



USAID
FROM THE AMERICAN PEOPLE



ALTERNATIVE DEVELOPMENT

Peru is a producer of cocaine, an illegal industry that fuels criminality and damages rural communities. USAID supports the Government of Peru's National Counternarcotics Policy by providing alternatives to coca cultivation and strengthening Peruvian capacity to confront drug mafias. This enormously successful model has lifted thousands of rural Peruvian families out of poverty by shifting them away from illegal coca cultivation.

The narcotics trade in Peru feeds corruption and violence. It also perpetuates poverty in isolated areas of Peru's Amazon. The Government of Peru forcefully eradicates or negotiates with communities to give up illegal coca and join the licit economy. USAID then helps farmers from these communities to plant cacao, coffee and other crops and connects them to producer associations. USAID programs also help local governments increase public investment and improve basic services to meet citizens' needs. While these efforts have made a significant impact, there are still many coca-growing regions that need support.

OUR WORK

DEVELOPING ALTERNATIVE LIVELIHOODS

USAID supports sustainable agroforestry in former coca-producing regions to produce legal sources of income through licit crops, such as cacao, coffee, banana, and local timber trees. USAID provides hands-

on technical assistance to farmers, including training in modern farming techniques and access to capital to invest in equipment. In 2021 alone, USAID helped 77,109 families transition to licit livelihoods on over 98,907 hectares of crops, including cacao and coffee.

PARTNERING WITH THE PRIVATE SECTOR

In FY 2021, USAID leveraged US\$13 million from the private sector to integrate farmers and communities into the licit economy. This private sector leverage was derived from USAID's engagement with 46 companies — social and environmental impact investors — associated with the burgeoning cacao, coffee, and technology sectors. During FY 2021, USAID continued to facilitate investments in cacao and coffee, as well as access to the Internet and financial services, in former coca-growing and deforested areas of Peru. Together with 46 private companies, USAID helped farmers improve yields and quality of their products on 98,907 hectares of cacao and coffee-based agroforestry plantations. USAID also focused on helping farmers aggregate their product to meet market demands, leading to \$118.5 million in cacao and coffee sales during FY 2021.

FACILITATING LOCAL GOVERNANCE

Even when a community successfully transitions from coca production, the pressures to regress to coca persist. To help sustain progress, USAID strengthens local governance by organizing community development committees that create participatory long-term economic development plans. USAID also trains municipal government staff to improve their budget and project management skills. This training helps districts and communities effectively advocate, request, and implement funding for development initiatives. USAID assisted 22 municipalities in coca areas to improve their management performance, earning 59% of them \$12.6 million above annual allocations from the GOP. Most importantly, community members and officials have begun to cooperate to achieve common goals and sustain the shared commitment necessary to reject illicit coca cultivation.

BUILDING CAPACITY

While USAID has improved the livelihoods of thousands of rural families, there are thousands more that need assistance. Through the National Commission for Development and Life without Drugs (DEVIDA), the Government of Peru increasingly leads Peru's alternative development (AD). Since 2013, USAID has provided direct government-to-government assistance to support DEVIDA's programs in planting licit crops and community development. USAID is also working closely with DEVIDA to strengthen monitoring, financial management, and environmental compliance capabilities. DEVIDA's budget grew from \$15 million in 2011 to \$35.5 million in 2021. According to farmers who have received DEVIDA assistance, these programs work: 85 percent of beneficiaries surveyed (2016) in post-eradicated communities say that "DEVIDA's interventions will contribute to their community's development."

DIGITAL AND FINANCIAL INCLUSION

Coca is generally produced in remote rural regions with the lowest Internet and financial services penetration rates in Peru. USAID supports activities to promote digital and financial inclusion to energize local economies, bringing Internet to communities in former coca-growing areas, providing training in digital and financial literacy, and promoting access to, and use of, loans, savings accounts, and

other financial services. To date, and through partnerships with the private sector, USAID has helped to bring Internet connectivity to 100 communities in San Martin, Huanuco and Ucayali regions. In the same regions, and during 2021, USAID helped families receive over \$36.5 million in micro and small loans, and paired participating financial institutions with technical assistance provided by AD partners to design loan products that better match the needs of USAID beneficiaries.

MOBILIZING PRIVATE CAPITAL TO THE PERUVIAN AMAZON

Catalyze buy-in Peru started in June 2020 to assist investors mobilize private capital toward the Peruvian Amazon for businesses of all sizes, especially small and medium-sized businesses operating in the supply chains that are the foundation of licit enterprises. This platform will identify and facilitate commercially viable investment opportunities and business models that generate value, provide financial return, and produce economic impact while protecting the amazon. Catalyze aims to a) enable local business to grow in the licit economy; b) identify, structure, and facilitate inclusive finance; increase the capacity of financial intermediaries in the region; and c) increase private sector engagement through digital technology-enabled approaches. This project targets all the Peruvian amazon regions that are the focus of Alternative Development.

CONTACTS

MISSION

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