PERU: PRACTICAL CASES: CPF AND PRODUCTIVE CHAINS OF STRUCTURED FINANCIAL PRODUCTS (SFPs)

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Introduction

Between 1999 and 2004, Peru doubled its agri-food exports to US$1.1 billion. And by the end of 2005, exports from the agricultural and agro-industrial sector surpassed the FOB value exported in 2004 by 19 percent. And, this trend continues.

There are several reasons for this: the country's economic and political stability, the country's policy to enter into market expansion agreements, and the search for new markets – both by the State, through the Comision para la Promocion de Exportaciones (PROMPEX, Peruvian Export Promotion Agency) and by the private sector – which have allowed local and foreign investors to restructure their crops and aim them to the international market.

It is no longer uncommon to see, in cities like Ica, Trujillo, or Lambayeque, extensive areas of crops such as asparagus, Hazera cotton, Piquillo pepper, citrus fruit, avocado, paprika, mango, etc., developed in high-level technical conditions.

Nevertheless, the question remaining is: How can we include this large number of small and medium size agricultural producers in this new "great Peruvian exporting agro-industry" scenario?

In this presentation, we analyze two successful cases on how to make small and medium agricultural producers take advantage of this new scenario.

The first case is the Consorcio de Productores de Fruta (CPF, Fruit Producers Cluster), a joint fruit export operation composed of 58 small and medium agricultural businesses.

This case is symbolic, since this is the first Peruvian agro-exporting cluster and, today, the number one fruit exporter in Peru. By analyzing this case, we will be able to assess the benefits of this structure, the problems that have arisen since its inception and the solution given in each case, as well as the role of the private sector and the State in the diffusion and promotion of clusters.

The second case involves the Structured Financial Products (SFP) successfully developed by Corporacion Financiera de Desarrollo (COFIDE, Financial Development Corporation). This experience, which unlike the foregoing case, originates in the State and is focused on micro-farmers, intends to develop a culture of efficient productive chains in the agricultural sector, as well as a new credit development structure for this sector. As can be clearly seen in the analysis of the asparagus producers of San Ramón in Ica, the benefits of this program for micro-agricultural producers are quite significant.

Consorcio de Productores de Fruta (CPF)

1. CPF Profile

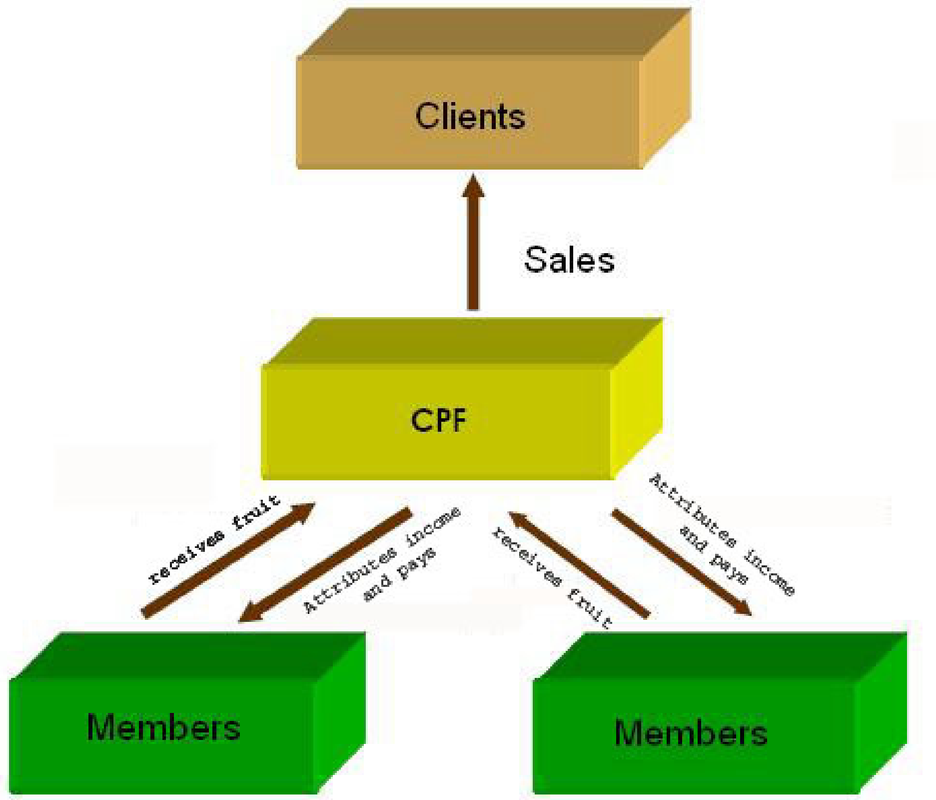
CPF is a joint fruit export operation established in 2001, which by 2004 had become the major fresh fruit exporter in Peru. CPF's exports are mainly avocados and citrus fruits. In 2005, CPF's total exports reached US$ 14.6 million.

Today, CPF has 58 members, which are small and medium agricultural businesses, and is organized as a cluster "without independent accounting."

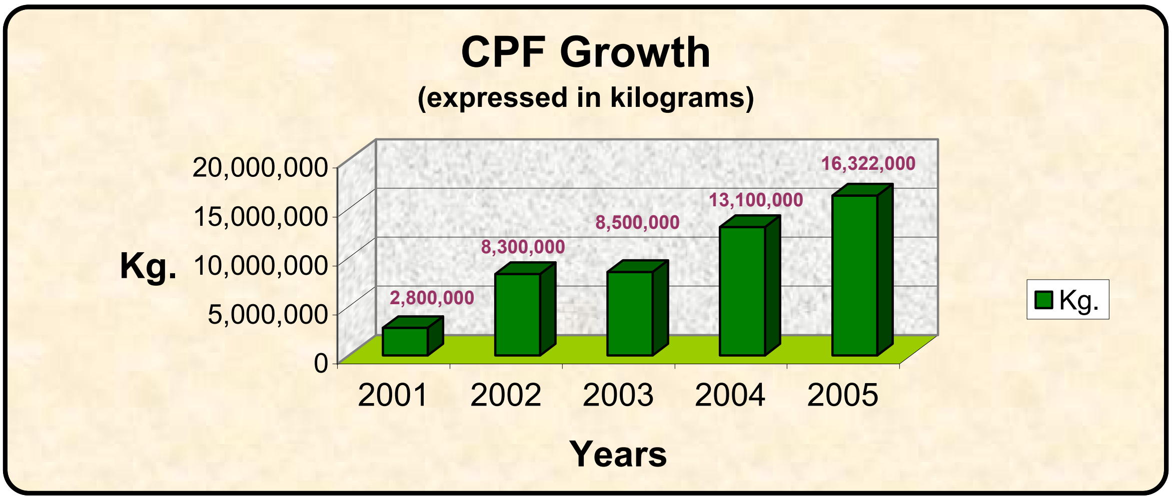
A cluster "without independent accounting" is a neutral association structure from a financial and tax point of view. In these structures, the member leading the joint operation (i.e., the operator) is in charge of invoicing income from the joint operation and is charged the costs incurred by it. However, the joint results are not attributed solely to the operator. They are attributed to the members and are combined with their other results to represent a single tax and financial position.

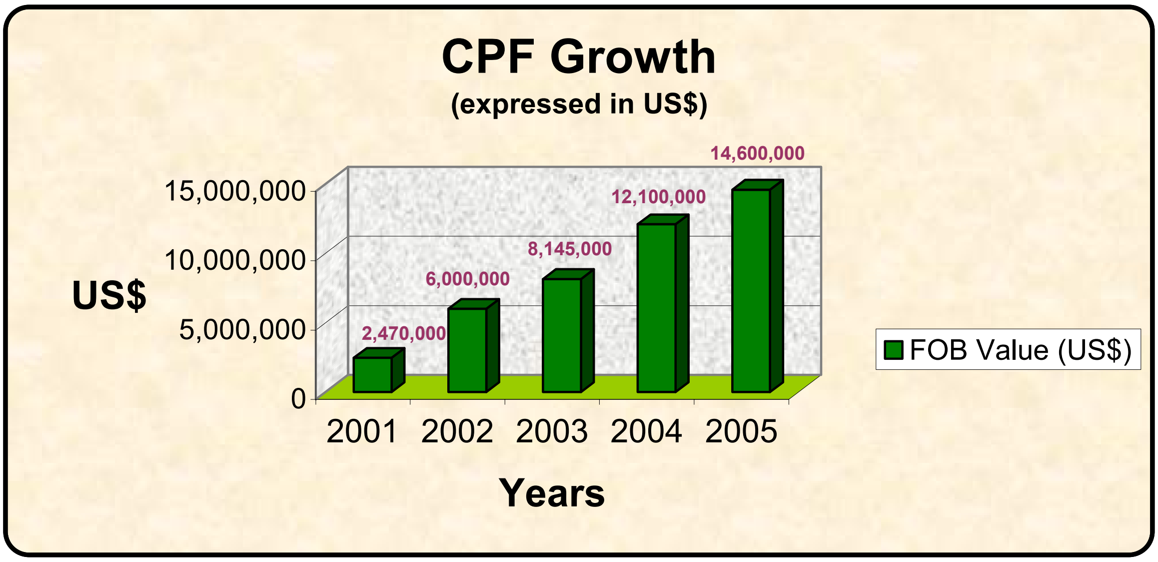
Among other awards, CPF earned the "Entrepreneurial Creativity Award" from Universidad Peruana de Ciencias Aplicadas in 2001; the "Exporters' Association Award" from the Exporters' Association in 2002; and the "Associativity and Production Chains Award" from the Exporters' Association in 2003.

2. CPF Model



3. CPF Growth [1]





[1] Source: CPF

Overview
In 2002, the fruit market scenario was as follows: On the one hand, there were a fair number of medium businesses dedicated to fruit exporting that directly accessed the export markets because they had an export platform. On the other hand, there were a large number of small businesses that produced first-quality fruit but had to sell it locally because their exportable volume did not justify having an export platform.

It is important to note that there is a significant price difference between what the local market pays (approximately 17 cents of a dollar per kg., net of expenses, in the case of Satsuma mandarin oranges) and what the export market pays (approximately 35 cents of a dollar per kg., net of expenses). And small businesses were not able to take advantage of the export margin (approximately 18 cents of a dollar per kg.) only because they did not have an export platform.

Medium producers, who did have access to export markets, sold their products at prices far below market, because there was a much larger number of sellers than buyers, and the former were under significant financial pressure.

CPF emerges as a solution that allows small businesses to take advantage of the export margin, acquire significant purchasing and selling power, avoid price competition between exporters to access buyers, and dilute expenses.

CPF's mechanism is quite simple: Its members provide the operator with fruit. Then, the operator exports the fruit and attributes the export results to its members, who combine the results attributed to them with those obtained from their individual operations, to settle their financial and tax position. The operator is a corporation established by all the joint operation members, and is responsible for placing the fruit, managing exports, attributing results, and making payments to members.

CPF has allowed small businesses to have direct access to foreign markets through its vehicle (i.e., the operator), benefiting them through the export margin. In addition, medium businesses have obtained an exportable volume that allows them to negotiate better prices and financial conditions for the profit of all the joint operation members, both small and medium businesses.

Not only does CPF obtain the best market prices for its members, but it has also managed to significantly improve their financial position. On the one hand, it obtains advance payments for the fruit sales it makes, which represents an amount that is approximately 50 percent of the final price of the exported fruit. On the other hand, it obtains financing from suppliers for expenses directly associated with the joint export, such as packaging, packing and logistics.

The principle inspiring the CPF operation is the principle of equality among its members. This equality is expressed in two ways: the "average price" for the same quality and the distribution of expenses based on the volumes provided by members.

The distribution of expenses based on the fruit volumes provided by each member allows foreign markets to be accessible to all members, regardless of their size. Also, it allows medium businesses to realize significant savings in expenses, because a significant percentage of the total expense of the export platform is assumed by a large number of small businesses.

Note that thanks to CPF, small and medium size fruit producers have a first-level managerial team and are present at all fairs and relevant markets at a reasonable cost per member, since it is directly related to the volume exported by each one of them.

Not only has CPF put small businesses closer to foreign markets, granting them the export margin, it has also obtained the best prices and financial conditions for all of its members. In addition, CPF has contributed to formalizing the agricultural sector, which has resulted in an increase in taxes collected by the government.

Traditionally, the Peruvian agricultural sector has been very informal, and therefore, yields from this sector have been very low for the treasury. Yet, everything has changed with CPF. The need for integration in order to export requires keeping accurate joint accounting, which results in the integration of the joint operation members to the formal sector, and, consequently, an increase in tax collection. Through CPF, agricultural businesses have learned that it is better to pay taxes and enjoy the export margin than to sell locally, even though when selling locally they do not pay taxes.

The profitability increase in the countryside has generated more investment in the agricultural sector, creating jobs for thousands of Peruvians.

Reasons for CPF's Success

There are several reasons for CPF's success. However, we believe that it is due mainly to the people who form CPF and to the philosophy that it embraces: Everyone is necessary, and therefore equal, in CPF.

Even though CPF comprises businesses of different sizes, its members think alike and have a common goal: to be more competitive and to conquer more markets.

Medium businesses know that they would not enjoy the conditions they currently have if they did not have the exportable volume provided by small businesses. At the same time, small businesses know that they would miss out on the export margin if they were not integrated with medium businesses.

The group homogeneity has underscored the need for these businesses to support each other to achieve their goals. Not only has it resulted in flawless coordination, it has also created a proactive union aimed at improving crop productivity and quality for all members.

It is not strange to hear about agricultural problems that are solved "among all" at CPF's offices. Everyone shares their personal experiences for the benefit of others, ensuring widespread business success.

In addition to the group homogeneity and the philosophy that inspires CPF – which we insist are essential – the group's objectives could not have been achieved if CPF had not had the first-level management team it has.

This professional and independent management team has known how to address joint efforts to attain CPF's success. We emphasize that it is fundamental to have professional and independent management, because it provides the operator with the necessary authority and information to conduct the joint operation properly.

Nevertheless, management in no case has restrained members from the right of making decisions regarding the direction of the joint operation. The cluster agreement establishes that members gathered collectively in an assembly may agree by majority on any decision regarding the execution of the joint operation. In fact, it is the members of the cluster who decide, by majority, who they sell to and under what terms. But for this purpose, the members of the joint operation are not alone; they rely on the first-level management team, who provides members with all relevant information about the market on a timely basis.

Other Reasons for CPF's Success (Legal Framework)

The Peruvian legislation grants the following export incentives:

- Export operations are fully exempt from the Value Added Tax. This means that they are not subject to this tax. However, exporters have the right to be reimbursed for the Value Added Tax incurred for purchases made for their export operations.

- Export operations are rewarded through a subsidy called "drawback," which consists of payments equivalent to 5 percent of the exported FOB value.

Cluster "without independent accounting" contracts are neutral from a tax point of view. This directly benefits members of these association structures with income originated in export operations, which allows them to enjoy the export incentives granted by the Peruvian law.

Despite the benefits of organizing as a cluster "without independent accounting," for those who want to export jointly, it is unfortunate that only CPF is organized this way.

Although there are currently other association initiatives established for the joint export of agricultural products by agricultural producers, these initiatives are structured through sales of agricultural products to a consolidator, who is ultimately the exporter. Since this structure is not neutral from a tax point of view, their members are not considered exporters and therefore do not enjoy export incentive benefits.

In some cases, "drawback" incentives are transferred to members through the sales price paid by the consolidator, who, acting as the exporter, ultimately benefits from this subsidy. Nevertheless, treating the drawback payment as if it were a higher sales price, turns such a subsidy into income subject to tax. Consequently, the benefit decreases by 15 percent for export farmers.

In addition, local sales of agricultural products enjoy a simple exemption from the Value Added Tax. This exemption also means that the Value Added Tax paid in purchases associated with such sales is not to be credited and should be transferred to costs. The association initiatives based on sales to a consolidator reduce the efficiency of export farmers. They must include a Value Added Tax in the cost that would be reimbursed to them if they exported jointly through a cluster "without independent accounting" contract.

The Peruvian law empowers farmers to waive the Value Added Tax exemption established for local sales of agricultural products. This measure is applied by the government for farmers to recover the Value Added Tax paid in their purchases. However, the time difference between the farmers' payment of the Value Added Tax to the national treasury, and the consolidator's refund to farmers of the Value Added Tax transferred in their sales of agricultural products, generates significant financial costs. These costs are not supported by farmers who export jointly through clusters "without independent accounting," because they directly earn income as a result of export operations, which are fully exempt from the Value Added Tax.

Finally, Peruvian companies must make advance income tax payments. These payments are calculated on accrued income. Under the structure of clusters "without independent accounting," income is subject to advance income tax payment, applied to joint operation members once. By contrast, for structures based on sales to a consolidator, income is subject to taxation twice: one time applied to the consolidator, and the second time applied to joint operation members.

7. Main Challenges Faced by CPF

a. Identify a homogeneous group that commits to joint exporting.

b. Negotiate an integration charter, a cluster's agreement that meets all members' needs.

c. Find appropriate management to conduct the joint operation.

d. ax issues, due to the inability of the Peruvian tax administration to understand the concept of clusters "without independent accounting." Notwithstanding, CPF was able to successfully explain its position whenever the administration had questions or made observations, and the Peruvian tax administration finally learned how to treat these clusters.

8. State and Private Sector Role in the Diffusion and Promotion of Clusters

CPF is a 100 percent private initiative and a very good example of the significant role of the private sector as a driving force in the national economy.

However, the State should not evade its role as a promoter of national economy and must urgently diffuse and promote the establishment of clusters in order to help create sustainable development in the country.

In our opinion, the State's support to promote the establishment of clusters should not be unlimited. It should be granted only if the beneficiaries of the aid commit themselves to making the necessary contributions to cover the expenses not covered by the aid, provided that the business plan of the group benefited by the aid is sustainable and profitable.

Likewise, the State's aid should be restricted to the structuring costs of clusters and to part of the management expenses, fairs and market visits during the first three years of existence of the cluster. Let's not forget that permanent subsidy causes inefficiencies, and those inefficiencies are not remedied due precisely to the existence of the subsidy that supports them.

The State would not lose money for granting the aforementioned subsidies. On the contrary, it would make an investment that would benefit it significantly, because the taxable income would increase, causing the collection of more income tax. Furthermore, this measure would allow the State to achieve its goals, such as promoting the welfare of Peruvians and the sustainable development of the national economy.

Finally, the State should continue to support export clusters by promoting market expansion agreements, such as the Free Trade Agreement (FTA) with the United States of America and the Generalized System of Preference (GSP) Plus with Europe.

SFP Productive Chains

1. What is SFP?

A Structured Financial Product (SFP) is a credit product created by the Corporacion Financiera de Desarrollo S.A. (COFIDE) for developing productive chains as a necessary condition for credit access.

Unlike CPF, these productive chains link all the players involved in agricultural production, from the input and service supplier (fertilizers, seeds, water, etc.) through the agricultural producer to the buyer (generally, a local buyer) of the final product.

The main characteristic of this product involves isolating the personal credit risk and turning it into a productive process risk.

2. Overview

Despite the large investments made over the past 10 years in the countryside, the Peruvian agricultural sector is still basically composed of small parcel owners, 85 percent of which have less than 10 hectares to develop their activities. This has been the situation since the agrarian reform executed by the military dictatorship at the end of the 1960s.

In addition to the costs and inefficiencies generated by the small parcel sizes of agricultural producers, the decisions of small parcel owners on what crops to develop are based more on ancestral traditions than on market needs. This causes more inefficiencies, moves them further away from the formal sector and from the market itself and, therefore, causes greater poverty.

Not much progress has been made on technology, either. Inputs, seeds, quality parameters, processes, and other technical aspects used in micro and small Peruvian agriculture are, in many cases, obsolete.

As if that were not enough, the agrarian reform has also set back the land ownership of micro and small agricultural producers. It is very hard to find title deeds completely cleared of encumbrances that may be used as a security interest to finance the different agricultural campaigns.

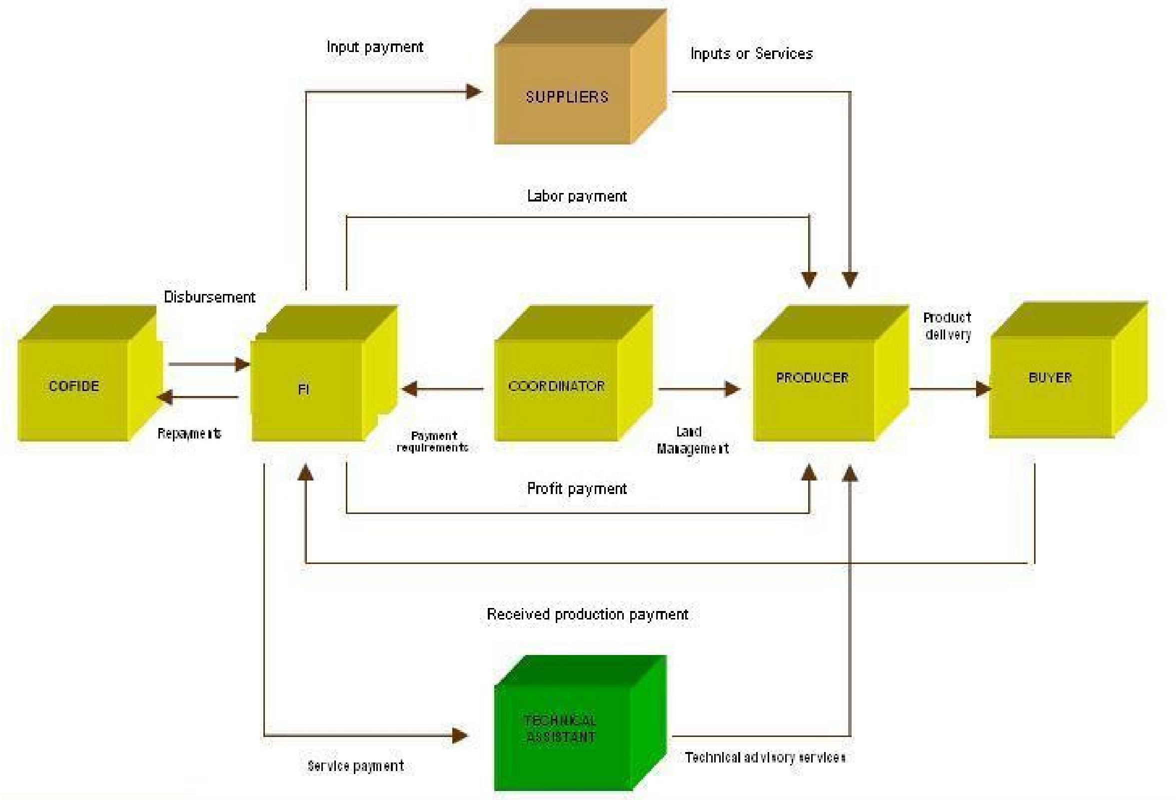
Furthermore, commercial banks have been - and continue to be - reluctant to finance micro and small agricultural producers, or they do so at a price that is as high as the risk involved. The State agricultural development bank has not succeeded either, because the crops financed in this way generally have been destined to failure.

Due to the urgent need to implement a financial product that generates wealth for the producer, but also security for financial entities, COFIDE has developed the Structured Financial Product (SFP), which "ties up" the whole productive process. This productive process ranges from the choice of an efficient crop - in market terms, the supply of good-quality inputs at previously set prices, the agricultural production under specialized technical advice, and the final sale of the product (normally to local agro-exporting businesses), also at preset prices. This process also involves a flow and security trust that ensures credit repayment.

3. Who are SFP's For?
While the cluster structure is suitable for small and medium agricultural businesses that acknowledge market needs, have a common ideology and also share homogeneous business quality and development practices, the productive chains created for SFP's are basically composed of micro and small farmers who are not aware of the reality of large markets, who do not necessarily share a common ideology and who cannot access competitive financing, among other differences.

4. Legal Framework of SFP Productive Chains
The contractual structure created for SFP's is based on the following: Isolate the credit risk from the credit borrower and the assets that the borrower can give as a security interest, and turn it into an almost completely controlled project risk. This enables making credit viable and reducing interest rates.

The stages of the process described above are shown in the diagram below:



Key:

COFIDE, in its role as a second-tier development bank, provides credit funds to **Financial Intermediaries (FI's).** It also structures productive projects, in collaboration with Coordinators, and acts as a fiduciary in the flow and security trusts.

FI's, (such as banks, Entidades de Desarrollo de la Pequeña y Micro Empresa (Edpymes, Development Entities for Small and Micro Businesses) and other financial supervised entities) grant credit to producers, disbursing and paying suppliers and producers, and controlling repayments. Normally, and in order to reduce the risk (and rates), the FI's ask for additional securities such as sureties issued by a private or public fund.

The **Coordinator** designs the productive projects in coordination with COFIDE. It participates in selecting the technical assistant and supervises the correct execution of the project. The coordinator basically acts as a sort of general manager of the project.

The **Technical Assistant** is the person or company specializing in the crop to be developed. It advises the different producers in crop management and in the implementation of best practices that enable them to sell their products to agro-exporters. The Technical Assistant collaborates closely with the Coordinator.

The **Supplier** is the individual or corporation that provides the inputs, materials and other goods and services required for the implementation of crops. Regardless of when the goods and services are provided to the Producer, the agreements stating the prices by good or service are entered into at the beginning of the process. The payments for goods and services are made directly by the FI.

The **Producer** is the farmer, associated or not, who participates in the development of each program as Borrower.

The **Buyer** is the person who makes future purchases of goods to be produced by the Producer. The price is set at the beginning of the project, ensuring a certain revenue stream. The Buyer is normally an agro-exporter.

5. <u>Operations Approved to Date</u>[2]

As shown in the table below, from August 2004 to July 2006, COFIDE approved 41 operations. These operations benefit 628 families, involve financing that exceeds US$22M, and cover 3,465 hectares where different products, such as asparagus, Hazera cotton, paprika, olive trees, Piquillo pepper, artichokes, and table grapes, etc. are being cultivated.

[2] Information contained in this section provided by COFIDE

Operations approved by COFIDE

No.	STANDARDIZED FINANCIAL PRODUCT	Amount Approved US$	Amount Approved S/.	Year	Coordinator	FI	No. of borrowers	No. of Hectares
1	SFP, Paprika Agricultural Campaign, Nasca I	770,000		2,004	Funder Perú	Crac Señor de Luren	19	140
2	SFP, Paprika Irrigation Infr., Nasca I	300,000		2,004	Funder Perú	Crac Señor de Luren		
3	SFP, Paprika Agricultural Campaign, Nasca II	280,000		2,004	Funder Perú	Cmac Ica	6	54
4	SFP, Paprika Irrigation Infr., Nasca II	140,000		2,004	Funder Perú	Cmac Ica		
5	SFP, Paprika Agricultural Campaign, Villacurí	600,000		2,004	Funder Perú	Cmac Ica	7	97
6	SFP, Asparagus Agricultural Campaign, San Ramón	980,000		2,004	DECAL	Crac Señor de Luren	12	70
7	SFP, Asparagus Irrigation Infr., San Ramón	294,000		2,004	DECAL	Crac Señor de Luren		
8	SFP, Piquillo Pepper Agricultural Campaign, Lambayeque	300,000		2,004	Tiponet	Cmac Sullana	6	52
9	SFP, Piquillo Pepper Irrigation Infr., Lambayeque	100,000		2,004	Tiponet	Cmac Sullana		
10	SFP, Ají Ancho Agricultural Campaign, Palpa	216,000		2,004	Funder Perú	Crac Señor de Luren	7	36
11	SFP, Ají Ancho Irrigation Infr., Palpa	120,000		2,004	Funder Perú	Crac Señor de Luren		
12	SFP, Hazera Cotton Agricultural Campaign, Motupe		823,328	2,004	Solidaridad	Edpyme Alternativa	25	131
13	SFP, Hazera Cotton Agricultural Campaign, Lambayeque		1,240,571	2,004	IPR	Edpyme Alternativa	28	213
14	SFP, Hazera Cotton Agricultural Campaign, Muyfinca		420,816	2,004	Distribuciones EMI	Edpyme Alternativa	9	67
15	SFP, Asparagus, Chincha	1,750,000		2,005	COPRA	Crac Señor de Luren	8	125
16	SFP, Asparagus, Ica	2,170,000		2,005	APEISA	Crac Señor de Luren	10	155
17	SFP, Hazera Cotton, Ferreñafe		966,000	2,005	Distribuciones EMI	Crac Nor Perú	14	161
18	SFP, Hazera Cotton, Lambayeque II		903,000	2,005	Rama Fibra	Crac Nor Perú	24	150.5
19	SFP, Hazera Cotton, Motupe II		1,116,000	2,005	Solidaridad	Crac Nor Perú	31	180
20	SFP, Hazera Cotton, Muyfinca II		480,000	2,005	Solidaridad	Crac Nor Perú	21	80
21	SFP, Hazera Cotton, Mochumi		387,000	2,005	Semillas del Pacifico	Crac Nor Perú	16	64.5
22	SFP, Hazera Cotton, Ucupe		324,000	2,005	Distribuciones EMI	Crac Nor Perú	18	54
23	SFP, Pepper and Hazera Cotton, Lambayeque	2,868,470		2,005	Solidaridad	Agromantaro	10	293
24	SFP, Ají Ancho, Pisco	630,000		2,005	Orbes	Cajasur	5	60
25	SFP, Hazera Cotton, Chincha		654,000	2,005	Semillas del Pacifico	Cajasur	30	109
26	SFP, Hazera Cotton, Chincha II		210,000	2,005	Semillas del Pacifico	Cajasur	11	35
27	SFP, Hazera Cotton, Cañete		369,000	2,006	Rama Fibra	Cmac Ica	22	61.5
28	SFP, Hazera Cotton, Chulucanas	786,643		2,006	Distribuciones EMI	Agrobanco	5	143
28	SFP, Asparagus, Cañete	486,500		2,006	MEDA	Agrobanco	15	69.5
30	SFP, Artichoke, Guadalupito	120,080		2,006	MEDA	Cmac del Santa	13	32
31	SFP, Asparagus, La Libertad	960,300		2,006	CTTU - San José	Agrobanco	16	87
32	SFP, Artichoke without Thorns, Huanuco		672,750	2,006	Agromantaro	Cmac del Santa	36	58.5
33	SFP, Table Grapes, Pisco	1,880,000		2,006	Citevid	Edpyme Confianza	6	47
34	SFP, Artichoke with Thorns, Junín		900,000	2,006	Agromantaro	Edpyme Confianza	22	75
35	SFP, Table Grapes, Ica	1,400,000		2,006	Fundo Sacramento	Crac Señor de Luren	4	40
36	SFP, Artichoke with Thorns, Junín II		582,000	2,006	Agromantaro	Edpyme Confianza	17	48.5
37	SFP, Olive Trees, Tacna		2,233,000	2,006	Abos	Cmac Tacna	22	101.5
38	SFP, White Giant Corn, Cusco		311,673	2,006	Prisma	Credinka	60	69
39	SFP, Paprika, J. Basadre	544,000		2,006	Silpay	Cmac Tacna	23	68
40	SFP, Olive Trees, Caravelí		1,465,000	2,006	Adisur	Crac Señor de Luren	27	146.5
41	SFP, Artichoke with Thorns, Junín III		1,088,400	2,006	Agromantaro	Edpyme Confianza	23	90.7

6. Efficiencies and Inefficiencies Compared to the Cluster Structure

Let's begin with inefficiencies: SFP productive chains do not give tax neutrality or benefits to exports, since they work under the consolidator structure. In addition, they do not allow producers to manage their businesses freely and, in most cases, to obtain the highest margin resulting from the export or final sale of their products.

However, in socio-economic terms, the efficiencies in SFP productive chains are countless. Some of them are clearly shown in the following example of a productive chain developed by COFIDE for the production and sale of green asparagus in Caserio San Ramón, in Ica[3]:

a. Operation Members

Producers	12 families
Hectares	70 hectares
Coordinator	DECAL
Technical Assistant	DECAL
FI	CRAC Señor de Luren
Buyer	ATHOS
Suppliers	Advanced irrigation system: Tiponet Electrification: Electro Obras Seedbeds: M&M Fertilizers: Misti Pesticides: San Isidro
First harvest	In approximately 4 months
Possible destination countries	Europe and the U.S.

b. Project Financing and Profitability Aspects

Aspect	Situation before SFP	Situation with SFP Technology
Financing	If any, maximum 70% of the project	100% of the project, matching disbursements and repayments with project terms
Capitalization	US$ 3,000 / hectare	US$ 6,000 / hectare
Income expectation per producer	US$ 110 monthly	US$ 660 monthly
Effective annual rate	Between 40% and 80%	14.5%
Financed amount	US$ 1,500 / hectare	US$ 18,200 / hectare

[3] Information contained in this section provided by COFIDE.

c. Project Technical and Managerial Aspects

Aspect	Situation before SFP	Situation with SFP Technology
Market	Development of traditional crops not based on meeting demand	Previously determined and linked to the foreign market through a local buyer
Technical advisory services	Use of obsolete processes, in many cases	External advisor and state-of-the-art technology[4]
Input	Heterogeneous quality	Homogeneous quality
Business management	No entrepreneurial management	Entrepreneurial management of business
Socially responsible management	Unknown practices, in many cases	Implemented within SFP

As we can clearly see in the example above, the benefits that this program provides agricultural producers are huge. In our opinion, the SFP productive chain program could be a first step, guided and necessary, for Peruvian micro and small farmers toward clusters, more free and profitable for such producers.

Meanwhile, SFP's are an important tool for the social inclusion and economic development of thousands of Peruvian micro and small farmers.

7. State and Private Sector Role in the Diffusion and Promotion of SFP's

The SFP productive chain structure has resulted from the initiative of a company whose shares are owned mainly by the Peruvian State, with participation from the Andean Development Corporation (i.e., COFIDE).

Nevertheless, the State - and particularly the Superintendency of Banking and Insurance - must adapt the legal framework on credit risk analysis to the "project risk" analysis. As a result, commercial banks would find financing the agricultural sector under the SFP program more attractive.

The SFP program can also be driven more decisively by Banco Agropecuario - State agricultural development bank – as a more efficient and safe alternative to finance the agricultural sector.

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[4] Technical advice is given by the technical advisor, the coordinator, the buyer, and the various suppliers, in a coordinated manner. The coordinator has appointed professional staff who are fully devoted to the project. Technical advice is provided from choosing crops and their development, to delivering products to the buyer.

It is important to highlight the role of Regional Governments to promote these programs and identify entities and leaders that can act as coordinators.

On the other hand, the private sector has the following pending tasks:

a. Banks and other financial entities have, undoubtedly, the significant task of promoting SFP development, in coordination with other local entities, and to implement them under COFIDE's supervision.

b. In addition to their promoting role, professional associations, non-governmental organizations and other local groups have the task of identifying efficient projects within their scope and acting as SFP coordinators.

It is up to these players to repeat successful experiences such as CPF and Caserio de San Ramón in Ica.