |
| Identify investment opportunities that might be eligible for support from the guarantee funds in San Martín and Ucayali.   |      |     |     |      |     |     |     |     |     |     |     |      |
| Provide support for the Huánuco regional government as it works with COFIDE to structure an agricultural trust based on the models used in Ucayali and San Martín.   |      |     |     |      |     |     |     |     |     |     |     |      |
| <b>4.1.2 Encourage PCA financial partners to access DCA financing</b>  |      |     |     |      |     |     |     |     |     |     |     |      |
| Support PCA financial partners as they coordinate with USAID to better understand the conditions and requirements for accessing the new DCA guarantees.  |      |     |     |      |     |     |     |     |     |     |     |      |
| Train staff from PCA financial partners on procedures related to the use of DCA guarantees, as necessary.  |      |     |     |      |     |     |     |     |     |     |     |      |
| <b>A.4.2 Identify and sign agreements with investment funds focused on climate-smart agriculture and reforestation activities</b>  |      |     |     |      |     |     |     |     |     |     |     |      |
| Strengthen coordination with the United Nations Development Programme's Sustainable Productive Landscapes project.   |      |     |     |      |     |     |     |     |     |     |     |      |
| Strengthen the Alliance's active collaboration with the Ministry of Environment, Ministry of Production, and Ministry of Agriculture in order to streamline the incorporation of green finance into the agricultural sector. |      |     |     |      |     |     |     |     |     |     |     |      |
| Identify investment needs along the cacao value chain related to the circular economy and bioeconomy.  |      |     |     |      |     |     |     |     |     |     |     |      |



# COMMUNICATIONS



During Year 4, the team sought to capture images of female farmers working on their plots in an effort to showcase women's active role in the cacao value chain. This is one of the pictures taken by a PCA technical team member.

PCA will prioritize the following communications activities in Year 5:

**1. Promote Technology Agents within their assigned regions:**

PCA will first classify existing Technology Agents according to services offered (technical services or technological inputs). Based on this information, PCA will design a strategy to promote the visibility of these Technology Agents within their assigned regions, disseminating relevant information in an effort to increase demand for their products and services.

**2. Deliver technical assistance through alternative channels:**

Once the state of emergency has been lifted, PCA Technology Agents will resume field work as appropriate. In the meantime, PCA will continue to provide remote technical support to both organized and independent farmers through phone calls, SMS messages, WhatsApp

messages, and radio spots. The communications team will work with the agri-business team to create content aligned with the agricultural cycle that addresses key priorities, including providing recommendations to prevent the spread of COVID-19, financial guidance, marketing support, and gender-related issues. The technical teams from each regional office will continue to receive training on effectively communicating these messages using digital channels.

**3. Shift to digital knowledge management approaches:**

In Year 5, the communications team will host webinars and online conferences focused on PCA priority issues and will facilitate the dissemination of online trainings for Technology Agents, SCMs, officials from the national drug control commission (DEVIDA), and other stakeholders along the cacao value chain. Additionally, the communications team will work to boost the awareness and visibility of other online events, including CacaoTech, the PCA Schools of Excellence, and the planned financial analyst trainings (see Result 3).

**4. Collect, produce, and disseminate success stories:**

As the PCA offices in San Martín, Ucayali, and Huánuco (with the exception of Monzón) wind down activities, PCA will collect and disseminate success stories and case studies from farmers, organizations, and companies that have received PCA support over the past four years. This will include capturing the successes of private partners, demonstrating how PCA has benefitted their businesses. We will use a story telling approach to share these stories across multiple communication channels, including social networks, project reports, and local press outlets. PCA will also seek to understand whether they would consider participating in future public-private partnerships and if they would be willing to pay for services that they receive through PCA, to inform future USAID and commercial activities.

**5. Develop and implement tailored communications strategies for Pasco and Monzón:**

The launch of communications activities in the new intervention areas in Pasco (Ciudad Constitución, Puerto Bermúdez, and Iscozacín) and Huánuco (Valle de Monzón) will require new communications strategies that reflect the cultural diversity of these areas. In order to effectively reach the indigenous Asháninka and Yánesha communities in Pasco, we will not only need to translate communications materials into local dialects, but also re-think the typical knowledge transfer process in recognition of the strong oral tradition in these areas, as well as potential limitations in understanding of written texts. PCA will work closely with indigenous organizations such as ANAP or AMARCY in order to achieve legitimacy and gain support from indigenous leaders and community members. The Pasco-specific strategy will also need to account for the limited connectivity in this region and prioritize word-of-mouth approaches as an essential part of any effort to promote PCA priorities in Pasco.

In Monzón, the primary challenge will be convincing local farming families that cacao is a profitable crop that will help improve their economic situation. PCA's tailored communications strategy for this region will leverage the widespread use of WhatsApp, as well as the community's general willingness to work with the Alliance.



**Table 16: Timeline of Communications Activities - Year 5**

| Activities  | 2020 |     |     | 2021 |     |     |     |     |     |     |     |      |
|---|------|-----|-----|------|-----|-----|-----|-----|-----|-----|-----|------|
|   | Oct  | Nov | Dec | Jan  | Feb | Mar | Apr | May | Jun | Jul | Aug | Sept |
| Promote Technology Agents within their assigned regions.                      |      |     |     |      |     |     |     |     |     |     |     |      |
| Deliver technical assistance through alternative channels.                    |      |     |     |      |     |     |     |     |     |     |     |      |
| Shift to digital knowledge management approaches.                             |      |     |     |      |     |     |     |     |     |     |     |      |
| Collect, produce, and disseminate success stories.                            |      |     |     |      |     |     |     |     |     |     |     |      |
| Develop and implement tailored communications strategies in Pasco and Monzón. |      |     |     |      |     |     |     |     |     |     |     |      |

# GENDER



Women are key members of the cacao value chain - Ucayali, 2020

As a cross-cutting component of PCA, the gender team will continue to develop and implement capacity building activities for PCA staff, as well as support Technology Agent trainings and Leadership Academies that take place during Year 5.

The primary gender-related activities for Year 5 include:

## **1. Implement training and capacity building for gender teams in each PCA office:**

During Year 4, PCA worked with Uniterra to train a group of staff members from the four regional offices and the central office in Lima on tools to promote gender equality in PCA activities. This

group has since participated in two additional training courses and will continue to receive support from PCA's gender component lead.

## 2. Host discussions on gender for each PCA office:

With support from the gender component lead, the group of gender-trained PCA staff members will hold at least two meetings per year for the full PCA team to analyze potential strategies to increase women's active participation in PCA activities and assess the interventions implemented to date. The expectation is that these meetings will serve as safe spaces where all PCA team members can contribute to developing gender inclusion strategies.

## 3. Develop a gender module for the Leadership Academy and Technology Agent trainings:

In an effort to reduce the gap that exists in terms of women's participation, leadership, and economic empowerment, PCA Leadership Academies and Technology Agent trainings will now incorporate a module on gender. Sessions will cover the following topics:

- Encouraging equal opportunities
- Gendered division of labor

## 4. Host gender-focused gatherings on significant dates:

The purpose of these events is to increase awareness of the importance of men's involvement in efforts to promote gender justice and the fight against violence. The selected dates are:

- International Day of Rural Women
- International Day for the Elimination of Violence Against Women
- International Women's Day

Table 17: Activity Timeline

| Activities   | 2020 |     |     | 2021 |     |     |     |     |     |     |     |      |
|--|------|-----|-----|------|-----|-----|-----|-----|-----|-----|-----|------|
|  | Oct  | Nov | Dec | Jan  | Feb | Mar | Apr | May | Jun | Jul | Aug | Sept |
| Implement training and capacity building for gender teams.                         |      |     |     |      |     |     |     |     |     |     |     |      |
| Host discussions on gender for PCA offices.  |      |     |     |      |     |     |     |     |     |     |     |      |
| Develop a gender module for the Leadership Academy and Technology Agent trainings. |      |     |     |      |     |     |     |     |     |     |     |      |
| Host gender-focused gatherings on significant dates.                               |      |     |     |      |     |     |     |     |     |     |     |      |



# FINANCE AND ADMINISTRATION



## ADMINISTRATION

The PCA administration team is working to identify how they can increase and improve support for the technical activities planned for Year 5 so that they can move forward despite the impact of COVID-19. During Year 5 the team will also complete the process to close down the regional offices in San Martín, Ucayali, and Huánuco, in compliance with the close-out plan outlined in the Year 4 work plan.

A brief description of these activities is provided below:

- Procurements: Update the physical inventory of equipment and furniture, identify potential donors, and request USAID authorization to transfer assets. Communications materials will also be transferred to local partners for dissemination.
- Leasing contracts: Prepare notification letters for the termination of all leases (offices, equipment, etc.).
- Subcontracts: Verify that all contracted deliverables have been met; plan the transition of activities to counterparts; schedule project closure, as well as meetings with local organizations and government agencies.
- Employee termination: Ensure that labor terminations comply with all legal requirements in Peru, including that outgoing personnel undergo occupational medical examinations.

- Administrative closure: Ensure that all documents have been sent to the Main Office; ensure the termination of services and the settlement of payments or deposits due.
- Closing bank accounts: Request that all bank accounts be closed and withdraw or transfer by wire any remaining funds; ensure that all bank closing documents are signed and returned to Palladium.

Table 18: Activity Timeline

| Activities  | 2020 |     |     | 2021 |     |     |     |     |     |     |     |      |
|---|------|-----|-----|------|-----|-----|-----|-----|-----|-----|-----|------|
|   | Oct  | Nov | Dec | Jan  | Feb | Mar | Apr | May | Jun | Jul | Aug | Sept |
| Implement participatory workshops on plans to resume activities within the context of COVID-19. |      |     |     |      |     |     |     |     |     |     |     |      |
| Select and hire pending personnel in Pasco.   |      |     |     |      |     |     |     |     |     |     |     |      |
| Update the Goods and Assets Annual Inventory.   |      |     |     |      |     |     |     |     |     |     |     |      |
| Close Regional Offices (San Martín, Ucayali, and Tingo María).                                  |      |     |     |      |     |     |     |     |     |     |     |      |
| Implement a COVID Preparedness, Prevention, and Control Plan.                                   |      |     |     |      |     |     |     |     |     |     |     |      |

While social isolation continues in many PCA areas, restrictions have been lifted on economic activity. As a result, PCA activities have resumed and are being implemented in compliance with the following COVID-19 preparedness, prevention, and control guidelines:

- Ensuring the adequate cleaning and disinfection of PCA workplaces.
- Identification of potential COVID-19 symptoms prior to entering the workplace.
- Requiring mandatory hand washing and disinfection.
- Raising awareness on how to prevent infection in the workplace.
- Collective prevention measures, including:
  - ✓ Ensuring the adequate ventilation of work environments and air circulation.
  - ✓ Complying with the suggested social distance of 1 meter between all workers in offices, cafeterias, elevators, dressing rooms, public transportation, etc.
  - ✓ Holding all possible meetings and/or field training sessions online. If face-to-face meetings are necessary, they will be conducted in adequately ventilated and/or open environments, respecting the appropriate distance between all participants.
  - ✓ Restricting meetings and other activities that could encourage large gatherings of people.
  - ✓ Installing physical barriers in areas where services are provided to the public, ranging from face shields to screens or partitions.
  - ✓ Avoiding crowding workplace entrances and exits.
  - ✓ Establishing a hazardous waste collection point for the correct disposal of gloves, masks, and other potentially contaminated material.
- Personal protective measures, including:
  - ✓ Ensuring the availability of personal protective equipment and implementing measures for their correct and mandatory use, including requiring the mandatory use of face masks during all activities.

- ✓ . The type of protection required will depend on the identified risk level:
  - Medium risk: Surgical mask
  - Low risk: non-medical (or “community”) face masks.

The guidelines outlined above have been registered in the Integrated System for COVID-19 of the Peruvian Ministry of Health.

## FINANCE AND BUDGETS

From September 2016 through May 2020, project expenses totaled approximately US\$19,480,652.

Based on the projected expenses for June, July, and August 2020 (US\$1,225,000), total accumulated expenses are expected to total US\$20,705,652 at the conclusion of Year 4.

Current estimated expenses for Year 5 come to a total of US\$6,062,063, broken down as follows: (a) US\$2,424,825 allocated to component 1, (b) US\$3,031,031 allocated to component 2, and (c) US\$606,206 allocated to component 3.

The following tables include a breakdown of the expense forecast by component and CLIN:

**Table 19. Overview of Expenses from Years 1-4 and Expense Forecast for Year 5**

| Summary Budget            | Year 1              | Year 1<br>WP2016    | Year 2              | Year 2<br>WP2017    | Year 3              | Year 3<br>WP2018    | Year 4 *            | Year 4<br>WP2019    | Year 5<br>WP2020    |
|---------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Personnel                 | \$ 1,430,603        | \$ 1,309,729        | \$ 1,955,940        | \$ 1,947,643        | \$ 1,951,911        | \$ 2,072,326        | \$ 1,977,996        | \$ 1,766,484        | \$ 1,796,788        |
| Fringe Benefits           | \$ 383,695          | \$ 510,812          | \$ 718,425          | \$ 724,017          | \$ 796,252          | \$ 1,005,505        | \$ 767,173          | \$ 707,289          | \$ 842,363          |
| Allowances                |                     |                     |                     |                     |                     |                     | \$ -                |                     |                     |
| Travel and Transportation | \$ 280,848          | \$ 166,066          | \$ 461,706          | \$ 458,588          | \$ 402,995          | \$ 403,587          | \$ 247,415          | \$ 321,256          | \$ 301,553          |
| Equipment                 | \$ 174,063          | \$ 114,000          | \$ -                | \$ 56,848           | \$ -                |                     | \$ 51,091           |                     |                     |
| Consultants               | \$ 357,256          | \$ 1,045,734        | \$ 128,605          | \$ 344,154          | \$ 267,729          | \$ 180,000          | \$ 135,873          | \$ 116,000          | \$ 237,588          |
| Subgrants/Subawards       | \$ 42,842           | \$ 400,000          | \$ 108,558          | \$ 89,120           | \$ 159,511          | \$ 410,300          | \$ 225,532          | \$ 379,000          | \$ 690,000          |
| Other Direct Costs        | \$ 895,810          | \$ 814,610          | \$ 1,342,420        | \$ 1,126,446        | \$ 1,084,169        | \$ 792,825          | \$ 902,651          | \$ 803,634          | \$ 1,222,207        |
| <b>Total Direct Cost</b>  | <b>\$ 3,565,117</b> | <b>\$ 4,360,951</b> | <b>\$ 4,715,654</b> | <b>\$ 4,746,816</b> | <b>\$ 4,662,567</b> | <b>\$ 4,864,543</b> | <b>\$ 4,307,732</b> | <b>\$ 4,093,663</b> | <b>\$ 5,090,498</b> |
| Total Indirect Cost       | \$ 678,549          | \$ 765,680          | \$ 867,078          | \$ 854,454          | \$ 996,695          | \$ 902,707          | \$ 912,261          | \$ 764,178          | \$ 971,565          |
| <b>Total BUDGET</b>       | <b>\$ 4,243,666</b> | <b>\$ 5,126,631</b> | <b>\$ 5,582,732</b> | <b>\$ 5,601,270</b> | <b>\$ 5,659,262</b> | <b>\$ 5,767,250</b> | <b>\$ 5,219,993</b> | <b>\$ 4,857,841</b> | <b>\$ 6,062,063</b> |

\* Reflects actual expenditures through May 2020, plus the estimated expenditure for June, July, and August 2020.



**Table 20. Overview of CLIN Expenses from Years 1-4 and Expense Forecast for Year 5**

| <b>CLIN</b>                       | <b>Year 1</b>        | <b>Year 2</b>        | <b>Year 3</b>        | <b>Year 4 *</b>      | <b>Year 5</b>        |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Improve Market Access             | \$ 1,697,466         | \$ 2,233,093         | \$ 2,263,705         | \$ 2,087,997         | \$ 2,424,825         |
| Improve Farm Productivity & S     | \$ 2,121,833         | \$ 2,791,366         | \$ 2,829,631         | \$ 2,609,996         | \$ 3,031,031         |
| Facilitation of Rural Financial S | \$ 424,367           | \$ 558,273           | \$ 565,926           | \$ 521,999           | \$ 606,206           |
| <b>USAID Share:</b>               | <b>\$ 4,243,666</b>  | <b>\$ 5,582,732</b>  | <b>\$ 5,659,262</b>  | <b>\$ 5,219,992</b>  | <b>\$ 6,062,062</b>  |
| Leveraged Contribution            | \$ 10,061,147        | \$ 9,004,520         | \$ 14,776,186        | \$ 14,033,876        | \$ 10,738,145        |
| <b>TOTAL BUDGET</b>               | <b>\$ 14,304,813</b> | <b>\$ 14,587,252</b> | <b>\$ 20,435,448</b> | <b>\$ 19,253,868</b> | <b>\$ 16,800,207</b> |

# MONITORING AND EVALUATION



The monitoring and evaluation activities planned for Year 5 include:

**1. Survey to measure Year 4 indicators**

In September, PCA will begin a field survey in the San Martín, Huánuco, and Ucayali regions to measure changes in income, productivity, and sales indicators in order to quantify the results generated in Year 4. The survey will also collect information on the indicators in the environmental monitoring and mitigation plan (EMMP). Given the challenges of in-person data collection during a pandemic, to obtain the best possible data under the circumstances, the PCA team will analyze historical data, data from public and private partners, and do a phone survey of producers. In addition, in March 2021 PCA will conduct a mid-year evaluation to measure the progress made in the implementation of Year 5 activities and the achievement of the project’s primary indicators.

**2. Baseline survey conducted with families in the Valle de Pichis-Palcazú**

The baseline survey with families in the Valle de Pichis-Palcazú was originally planned for February 2020. However, the survey was postponed due to local coca eradication efforts as well as the national state of emergency issued in March in response to the COVID-19 pandemic.

In September, in parallel with the annual indicator survey, PCA will implement this baseline survey to collect data from a statistically significant sample of families in the area and establish a baseline for indicators on income, productivity, and sales. The survey will be implemented in Constitución, Puerto Bermúdez, Iscozacín, and Codo del Pozuzo.

### **3. Validation of data quality: In-person and other channels**

Each regional office will undertake a data validation process for the data collected as part of the indicator measurement process. This validation process has typically focused on in-person technical assistance (such as technical visits and group trainings), but will be expanded this year to include the technical assistance offered through other channels during the pandemic, such as phone calls, WhatsApp, SMS messages, and Facebook Messenger.

## **4. Monitoring and Evaluation System**

### **a. GEOGRAPHIC INFORMATION SYSTEM**

We will use satellite images and georeferencing of the cacao plots registered in the PCA database to analyze one or more areas of intervention in order to identify patterns regarding areas of new cacao growth, current production areas, presence of pests and disease, crop density, and other notable geospatial information such as the presence of road infrastructure and other existing crops in the selected area.

These inputs will be used to create a parameterized cartographic data model that will permit visualization of the value chain in the target area, among other uses. PCA will offer this model to public agencies and/or future private sector investors to support commitments regarding sustainability in the region.

The data gathered by each office and used in this model will be “ground-truthed” based on a representative sample from the field. PCA will collect this data sample and use it to adjust the proposed model as necessary.

### **b. MOBILE APPLICATIONS**

PCA will incorporate additional actors into its usage of mobile apps to collect data, including Technology Agents, community leaders, and other stakeholders with the ability to provide information that is of interest to public and private sector actors located in the target economic corridor.

**Table 21: MONITORING AND EVALUATION TIMELINE**

| Code/Activities  | Method  | Month/Year (Sept 2020 - Aug 2021) |          |          |          |          |          |          |          |          |          |          |          |
|--|---------|-----------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|  |         | Sept-2020                         | Oct-2020 | Nov-2020 | Dec-2020 | Jan-2021 | Feb-2021 | Mar-2021 | Apr-2021 | May-2021 | Jun-2021 | Jul-2021 | Aug-2021 |
| <b>1. VALIDATION OF DATA QUALITY</b>   |         |                                   |          |          |          |          |          |          |          |          |          |          |          |
| <b>1.1 REGIONAL ACTIVITIES</b>   |         |                                   |          |          |          |          |          |          |          |          |          |          |          |
| 1.1.1 Validate of the data reported by the regional offices  | Report  |                                   |          |          |          |          |          |          |          |          |          |          |          |
| 1.1.2 Provide feedback based on findings to inform corrective or preventative actions.                 | Report  |                                   |          |          |          |          |          |          |          |          |          |          |          |
| <b>2. MONITORING THE ALLIANCE (Indicators)</b>   |         |                                   |          |          |          |          |          |          |          |          |          |          |          |
| <b>2.1 ANNUAL ASSESSMENT OF INDICATORS AND ENVIRONMENTAL MONITORING</b>                                |         |                                   |          |          |          |          |          |          |          |          |          |          |          |
| 2.1.1 Instrument planning and design   | Report  |                                   |          |          |          |          |          |          |          |          |          |          |          |
| 2.1.2 Implement field work in the San Martín, Huánuco, and Ucayali regions.                            | -       |                                   |          |          |          |          |          |          |          |          |          |          |          |
| 2.1.3 Results  | Report  |                                   |          |          |          |          |          |          |          |          |          |          |          |
| <b>3. BASELINE VALLE PICHIS PALCAZÚ</b>  |         |                                   |          |          |          |          |          |          |          |          |          |          |          |
| <b>3.1 MEASURE ESTABLISHED AGREEMENT AND ENVIRONMENTAL INDICATORS</b>                                  |         |                                   |          |          |          |          |          |          |          |          |          |          |          |
| 3.1.1 Instrument planning and design   | Various |                                   |          |          |          |          |          |          |          |          |          |          |          |
| 3.1.2 Execute field work in districts in the Pasco region.   | Report  |                                   |          |          |          |          |          |          |          |          |          |          |          |
| 3.1.3 Results  | Report  |                                   |          |          |          |          |          |          |          |          |          |          |          |
| <b>4. MONITORING AND EVALUATION SYSTEM</b>   |         |                                   |          |          |          |          |          |          |          |          |          |          |          |
| <b>4.1 GEOGRAPHIC INFORMATION SYSTEM</b>   |         |                                   |          |          |          |          |          |          |          |          |          |          |          |
| 4.1.1 Input collection: satellite images, data from secondary sources for mapping, zone identification | Report  |                                   |          |          |          |          |          |          |          |          |          |          |          |
| 4.1.2 Variable analysis, data extrapolation, results of pilot program                                  | Report  |                                   |          |          |          |          |          |          |          |          |          |          |          |
| 4.1.3 Field work   | Report  |                                   |          |          |          |          |          |          |          |          |          |          |          |
| 4.1.4 Final results  | Report  |                                   |          |          |          |          |          |          |          |          |          |          |          |
| <b>4.2 MOBILE APPLICATIONS</b>   |         |                                   |          |          |          |          |          |          |          |          |          |          |          |

| Code/Activities                          | Method | Month/Year (Sept 2020 - Aug 2021) |          |          |          |          |          |          |          |          |          |          |          |
|--|--------|-----------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|  |        | Sept-2020                         | Oct-2020 | Nov-2020 | Dec-2020 | Jan-2021 | Feb-2021 | Mar-2021 | Apr-2021 | May-2021 | Jun-2021 | Jul-2021 | Aug-2021 |
| 4.2.1 Data requirements analysis         | Report |                                   |          |          |          |          |          |          |          |          |          |          |          |
| 4.2.2 Development of mobile applications | System |                                   |          |          |          |          |          |          |          |          |          |          |          |
| 4.2.3 Training and implementation        | Report |                                   |          |          |          |          |          |          |          |          |          |          |          |



# ENVIRONMENTAL COMPLIANCE



During Year 5, PCA will resume implementation of the INTP and IPM outreach plan and incorporate EBPs into the technology package. As part of these efforts, PCA will undertake the following activities:

- 1) Train each member of the technical team on the use and implementation of the Year 5 EMMP in all relevant farming contexts, taking into account recommendations from the 2019 Environmental Compliance Review.
- 2) Train SCM field extensionists on the correct implementation of the EMMP.

PCA has established an agreement with the “Campo Limpio program”, which promotes the safe use of pesticides and the collection and disposal of pesticide containers. The program has established storage facilities across the country, including in all three PCA intervention areas. PCA’s collaboration with Campo Limpio will focus on the following issues:

- ✓ Safe storage of pesticides in cool, dry environments to avoid exposure
- ✓ Safe collection and storage of harvest residue (shells, pulp, spoiled fruit, etc.) to mitigate pests
- ✓ Composting harvest residue to mitigate pests and create fertilizer



- ✓ Installation of forest trees around the perimeters of cacao plantations, the edges of streams, and the boundaries of purmas<sup>2</sup>
- ✓ Wastewater management during the draining and fermenting process (at the farmer and SCM level)

PCA will continue to encourage the widespread adoption of these EBPs through an outreach plan that uses alternative methods (phone calls, radio spots, SMS messages, loudspeakers) to raise awareness and involve all members of farming families in their implementation even while in-person technical assistance is restricted.

In order to implement the Year 5 EMMP, PCA will collaborate closely with SCMs, technology partners, and other private companies, focusing on ensuring environmental sustainability throughout the entire cacao supply chain. We are currently working with PROMPERU to implement a Carbon Footprint Program with eight producer organizations that have committed to reducing their GHG emissions, including by composting all harvest residues, an approach that will also, eliminate common hotspots for pests. Some SCMs have also reduced their GHG emissions by complying with the emissions mitigation measures included as part of the organic certification process.

To improve the efficiency of each of these processes, PCA will implement a monitoring plan for all cacao plots receiving technical assistance during the course of the year, in accordance with the “Agronomy Monitoring Manual” provided to each Lead Extensionist.

PCA anticipates interviewing approximately 750 heads of farming families and consolidating the results of the environmental monitoring process into an environmental compliance report (ECR) for Year 5, which will be developed by technical experts in this area. The ECR will include a list of recommendations and concrete proposals to improve the implementation of the EMMP for Year 6 and mitigate the environmental impact of all activities implemented within the cacao, plantain, and forestry value chains. For any initiatives that involve post-harvest and fertigation infrastructure, PCA will gather information through an initial environmental examination (IEE) that includes recommended mitigation measures.

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<sup>2</sup> Primary and secondary forests

**TABLE 22: ENVIRONMENTAL COMPLIANCE TIMELINE**

| Activities  | 2020 |      |     |     |     | 2021 |     |     |     |     |     |     |
|---|------|------|-----|-----|-----|------|-----|-----|-----|-----|-----|-----|
|   | Aug  | Sept | Oct | Nov | Dec | Jan  | Feb | Mar | Apr | May | Jun | Jul |
| <b>Conduct environmental monitoring</b>   |      |      |     |     |     |      |     |     |     |     |     |     |
| Select farmers to be interviewed (with support from PCA M&E team)                       | █    |      |     |     |     |      |     | █   |     |     |     |     |
| Conduct field visits to gather environmental data - Ucayali                             | █    |      |     |     |     |      |     | █   |     |     |     |     |
| Conduct field visits to gather environmental data - Huánuco                             | █    |      |     |     |     |      |     | █   |     |     |     |     |
| Conduct field visits to gather environmental data - San Martín                          | █    |      |     |     |     |      |     | █   |     |     |     |     |
| Conduct field visits to gather environmental data - Pasco                               | █    |      |     |     |     |      |     | █   |     |     |     |     |
| Develop environmental monitoring report   |      | █    |     |     |     |      |     |     | █   |     |     |     |
| <b>Develop the ECR for Year 4 and the EMMP for Year 5</b>                               |      |      |     |     |     |      |     |     |     |     |     |     |
| Meet with ag technicians to assess compliance with the Year 4 EMMP                      |      |      | █   |     |     |      |     |     |     |     |     |     |
| Systematize the information collected   |      |      | █   |     |     |      |     |     |     |     |     |     |
| Develop the ECR for Year 4  |      |      | █   |     |     |      |     |     |     |     |     |     |
| Develop the EMMP for Year 5   | █    | █    |     |     |     |      |     |     |     |     |     |     |
| <b>Disseminate the EMMP for Year 5 within the PCA technical assistance program</b>      |      |      |     |     |     |      |     |     |     |     |     |     |
| Agricultural technicians from Ucayali   |      | █    |     |     |     |      |     |     |     |     |     |     |
| Agricultural technicians from Huánuco   |      | █    |     |     |     |      |     |     |     |     |     |     |
| Agricultural technicians from San Martín  |      | █    |     |     |     |      |     |     |     |     |     |     |
| Agricultural technicians from Pasco   |      | █    |     |     |     |      |     |     |     |     |     |     |
| <b>Conduct farmer trainings</b>   |      |      |     |     |     |      |     |     |     |     |     |     |
| Provide ongoing guidance and training on EBPs - Ucayali, Huánuco, San Martín, and Pasco | █    | █    | █   | █   | █   | █    | █   | █   | █   | █   | █   | █   |