



Impact Brief

Collaborative Action for Sustainable Commodity Production and Trade

Improving livelihoods and protecting vulnerable production landscapes: UNDP and SECO's journey in Peru's coffee and cocoa sectors



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Education and Research EAER
State Secretariat for Economic Affairs SECO

“We had in the past various national coffee plans; however, this new proposal is based on an agreement not only with stakeholders working in cities, but also with farmers belonging to different Peruvian regions. This is a great contribution, which makes the plan a key instrument to work towards the development of the coffee sector in the country.”

— Lorenzo Castillo
National Coffee Board

About this document

This Impact Brief examines the results of a partnership between the United Nations Development Programme (UNDP) and the Swiss State Secretariat for Economic Affairs (SECO) to strengthen Peru’s coffee and cocoa sectors through enhanced multi-stakeholder collaboration and action. The process has sought to strengthen the enabling environment and participatory governance mechanisms to transform the sectors and enable them to satisfy the needs of future generations of farmers while protecting vulnerable ecosystems in the Peruvian Andes and Amazon regions.

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The Background

UNDP launched the Green Commodities Programme (GCP) in 2010 in recognition of the importance of agricultural commodities for the livelihoods of millions of smallholder producers, and its impact on forests and vulnerable production landscapes around the world. In 2016 GCP started a partnership with SECO to support sector transformation in coffee in Peru. In response to a request from the Peruvian government UNDP, with SECO's financial support, facilitated a multi-stakeholder platform process that developed Peru's first multi-stakeholder National Action Plan for the coffee sector, and later supported a similar process in cocoa. In this paper are summarised the challenges facing Peru's coffee and cocoa sectors, and the support provided to help address them. This is followed by an assessment of the results achieved and the continued efforts to generate a structural transformation of coffee and cocoa production in Peru.



The National Context

Coffee production in Peru covers 430,000 hectares of farmland and provides livelihoods to 226,500 farmer families¹. Cocoa covers 177,000 hectares and provides livelihoods to 111,323 farmer families². Most production areas are in the Peruvian Amazon with coffee grown at higher altitudes in the foothills of the Andes, and cocoa grown at hotter and more humid lower elevations. Though the Eastern regions are quickly developing, agriculture remains the main livelihood option of most of the area's population.

When UNDP and SECO initiated their support to Peru's coffee sector in 2016 there was **little coherent or widely shared vision for the sector, and no active plan to guide its development**. Several coffee plans developed prior had not been implemented, nor had they been developed with broad participation from the sector's stakeholders. The dedicated institutional body charged with guiding the sector, the tripartite National Coffee Council, consisted of the Ministry of Agriculture and Irrigation (MINAGRI at the time, later changing name to Ministry of Agricultural Development and Irrigation, MIDAGRI), the National Coffee Board (*la Junta Nacional del Café*) representing farmers organised in cooperatives, and the National Chamber of Coffee and Cocoa

(*la Cámara Peruana del Café y Cacao*) representing the exporting companies, but the **National Coffee Council was not operational** at the time. The cocoa sector had even less institutional governance and like coffee it lacked a coherent vision for sustainable growth. As a much smaller, emerging sector, cocoa was initially promoted as a development strategy to provide economic alternatives to farmers engaged in illicit coca production in the Peruvian Amazon. Both the Peruvian government and USAID invested heavily to increase cocoa production in the hope that it could outcompete coca.

The coffee and cocoa sectors grew without plans for their development or visions for their future. Reliable deforestation data is hard to come by, but clearly **the growth of both coffee and later cocoa has contributed to the significant expansion of the agricultural frontier**. Often the first cause of deforestation has been illegal coca production as coca represented one of the few truly profitable crops for local farmers, or cattle which was and remains the cheapest way to occupy newly deforested areas, with the aim to eventually turn land occupancy into land ownership. Land occupancy has been fuelled by internal migration from Andean regions of rural population in search



¹ MIDAGRI, 2021

² Encuesta Nacional Agraria 2016

of better livelihood options. Subsequent planting of coffee and cocoa in deforested areas has helped fuel the economy of land conversion and helped incentivise continued deforestation.

While smallholder farmers engaged in coffee and cocoa to earn their livelihood, **small farm sizes and inefficient production techniques kept productivity and quality low**. Unable to invest in modernising farms and with little access to technical support, farm incomes remained abysmal, and **millions of farmers were trapped in poverty**. A result has been farmers' increasingly seeking off-farm labour and younger generations in farming communities opting for livelihoods outside the agricultural sector.

Particularly Peru's coffee sector was plagued with **mistrust among stakeholders and conflictive relationships** between some of the key institutions in the sector. For example, farmers and private-sector organisations frequently criticised MINAGRI for inaction. Also, in 2017 a competing organisation, the Federation of Coffee

Producers of Peru emerged to challenge the Junta's position as representative of the voice of farmers.

The **coffee stakeholders did not have a space to gather to dialogue, develop a shared vision or to agree on collaboration**. Most of the action in the sector remained as isolated efforts. The relationships in cocoa, as a more recent sector, were not plagued with the same degree of tension between its actors, but also the cocoa stakeholders did not have a forum to gather and build their vision of the future of cocoa in Peru.

In a context of governance instability for Peru's coffee sector, in 2016 the National Coffee Council strongly needed institutional support to revamp its action. However, the government at the time wanted to revitalise the Council and requested UNDP's support to do so, along with support to a multi-stakeholder process to develop an action plan for the sector. At the time the cocoa sector did not have a designated governance body.



Multi-stakeholder Dialogue and Action

The decision of the Peruvian government to **transition from an unplanned growth of its coffee sector to an orderly growth guided by a shared vision of the coffee sector's stakeholders** is significant and represents a desire for the coffee sector to drive positive development processes, particularly the improvement in livelihoods for farmers, along with protection of fragile production landscapes and the conservation of tropical forests. Even if the process remains imperfect, the desire to govern and steer a sector in collaboration with its stakeholders is fundamental for transformation.

The project established a multi-stakeholder platform for the coffee sector that organised working groups to identify problems and challenges in the sector, to jointly agree on solutions to overcome them, and to develop the willingness to collaborate to implement solutions. The **National Coffee Action Plan** was developed and adopted by Presidential Decree in December of 2019, and remains Peru's action framework for its coffee sector.

In 2021 the National Coffee Council was replaced with the **National Executive Coffee Council** with the aim to guide and coordinate efforts to develop the national coffee sector and oversee the implementation of the National Coffee Action Plan. The new Council had a **significantly expanded membership**: key public and private organisations with responsibility for the national coffee sector, including national ministries, regional governments and municipalities, producer organisations and exporting company associations, among others. Despite high political volatility in the country, UNDP provided technical support and secretariat functions to the Executive Council. However, the frequent leadership turnover affected the Council's work, dealing with nine ministers of agriculture since the establishment of the National Executive Coffee Council in 2021.

With funding from the GEF, UNDP also supported the development of the **National Development Plan for the Cocoa and Chocolate Value Chains**. The Plan was developed by a multi-stakeholder **Multi-sector Working Group** (*Grupo de Trabajo Multisectorial*), which was established in 2020 by ministerial resolution. UNDP facilitated the multi-stakeholder participatory process in the Working Group and drafted the Plan. The Working Group has shown considerable leadership and energy. It benefited from the participation of public institutions, private companies, farmer organisations, guilds and associations, civil society partners and development partners, including SECO. UNDP remains ready to support the implementation of the national plan and the strengthening of the multi-stakeholder institutional structure that will support it.

Peru's government has invested in its coffee and cocoa sectors in different ways. With UNDP's support, the Peruvian government has invested its Global Environment Facility allocation in strengthening the sustainability of commodity production. In 2017 the government invested 18.3 M USD in its Sustainable Productive Landscapes in the Amazon project focusing on Huánuco and Ucayali. The project has co-funded activities with SECO. In 2023 began the implementation of a 13.5 M USD Food and Land Use Restoration (FOLUR) project which will work in coffee and cocoa in San Martín, Loreto, Cajamarca, and Amazonas.

Peru's government has also invested **significant amounts through national funding programmes** that benefit coffee and cocoa production and their production areas. This includes programmes to replant coffee plantations affected by coffee rust, investments through Agroideas and the Budget Program 121, among others.

Results and Impact

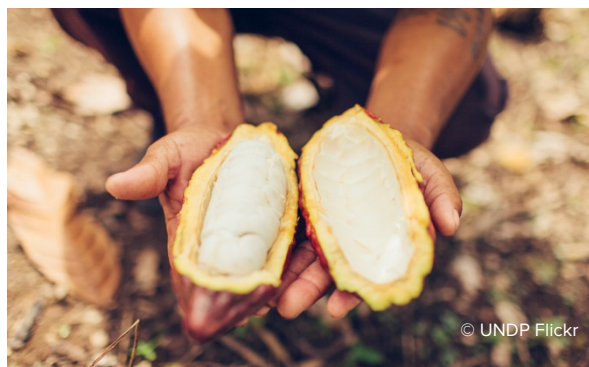
The participatory processes in Peru's coffee and cocoa sectors have resulted in meaningful action to address persistent problems in some areas, and less so in others. The following is a summary of some of the results and impacts achieved and other areas with elusive outcomes.

Both **coffee and cocoa sector plans remain the policy action frameworks** for the sectors, having been officialised by the Peruvian government by Supreme Decree (coffee in 2019, cocoa in 2022). The institutional frameworks to oversee the implementation of the plans remain weak (in the case of coffee) or absent (in the case of cocoa) at the national level, further exacerbated by political instability and frequent turnover of ministerial officials in recent years, as well as several years of heavy impact from the COVID pandemic.

While the comprehensive, centrally planned implementation of the plans has fallen short, the **plans have guided action in some areas**. In coffee, companies, industry associations and public institutions are collaborating to enhance promotional efforts of Peruvian coffees on international markets, and to boost national coffee consumption in Peru. INACAL, with the support of UNIDO and SECO, has led the work to improve the quality in coffee and strengthen the related indicators in the National Coffee Action Plan.

At the subnational level, regional governments and stakeholders have used the plans as guiding tools for their own planning. Currently, UNDP supported ten of Peru's main coffee regions in drafting Regional Coffee Agendas through participatory processes. The process focused on dialogue and consensus building between the leading institutions and actors in the coffee value chain who are present in each region, but they also involved MIDAGRI, PRODUCE, MINCETUR, DEVIDA, the National Coffee Board, and the Federation of Coffee Growers.

Regional governments have led the creation of coffee and cocoa roundtables, which organise local governments, private companies, and other actors, in efforts to jointly plan and implement activities in support of these sectors. The roundtables vary in effectiveness but represent platforms on which effective multi-stakeholder collaborative action to implement sector plans in production landscapes and jurisdictions can be built. UNDP, in coordination with MIDAGRI, has supported roundtables in Phase II of the collaboration with SECO, and during Phase III, UNDP will strengthen this work in Cajamarca and Cusco.



The **coffee and cocoa platform processes have demonstrably brought stakeholders together**: The Junta and the Cámara have aligned vision and shared efforts in pushing forward the coffee sector and improved relationships with MIDAGRI. In cocoa, the Multi-sector Working Group has engaged a wide range of stakeholders in a dynamic group effort that remains one of the most encouraging examples of constructive multi-stakeholder dialogue and consensus-building in Peru. The regional multi-stakeholder roundtables and platforms constitute **participatory governance mechanisms** and generate **partnerships between companies, local governments, and civil society** with presence in farming landscapes. Sceptics will rightly point out that alignment and improved stakeholder relationships are not enough to transform sectors. At the same time, they are also a prerequisite for change.

Concluding, the **SECO funding invested in Peru by UNDP since 2016 amounts to just under 2 M USD**. The investment helped develop coherent plans for the coffee and cocoa sectors, based on consensus among all relevant stakeholders.

The plans serve as official planning and investment frameworks for the sectors. They represent a desire of the stakeholders to develop the sectors in a planned way, to drive economic and social development and to decouple their growth from deforestation. The plans are being actively used by stakeholders at different levels. The investment has leveraged many times its value in large initiatives that continue the work to improve commodity sustainability in Peru.

The Way Forward

While the results generated by the UNDP-SECO partnership have been encouraging in some areas and while UNDP considers they amount to a satisfactory return on investment, it also recognises that the full potential of sectoral change has not yet occurred: more robust governance structures and lower political volatility would represent key factors to drive success. Participatory creation of visionary plans for Peru's coffee and cocoa sectors, while essential, has not naturally led to well-organised, centrally planned action. This has caused UNDP to reconsider its implementation strategy for the project.

UNDP is a long-time partner of national government institutions, including MIDAGRI and MINAM, and has worked to strengthen national multi-stakeholder governance bodies, such as the National Executive Coffee Council. However, UNDP concluded that the coffee and cocoa sector plans must be implemented on the ground through multi-stakeholder governance processes driven by regional governments and existing regional technical roundtables and platforms. Local stakeholders are best placed to address challenges in production landscapes. At the subnational level, existing multi-stakeholder bodies already bring together local actors who are closer and more directly committed to support change in farming areas. Since 2021 UNDP has gradually been shifting its focus towards landscape interventions, and Phase III of the collaboration with SECO will focus on Cajamarca for coffee and Cusco for coffee and cocoa with the aim to accelerate local implementation of the coffee and cocoa sector plans. The intervention will complement other UNDP projects that work in other Peruvian production regions.

The regional focus does not abandon national efforts. UNDP is supporting a national sensemaking analysis with MIDAGRI, MEF and other key institutions to help the government align their support to the coffee and cocoa sectors. UNDP will continue to support participatory governance efforts where possible and in accordance with the on-going high-level consultation process UNDP is leading. It will also work to catalyse national funding schemes such as the Budget Program 121, and government credits for renewal of coffee and cocoa plantations, to create regional solutions for farmer support and reduction in deforestation.

