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de las personas
y las naciones*

**Project: NAMA Facility Implementation Call V –
NAMA Coffee Peru – Detailed Preparation Phase
(DPP) Phase I**

Technical and Financial Report

2019-2020

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**Project: NAMA Facility Implementation Call V – NAMA Coffee Peru – Detailed Preparation
Phase (DPP) Phase I**

1. Introduction:

Current deforestation trend and unsustainable coffee as driver

Deforestation is a major source of emissions in Peru. Coffee is an important driver of deforestation and a major cash and export crop. Unsustainable coffee production practices lead to rapid soil degradation and favor the spread of diseases, which in turn forces vulnerable producers to move further into forest areas and to maintain or increase production level. This effect is particularly pronounced in difficult-to-access forest frontier areas and exacerbated by climate change that is shifting the coffee optimum towards higher altitudes, into watersheds protection-forests. Most coffee systems are monocultures with minimum shade by companion trees. This leaves significant space for increased optimization of shade levels and diversification that would increase the system's resilience and carbon stocks with a positive impact on farmers livelihood. Aside from deforestation, methane developing in wastewater from on-farm coffee pulping is also contributing to the high greenhouse gas footprint of Peruvian coffee.

This NSP (NAMA Support project) proposed **an innovative approach towards a transformational change in credit management and agriculture practices for coffee, as well as behavior and mindset change in the long term.** The Project targeted farmers' capacity to implement sustainable and, zero deforestation coffee production, with a strong focus on access to innovative coffee-related credits, and technical assistance to support adoption of innovative mitigation technologies and practices. The coffee sector would shift towards zero-deforestation, sustainable diversification to adapt to climate change, increasing yields and quality sustainably with agroforestry and reducing local environmental impacts and methane emissions by waste water treatment in line with the Peruvian Nationally Determined Contribution (NDC) and the National Coffee Action Plan.

2. NSO (NAMA Support Organisations):

- French Development Agency – AFD (Financial component)
- United Nations Development Program - UNDP

3. Project Activities

The project took a **comprehensive approach** to reducing emissions from the coffee sector, integrating farmers' needs, limitations, and limited access to credit. It would integrate several existing and new digital tools for transparency and technical assistance to coffee farmers into a package, while supporting rural banks to return to the coffee sector through a "green agriculture" offer and building up their capacity to intervene in the agriculture sector and work with family farmers.

The following is a description of the progress of the outputs and activities programmed for the DPP.

	<i>Activity</i>	<i>Output</i>	<i>Status</i>
1	DPP setup	Work plan and inter-institutional agreements	
1.1	Development of an inter-institutional work plan	Work plan	Detailed planning of the NSP in synergy with other relevant initiatives, including a scaling-up strategy and the establishment of inter-agency agreements between the project partners (UNDP, ICRAF and the French Development Agency) for the design and implementation of the NSP.
1.2	Development of inter-institutional agreements	UNDP-ICRAF-AFD Agreements	
M1		Draft Cooperation Agreement with AFD and ICRAF	
1.3	Selection and hiring process of external specialists	DPP team hired	The team of specialists was hired to implement the DPP phase. Different actors involved in the coffee value chain were identified, based on the analysis made during the formulation of the National Coffee Plan, and an inception workshop was held in March 2019.
1.4	Inception workshop in Lima with key stakeholders	DPP launched	
2	Development of first NSP action plan, including securing of co-finance (e.g. AFD)	NSP Action Plan, including securing of co-finance (e.g. AFD)	
M2		Approach for segregation of types of actors and zones	
2.1	Elaborate draft scaling-up/out strategy	draft scaling-up/out strategy	For the implementation of the DPP, MIDAGRI created a specific Working Group, composed by its various areas involved in the project, MINAM and NSPs partners. In April 2019, workshops for the design of the scaling-up/out strategy were held internally and then included relevant actors for the validation of the typologies of producers and stakeholders.

	<i>Activity</i>	<i>Output</i>	<i>Status</i>
M3		draft scaling-up/out strategy	
2.3	Detailed design of financial mechanism in coordination with AFD and Peru financial entities (includes a business model at least one target group of farmers)	Financial mechanism developed in collaboration among NSP partners	In a coordinated effort with FEPCMAC (Peruvian Federation of Municipal Savings and Loan Banks), working meetings were held with the financial institutions interested in participating in the project and the amounts of the lines of financing required to grant green loans (financing of technological packages for coffee) were estimated, according to their corporate strategies. Financial institutions were sensitized on topics such as the coffee sector and technological packages. Detailed design of the financial mechanism was finalized during DPP 2.
M4		Financial mechanism developed in collaboration among NSP partners	
2.4	Drafting of Cooperation Agreements with municipal and rural banks, other credit-eligible supply chain actors (e.g. cooperatives)	Cooperation agreements between AFD and local financial institutions	Letters of Expression of Interest were obtained from financial institutions, for their participation in the project.
M5		Draft Cooperation Agreements with municipal and rural banks, other credit-eligible supply chain actors	
2.5	Develop detailed business case for each of the main types of farmers	Detailed business cases	Workshops have been held (in Lima and regions) with various stakeholders (MIDAGRI, FEPCMAC, MINAM, AFD, ICRAF, financial institutions, coffee cooperatives, among others) both in person and virtually, due to the beginning of the pandemic by COVID-19.
M6		Detailed business cases	
2.6	Design of technological packages to be included in the financial program (technological package focus on farmers' tailored agroforestry design and coffee wasted-water)	Technological packages ready to be included in financial mechanism	Visits were made to coffee farms, gathering information on the situation of producer organizations and their main interests. Design of technological packages and emission reduction calculation were finished as part of the activities of the Working Group.
2.7	Accurate estimates of GHG emission reductions resulting from NSP activities	Calculated Reduction of GHG emissions as result of NSP activities	

	<i>Activity</i>	<i>Output</i>	<i>Status</i>
M7		Calculated Reduction of GHG emissions as result of NSP activities	
2.8	Inter-institutional planning workshop of NSP	First version of NSP ready to validate among key stakeholders	First version of the NSP was elaborated and revised within the Working Group, including co-finance and a Social and Environmental Screening and Management Framework
2.9	Produce NSP first version		
2.1	Social and Environmental Screening and Management Framework	Two instruments for social and environmental risk management of NSP.	
M8		Draft NSP Action Plan, including securing of co-finance (e.g. AFD)	
3	NSP validated by multiple stakeholders	Validated NSP	
3.1	Workshop to introduce the first version of the NSP to national level stakeholders	Inputs of national level stakeholders included into the NSP first version	Workshops were held (in Lima and regions), both in person and virtually, due to the pandemic by COVID-19. This made it possible to gather the contributions of the various stakeholders and to formulate the second version of the NSP
3.2	Workshop to introduce the first version of the NSP to local stakeholders in San Martin, Amazonas, Cajamarca regions.	Inputs of local level stakeholders included into the NSP first version	
3.3	Inclusion of inputs collected in national and local workshops and development of NSP second version	Second version of NSP ready to validate among key stakeholders	
4	NSP finalized for submission		
4.1	Inter-institutional review and development of NSP final version	NSP final version	NSP final version was elaborated and in April 2020, a national workshop was made to present the proposal (virtual workshop).
4.2	National workshop to present NSP final version	NSP final version validated	

4. Main Challenges

The main challenge in the implementation of the DPP was to achieve the participation and commitment of stakeholders to participate actively and permanently in the different phases of the formulation process, particularly during the COVID-19 pandemic. Inputs were gathered from the different stakeholders, and in this sense, another challenge was to consolidate the different contributions, which are reflected in the proposal.

Given the current situation caused by the COVID19 pandemic, the Peruvian government is offering agricultural producers various options for the recovery of their livelihoods, including low-interest loans, and the NSP proposal aimed to contribute to these recovery efforts for small-scale coffee producers.

5. Good practices and lessons learned:

- Integration of efforts and expertise from different organizations such as MIDAGRI, MINAM, ICRAF, AFD and UNDP was critical to achieve the preparation of the NSP.
- FEPCMAC's engagement facilitated the inclusion of sustainable agriculture financing as part of the credit offer of the municipal savings and loans banks.
- The interest and participation of relevant actors of the private sector was obtained, identifying synergies with their objectives and ongoing projects.

6. Financial Report

Project: NAMA Facility Implementation Call V – NAMA Coffee Peru – Detailed Preparation Phase (DPP) Phase

Project processing number 12.9097.2-012.00

GIZ-contract number: 81235706

Provisional Financial Report 2019-2020¹

Cost Category	Budget Euros	Budget USD	Expenses 2019 USD	Expenses 2020 USD	Expenses USD	Balance USD
Personnel	135,500.00	152,371.35	54,551.51	97,819.84	152,371.35	0.00
Travel and Allowance	34,200.00	38,458.30	20,924.70	17,533.60	38,458.30	0.00
Procurement of material and equipment					-	-
Other Direct Cost	15,400.00	17,317.48	14,031.05	2,885.79	16,916.84	400.64
Indirect cost UNDP 8%	14,808.00	16,651.77	7,160.59	9,459.13	16,619.72	32.05
Total	199,908.00	224,798.90	96,667.85	127,698.36	224,366.21	432.69



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¹ Certified financial report will be produced by end of June each calendar year by the UNDP Bureau of Management/Office of Finance and Administration