



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Sixty-Eighth Session
Rome, 8-9 December 1999

REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED

TECHNICAL ASSISTANCE GRANT

TO THE

INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE (IICA)

FOR THE

**REGIONAL PROGRAMME FOR THE DEVELOPMENT OF SOUTH AMERICAN
CAMELIDS (ARGENTINA, BOLIVIA, CHILE AND PERU) – PHASE III**



TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS	ii
I. BACKGROUND	1
II. RATIONALE/RELEVANCE TO IFAD	1
III. THE PROPOSED PROGRAMME	2
IV. EXPECTED OUTPUTS/EXPECTED BENEFITS	2
V. IMPLEMENTATION ARRANGEMENTS	3
VI. INDICATIVE PROGRAMME COSTS AND FINANCING	4
VII. RECOMMENDATION	4
APPENDIX	
PROGRAMME COMPONENTS	1



ABBREVIATIONS AND ACRONYMS

CEN	Camelid Entrepreneur Networks
EDF	Enterprise Development Facility
IICA	Inter-American Institute for Cooperation on Agriculture
PCU	Programme Coordination Unit



**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON A PROPOSED TECHNICAL ASSISTANCE GRANT
TO THE
INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE (IICA)
FOR THE
REGIONAL PROGRAMME FOR THE DEVELOPMENT OF SOUTH AMERICAN
CAMELIDS (ARGENTINA, BOLIVIA, CHILE AND PERU) – PHASE III**

I submit the following Report and Recommendation on a proposed technical assistance grant (TAG) to the Inter-American Institute for Cooperation on Agriculture (IICA) to support the Regional Programme for the Development of South American Camelids (Argentina, Bolivia, Chile and Peru) – Phase III, in the amount of USD 500 000 for a two-year period.

I. Background

1. The Andean highlands are characterized by harsh climatic conditions with temperature fluctuations, a high incidence of frosts and low rainfall. These conditions and the high altitude -- 3 500 to 4 800 m above sea level – place agricultural and livestock production at high risk. Approximately 65 000 Aymara, Quechua, Chipaya and Uruithu indigenous families derive both income and food security from breeding and herding South American camelids (alpacas and llamas), currently estimated to number about 7 million. Breeders are politically, socially and economically marginalized and consequently lack the capacity to attract investments. Practically the only option they have for overcoming their marginalization is to form associations that will link them with other actors in the processing, transformation and marketing chain of camelid products.

2. South American camelids are the most viable alternative for improving the living conditions of rural inhabitants in the Andean highlands. Camelid products can be transformed through artisanal and industrial processes to produce quality products for demanding local and export markets. To reach new markets for natural fibres, lean meat, hides and leather, changes at the grass-roots level are needed. First, efforts must be made to introduce local breeders to improved animal husbandry and product processing techniques. Producers must then be convinced of the need to add value to their products in order to become competitive on final markets. The intermediate and advanced stages of the value-added chain such as transformation and marketing are mainly carried out by Aymaras and Quechuas, now settled in towns or larger urban areas such as Jujuy in Argentina, La Paz in Bolivia, Arica in Chile and Arequipa in Peru.

II. RATIONALE AND RELEVANCE TO IFAD

3. **Rationale for Phase III.** The third and last phase of this programme will consolidate gains made by the programme during its earlier implementation phases. In Phase I of the programme, beneficiaries successfully adopted improved technologies. It was shown that linkages between producers and entrepreneurs are essential for increasing breeders' incomes. Another important lesson learned, however, was that improved practices and increased productivity are only sustainable when fair prices are paid for the products supplied. During Phase II, it became clear that increases in the incomes of small producers and manufacturers are only possible when the quality of the products they supply is improved. Products can be upgraded, however, only if producers join forces with



entrepreneurs in a chain of product value addition. Among the achievements of phase II were: (a) an increase in the value of raw materials; (b) the adoption of improved technologies; (c) stronger exchanges among the stakeholders involved in the different stages of the value-added chain; (d) the development of business associations; and (e) the consolidation of commercial circuits. It is expected that phase III will strengthen already established linkages, facilitate market integration, develop higher-quality products and increase marketed volumes and profit margins. It will also provide a forum for producers, manufacturers and merchants enabling them to exchange experiences and information.

4. **Relevance to IFAD.** Phase III of the programme will seek to consolidate a regional network of camelid producers and small entrepreneurs in order to market camelid products more efficiently. Since these products are practically the only source of income for the populations of the Andean highlands, this phase is consistent with IFAD's strategy to alleviate hard-core poverty in the area. These activities will be relevant to other IFAD national projects for camelid breeders, such as the ongoing Camelid Producers Development Project in the Andean High Plateau of Bolivia (IFAD Loan 354-BO), and the recently approved North Western Rural Development Project for Argentina (IFAD Loan 514-AR), whose component for breeders will be executed with the support of this TAG. The programme could also create the basis for future IFAD investment plans in this sector.

III. THE PROPOSED PROGRAMME

5. The programme will directly benefit some 3 000 families identified during previous programme phases, 1 250 of whom are breeders and 1 750 small-scale entrepreneurs. In previous phases, nearly 45% of all beneficiaries were rural women who were mainly involved in selling fresh meat through their own butcheries or who were specialized in fibre classification, an activity that is practically the exclusive domain of women.

6. The main objective of the programme is to increase the incomes of camelid breeders and small-scale entrepreneurs by strengthening their animal husbandry practices, processing and marketing strategies as a joint effort. Specific objectives are: (a) to promote the increased supply of products and by-products by cofinancing business ventures, offering credit on favourable terms and implementing joint ventures; and (b) to promote the establishment of a regional network of small entrepreneurs, which will efficiently market camelid products, enable members to share their experiences and know-how, and disseminate the entrepreneurial strategy developed to other projects and programmes.

7. The regional programme will have two main components: (a) the establishment of an enterprise development facility (EDF); and (b) the promotion of camelid entrepreneur networks (CEN)¹.

IV. EXPECTED OUTPUTS/EXPECTED BENEFITS

8. By the end of the technical assistance grant, it is expected that: (a) three fibre-producer networks will be created, which will be able to market classified llama fibre and industrially produced yarn to artisans and textile manufacturers. By creating an associative venture, producers will increase volume by 60% over present levels; (b) four medium-scale entrepreneurs will receive support for marketing fresh and dry meat products. Programme support is expected to enable them to increase their present sales by 50%; (c) small-scale leather-manufacturing workshops and marketing entrepreneurs will form an associative venture with local producers and tanneries for the processing of hides used in the manufacture of garments and other leather goods. Programme interventions will result in an increase of 80% of the current supply of processed hides.

¹ A more detailed description of the components is attached in the Appendix.



9. The programme will further support technology-transfer activities by convening events attended by producers, artisans and small-scale entrepreneurs. It plans to establish five networks, which will benefit producers by providing funding for attending international fairs and marketing events, thus allowing them to enter the international market for camelid products. It will also establish small networks of entrepreneurs in each participating country and promote the creation of a formally recognized regional institution to allow for programme sustainability.

V. IMPLEMENTATION ARRANGEMENTS

10. IICA will be the executing agency and grant recipient for phase III of the programme. IICA has offices in the four participating countries as well as the required management and technical capacity. Its main functions will be: (a) to promote cooperation among agencies, technicians, breeders' organizations, artisans, retailers and other programme participants; (b) to channel international technical assistance; and (c) to ensure liaison with other programmes and projects providing them technical assistance if required. IICA will cover the costs of a vehicle, office equipment and other costs associated with running local offices. IICA will also provide operational and administrative support in participating countries and ensure that the programme benefits from tax exception status for the importation of materials, equipment and services in the head office and in participating countries. IICA will work towards fully transferring responsibilities for programme activities to a regional institution, to be created by participating organizations of entrepreneurs in the four countries.

11. The regional programme will produce biannual and annual reports for IFAD consideration. IFAD and IICA will carry out two evaluations. The first, at the end of the first year of programme implementation, will determine the progress made towards transferring IICA responsibilities to a Bolivian CEN and towards creating a regional institution. The second evaluation will take place at programme completion.

12. A programme coordination unit (PCU) will be based in the IICA offices in La Paz, Bolivia. The unit will be composed of a programme coordinator, an administrative assistant-secretary and a driver-messenger. The PCU will act at the regional level with CENs in each country. The PCU will be responsible for: (a) planning, coordinating and executing the programme; (b) establishing technical, financial and administrative relationships with networks in each country; (c) providing administrative support to evaluation activities; and (d) mobilizing resources from national projects and programmes funded by IFAD and/or other agencies.

13. The programme will stipulate contracts with CENs giving them access to credit for developing new business ventures and allowing them to benefit from technology transfer activities.

14. A regional committee will be established that will have responsibility for approving annual workplans and guidelines for programme implementation. The committee will be composed of an IFAD representative, an IICA representative and a country representative from the small network of entrepreneurs. The programme coordinator will act as the secretariat of the committee.

15. The creation of the CENs is crucial to strengthening the camelid sector in each country. These networks will also include non-governmental organizations, independent consultants, consulting agencies, agribusiness enterprises and public-sector institutions. Networks will promote business ventures, provide management and technical assistance, create linkages among stakeholders at various stages of the value-added chain, and make policy proposals for the growth of the camelid sector to the PCU and the regional committee.



VI. INDICATIVE PROGRAMME COSTS AND FINANCING

16. Phase III of the regional programme will be implemented over a two-year period with a total cost of USD 800 000, including physical and price contingencies. IFAD's contribution will be of USD 500 000.

Programme Costs and Financing and Estimated Allocation of IFAD Grant (USD)

ACTIVITIES	IFAD	IICA	BENEFICIARIES	TOTAL COST
Enterprise development facility (EDF)	150 000		100 000	250 000
Operating costs	50 000			50 000
Business operations	100 000		100 000	200 000
Promotion of camelid entrepreneur networks (CEN)	100 000		100 000	200 000
Technology transfer through cooperation	40 000		40 000	80 000
Commercial fairs – business circuits – training	60 000		60 000	120 000
Administration and coordination unit	200 000	80 000		280 000
Evaluation and auditing	30 000	20 000		50 000
Others	20 000			20 000
TOTAL	500 000	100 000	200 000	800 000

VII. RECOMMENDATION

17. I recommend that the Executive Board approve the proposed technical assistance grant in terms of the following resolution:

RESOLVED: that the Fund, in order to finance, in part, the Regional Programme for the Development of South American Camelids (Argentina, Bolivia, Chile and Peru) – Phase III, for two years, commencing in January 2000, shall make a grant to the Inter-American Institute for Cooperation on Agriculture (IICA) in an amount not exceeding five hundred thousand United States dollars (USD 500 000) upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Fawzi H. Al-Sultan
President



APPENDIX

PROGRAMME COMPONENTS

1. **Enterprise Development Facility (EDF).** During programme phases I and II it was shown that commercial and technological innovation and adaptation to the processes of the value-added chain are directly linked to availability and access to funds and information.
2. The objective of this component will be to promote increased supply of products and by-products by cofinancing business ventures, offering credit on favourable terms, implementing joint ventures, providing investment funds for technological innovations and for the purchase of good - quality raw materials.
3. The EDF will give priority to the intermediate and advanced stages in the value-added chain, to be implemented by intermediaries, artisans and retailers. Foreseen activities should improve the quantity and quality of raw materials, by-products and finished products. The business management skills of small entrepreneurs and breeder organizations will be reinforced to assist them in opening a niche in the market and strengthen their negotiating capacities.
4. Special attention will be given to developing new products, such as llamas as pets or pack animals for mountain trekking, with the aim of diversifying income sources of the target population.
5. Entrepreneur networks will apply for business development support funds. Priority will be given to joint applicants from various stages of the value-added chain and to groups that involve at least two of the four participating countries. Funds will be made available on a competitive basis.
6. The programme will provide special technical advisory services and business management support to those organizations, requiring it. These costs will be cofinanced by the programme and entrepreneur networks that will be established.
7. **Camelid Entrepreneur Networks (CEN).** During phases I and II of the programme, information exchange and technology transfer among associations of breeders, peasant enterprises and independent entrepreneurs were encouraged and supported.
8. The objective of this component will be to promote the establishment of CENs, improving the exchange of information among stakeholders involved in the different stages of the productive chain. These networks will enable independent and associated small entrepreneurs to increase their sales by finding buyers for their marketable surplus. The quality of the supply will also improve, as a whole and the reliability of these associations will be guaranteed.
9. Small entrepreneur networks will have close links with peasant economic organizations and will promote the strengthening of breeder organizations in order to satisfy the increased demand. Small entrepreneurial associations will be reinforced among network members in order to make the most of economies of scale, both in marketing and purchasing of raw materials and ancillary products.
10. Small entrepreneurs will be assisted in market research and product promotion by cofinancing their participation in commercial fairs, business circuits and auctions, preparation of promotional products and the production and updating a commercial regional web-page.