The Cooperative Context in Peru:
A Review of the Historical, Legal and Regulatory Environment

Global Communities for OCDC
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By Milton Funes
The following cooperative country context study intends to provide an overview of the present-day situation of the Peruvian cooperative movement, reviewing co-operative history in Peru, and referencing the legal and institutional framework surrounding it.

The study assesses the impact of the cooperative sector in Peru’s economic and social realms, its role in job creation and income generation, poverty reduction, gender equity, and social protection. This study aims to not only portray the role that the cooperative movement plays in the economy, but also in the construction of a more just and inclusive Peruvian society.

This Country Context Study is based on a desktop review of available information, key informant interviews conducted in May of 2019 in Lima and Cajamarca, and related Peruvian cooperative studies.
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List of Abbreviations
APPACACAO: Asociacion Peruana de Productores de Cacao / Peruvian Cocoa Producers
Association .............................................................................................................................................. 9
APRA: Alianza Popular Revolucionaria Americana .............................................................................. 5
AVSF: Agronomes et Veterinaires Sans Frontieres .................................................................................. 21
CONASEV: Comision Nacional Supervisora de Empresas y Valores / National Supervisory
Commission of Companies and Values .................................................................................................. 6
CONFENACOOP: Peru's National Confederation of Cooperatives ...................................................... 13
COPAC: Cooperativa de Ahorro y Credito / Savings and Credit Cooperative ........................................ 8
EAP: Economically Active Person ........................................................................................................... 8
FEBACOOSEP: National Federation of Special Services Cooperatives of Peru ................................... 17
FENACOOSMUP: National Federation of Multiple Services Cooperatives of Peru ................................. 17
FENACREP: Federacion Nacional de Cooperativas de Ahorro y Credito de Peru / Federation of Savings and Credit Cooperatives of Peru .................................................................................. 6
GDP: Gross Domestic Product .................................................................................................................. 18
GoP: Government of Peru ....................................................................................................................... 6
ICT: Information and Communication Technologies ................................................................................. 9
IGV: Impuesto General de Ventas / General Sales Tax ........................................................................ 7
INCOOP: Instituto Nacional de Cooperativas / National Cooperatives Institute ........................................ 6
JNC: Junta Nacional del Cafe/ National Coffee Board .............................................................................. 9
MEF: Ministry of Economy and Finance ................................................................................................. 12
MSEs: Micro and Small Enterprises .......................................................................................................... 7
SBS: Superintendencia de Banca y Seguros / Superintendency of Banks and Insurances ................. 7
SUNAT: Superintendencia Nacional de Administracion Tributaria / National Superintendency
for Tax Administration ............................................................................................................................... 19
USAID: United States Agency for International Development ................................................................. 21
WOCCU: World Council of Credit Unions ............................................................................................. 20
1. General overview and historic context

Peruvian cooperatives emerged from a nascent labor movement during the second decade of the 20th century. One of the first cooperatives in Peru was a consumer cooperative organized by the Confederation de Artesanos Union Universal in 1866.1 The budding cooperative movement, struggling with the lack of capital, organization, union discipline, and hospitable political environment, went dormant until the 1930s. In 1931, a new cooperative movement linked to labor unions and political parties emerged. These new cooperatives were typically associated with the Alianza Popular Revolucionaria Americana (APRA) political party.

It was not until the mid-1950s that the cooperative movement began to take off. By 1955, a total of 42 cooperatives had started member operations, including credit, agricultural, services, housing, and – by far the largest – consumer cooperatives.

In 19642, the General Law of Cooperatives (No. 15260) was issued, establishing a regulation that strengthened cooperatives’ ability to conduct business and to formally associate. The Law established a tax protection regime and created the National Institute of Cooperatives (INCOOP), the only state entity in charge of the promotion and organization of cooperatives. The law streamlined dispersed legal provisions surrounding cooperative matters and marked the beginning of a growing interest in supporting the cooperative movement by the Peruvian government.

From 1969 to 1979, Peru implemented agrarian reform, which was an extraordinary catalyst for agricultural cooperatives: For the first time, production belonged to and was controlled by workers.3 However, external and internal factors impeded effective management of agricultural cooperatives: limited knowledge, corruption, and poor planning hampered proper implementation of the cooperative model.4

In 1978, the military government transferred the supervision of cooperatives to the Ministry of Labor, under the normative and executive functions of the General Directorate of Cooperatives, and the General Law of Cooperatives was modified in 1981 – under the second Presidency of Belaunde Terry – and again in 1991, under the government of

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1 From the Peru entry in International Cooperative Alliance’s #coops4dev” project (coops4dev.coop/en/4devamericas/peru)
2 General Law of Cooperatives (No. 15260) which established the “organizational structure and functions of the National Institute of Cooperatives”.
3 Melmed, J. (1988) Interpreting the parcellation of peruvian agricultural producer cooperatives
4 Ibid.
President Fujimori. More legislation followed, including a very significant achievement: the emergence of school cooperatives through the Law on the Promotion of School Cooperatives (Law No. 24535), enacted April 20, 1986.

In 1992, the Peruvian State dissolved the National Institute of Cooperatives (INCOOP) and instructed that all supervision of Savings and Credit Cooperatives be transferred to the Superintendent of Banking and Insurance (SBS) via the Federation of Savings and Credit Cooperatives of Peru (FENACREP). The control and supervision of other cooperatives was assigned to the National Supervisory Commission of Companies and Values (CONASEV), known today as the Superintendence of Market of Values.

1.1 Non-Financial Cooperatives
1.1.1 Agricultural Cooperatives
The agriculture sector in Peru was significantly impacted by the reforms during the 1968-75 period, which broke up the system of haciendas and devolved land ownership directly to farmers. Unfortunately, the reform resulted in lowered productivity, as campesinos turned from peasants to landowners overnight, yet lacked the management experience needed to run a farm effectively. While the smallholders shared the property of the former haciendas, researchers remarked: *It was a top-down cooperative model which failed due to the lack of autonomy and independence imposed by the government.*

Commentators note that large production cooperatives were organized without participation of members or accountability: *It was a sort of forced cooperativism. Land ownership was passed to the peasants who suddenly became owners and workers at the same time.* Combined with policies which often ignored agriculture in favor of industry and mining, newly formed agriculture cooperatives were subject to multiple pressures, including the growth of the co-op bureaucracy and dishonest managers who utilized cooperatives for their private gain. *It did not take long before these cooperatives were managed by a certain elite comprised of the most educated (engineers, foremen, and administrators). Some of the cooperatives’ land was formed by pulling together several farms, which means that cooperative members came from different walks of life, which made integration very difficult.*

By the late 1970s and early 1980s, this situation had led to calls for subdivision of large cooperatives into smaller farms. Once this process began, smallholder farmers became legal stewards of their land; however, they faced increasingly heightened global competition and limited

5 Decree 25879 did not specify the depth of control and supervision over non-financial cooperatives implemented by CONASEV. According to key informants, despite the legal framework set by the GoP limited-to-no-control and supervision has been exercised over non-financial cooperatives. The GoP was enforced through the Supreme Decree Nº 004-91-TR, or the Cooperative Self-Regulation Act.
6 From the website of the Superintendence of Market of Values (https://www.smv.gob.pe/)
7 [Bonfiglio, IoP]
8 Based on interviews with Dr Richard Webb, Director, and Giovanni Bonfiglio and Nelson Torres Balarezo, Researchers, Institute of Peru at Lima and Cusco.
10 [Balazero, IoP]
support. Eliminating the land market, de-capitalizing the countryside, allowing parcellation and the excessive development of minifundios (i.e. small farm holdings under 5 hectares), and the exclusion of cooperatives from business promotion programs, these policies had profound and often negative effect on business activities of cooperatives. Combined with terrorism, illicit crop production, climate-related setbacks (El Niño) and hyperinflation, co-ops... faced one of the deepest crises of all times. Criticism of poor performance and distrust of the cooperative model followed.

The donor community shared these criticisms. USAID priorities aligned with those of the Government of Peru and focused on countering terrorism, eradicating illicit crop production, mitigating environmental damage, and alleviating poverty. Several alternative development (AD) programs were designed and implemented to encourage production of licit crops and the development of programs aimed at limiting environmental damage to the agriculture, forestry, and fishing industries. Many of these programs focused on smallholder farmers, rather than cooperatives, but over time, they began to impact cooperatives and farmer associations.

The programs introduced new technologies and ways of doing business, promoted diversification of crops, and emphasized strengthening internal organizational systems to achieve sustainability and better economic results. Progress was significant: In 2009, Peru became an upper-middle-income country with a gross national income per capita of $3,990. Multiple programs funded by USAID and implemented between 2000-2020 had a profound, although sometimes indirect, impact on cooperatives.

Today, there are 395 agricultural cooperatives registered in Peru, constituting 29.7% of all Peruvian cooperatives. They differ substantially, however, from those established under past agriculture reforms. Of the cooperatives established within the 5-year-period from 2012-2016, 50 percent were agricultural cooperatives, with the coffee and cocoa cooperatives located in Peru’s jungle areas developing a niche in organic, sustainable, and internationally-recognized quality products. An estimated 15 – 25 percent of Peru's 100,000+ smallholders now belong to cooperative organizations.

1.1.2 Legal Status of Non-Financial Cooperatives
As reported by the 2017 Peru Census, there are 1,114 non-financial cooperatives with approximately 900,000 members operating across the country.

Under the government of President Allan Garcia, Law 29271 (2008) established the Ministry of Production and put it in charge of promoting and developing cooperatives, as well as micro and small businesses. The General Directorate of MSEs and Cooperatives at the Ministry of Production (PRODUCE) is the national line agency responsible for formulating, coordinating, promoting,

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11 Ipsos report to OCDC (2020), p. 3; Funes, M, WDDCM Context study, OCDC, June 2019.
13 Ipsos report, p. 5.
14 [https://equalexchange.coop/history-of-coffee-in-peru](https://equalexchange.coop/history-of-coffee-in-peru)
evaluating, and supervising\textsuperscript{15} the application of national policy and the legal and technical regulations for micro and small enterprises and cooperatives.

Under this system, most of the attention and assistance has since been given to MSEs: the budget allocated to this Directorate was predominantly invested in MSEs and not co-ops (90% MSE, 10% Co-ops).\textsuperscript{16}

Interestingly, due to the Co-operative Self-Regulation Act, non-financial cooperatives are not supervised by any public or private institution. According to this decree, non-financial cooperatives control their own operations through their General Assembly, Board of Directors, Supervisory Board, Education Committee, and General Management.

Since 2018, a revised General Law of Cooperatives has been undergoing review by the Ministry of Production (PRODUCE). This long-awaited law aims to boost the development and sustainability of cooperatives.

The new General Law of Cooperatives was drafted in October 2016 by the Multi-sectorial Technical Group for Cooperative Development, a group created by PRODUCE and comprised of 21 public and private institutions linked to the sector. The revised law ratifies an income tax (IR) and general sales tax (IGV) exemption for any income generated by a cooperative through its operations with their members (cooperative act).\textsuperscript{17}

1.2 Legal Status of Financial Services Cooperatives

In 1992, the Federation of Cooperatives of Savings and Credit of Peru (FENACREP) was mandated by the Superintendent of Banking and Insurance (SBS) to act as the supervisory body for Savings and Credit Cooperatives (known internationally as SACCOs). For 26 years, FENACREP oversaw the voluntary supervision of a total of 131 savings and credit cooperatives, representing 1,540,408 members.

In 2018, the growing need for stricter supervision – and rumors of illegal activity carried out by cooperatives – motivated the government to modify the law governing the supervision and control of savings and credit cooperatives.\textsuperscript{18}

Law No. 30822, passed on July 2018, modified the General Law regarding financial and insurance systems, as well as the organic law of the Superintendent of Banking and Insurance (SBS), and other associated norms that governed the regulation and supervision of COPACs. Through authorizing a list of previously prohibited activities – such as the issuance of credit and debit cards – this new law seeks to guarantee proper supervision and ensure the solvency and sustainability of savings and credit cooperatives.

\textsuperscript{15} Supervision is exercised over the implementation of policies, legal and technical regulations but not over the governance and management structures of cooperatives.

\textsuperscript{16} [Urquiaga, PRODUCE]

\textsuperscript{17} The Cooperative Act Law 29683 of May 2011 provides that the operations between cooperatives and its members are exempt from income tax and general sales tax, as they are considered a non-commercial operations.

\textsuperscript{18} [Quispe, FENACREP and Basso, SBS].
In 2018, The SBS also created the Deputy Superintendent of Cooperatives to regulate, supervise, strengthen, intervene, and sanction savings and credit cooperatives incorporated into the SBS.\textsuperscript{19}

2. Cooperatives as part of Peru’s national economy today

In 2017, the National Institute of Statistics and Informatics (INEI), under an inter-institutional cooperation agreement signed with the Ministry of Production (PRODUCE), carried out the first National Cooperative Census.\textsuperscript{20} The 2017 cooperative census collected information on 1,245 cooperatives throughout the country. Based on reported revenues, 90\% of Peru’s cooperatives are classified as micro or small.

The census found that a cooperative member is considered an Economically Active Person (EAP)\textsuperscript{21} and was most likely a head of household. Considering an average household size of 5 people, it is estimated that the cooperative model benefits up to 12 million Peruvians (37.5\% of total population). Many of these households are poor, rural, and left out of mainstream economic models. This broad sector of the population has found a way to participate in, and benefit from, local/national economies through the cooperative model.

Cooperatives are an important driver of economic growth and employment in Peru. In 2016 alone, cooperatives generated 17,000 new formal jobs.\textsuperscript{22}

With a total of 395 agriculture cooperatives, the plurality (32\%) of Peruvian cooperatives are in the agriculture sector, followed by 347 savings and credit cooperatives (28\%), and 155 multi-service cooperatives (12\%).

2.1 Agriculture Cooperatives

By providing sustainable rural employment, agricultural cooperatives play an important role in supporting small producers and marginalized groups. Cooperatives offer small farmers market opportunities and a wide range of services, such as natural resource management, access to information and communication technologies (ICTs), and agricultural extension services.

Peruvian coffee and cocoa cooperatives have done particularly well, with many having positioned themselves in national and foreign markets.

2.1.1 Coffee and Cocoa

Over the last decade, both coffee and cocoa cooperatives have expanded their productive capacity in response to increased export demand.

\textsuperscript{19} According to Oscar Basso, Cooperative Superintendent at the SBS a total of 413 savings and credit cooperatives were registered from January 1 to March 31, 2019.
\textsuperscript{20} Ministry of Production (PRODUCE) \url{http://ogeiee.produce.gob.pe/index.php/k2/censos/cooperativas}
\textsuperscript{21} Economically Active Population (EAP) comprises all persons of either sex who furnish the supply of labor for the production of economic goods and services.
\textsuperscript{22} Of which 60\% were men and 40\% women
Peruvian coffee producers are represented by the National Coffee Board (JNC) – an APEX entity made up of more than 50 coffee cooperatives and associations. It is estimated that the coffee cooperative sector manages 165,000 hectares of coffee, of which 120,000 hectares are certified as ‘differentiated coffees.’

The Peruvian Association of Cocoa Producers (APPCACAO) is the national-level association of cocoa producers. APPCACAO represents more than 30,000 cocoa producers, organized in 25 cooperatives and associations, with approximately 60,000 hectares in production.

2.2 Savings and credit cooperatives

Savings and credit cooperatives (known locally as COOPACs) have evolved separately from non-financial cooperatives. COOPACs are critical to supplying financial services, with the social mission of addressing the lack of financial tools for medium- and low-income households in urban and rural Peru. COOPACs account for 2.2% of the entire Peruvian financial system’s direct lending as well as 20.2% of the credits of all non-banking institutions.

As of December 2018, COOPACs reported a total of 13.2 billion soles (US$ 3.9 billion) in assets; 9.80 billion soles (US$ 2.9 billion) in credits; and 9.51 billion soles (US$ 2.8 billion) in deposits.

Financial services co-ops had an estimated workforce of 3,389 people. Further, 5.98% of national EAPs are members of a COOPAC.

2.3 Characteristics of the cooperative sector

2.3.1 Cooperatives by the numbers

Peruvian cooperatives have an estimated 2.4 million members, of which 57% are male and 43% are female. In 2016, Peruvian cooperatives on their own generated over 17,000 jobs. 60.6% (10,777) of salaried cooperative employees were men, while 39.4% (7,014) were women.

The annual income reported by cooperatives exceeded 2,541 million soles (US $758 million), a figure equivalent to 0.2% of Peru’s GDP. Based on annual revenues, most cooperatives fall in the category of micro- (65%) to small-sized (25%) co-ops. Of the 1,245 cooperatives surveyed in the national-level census, there were 970 (78%) urban and 275 (22%) rural cooperatives in Peru in 2017.

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23 Castillo, National Coffee Board
24 Jessica Romero, APPCACAO Administrator, March 2021
25 [Cesar Quispe, FENACREP].
26 Of whom 1,858 are men and 1,531 are women
27 [Source FENACREP].
28 Strategic Plan COFENACOOP 2019-2021
Presentan los resultados del primer Censo Nacional de Cooperativas en Perú
https://www.aciamericas.coop/Presentan-los-resultados-del-primer-Censo-Nacional-de-Cooperativas-en-Peru
Table 1. Cooperatives by Economic Activity and Geographic Context

<table>
<thead>
<tr>
<th>Type of Cooperative</th>
<th>#</th>
<th>%</th>
<th>Urban (%)</th>
<th>Rural (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>395</td>
<td>32</td>
<td>47</td>
<td>53</td>
</tr>
<tr>
<td>Savings and Credit</td>
<td>347</td>
<td>28</td>
<td>92</td>
<td>8</td>
</tr>
<tr>
<td>Multiple Services</td>
<td>155</td>
<td>12</td>
<td>91</td>
<td>9</td>
</tr>
<tr>
<td>Special Services</td>
<td>132</td>
<td>11</td>
<td>94</td>
<td>6</td>
</tr>
<tr>
<td>Housing</td>
<td>93</td>
<td>7</td>
<td>98</td>
<td>2</td>
</tr>
<tr>
<td>Mining</td>
<td>20</td>
<td>2</td>
<td>90</td>
<td>10</td>
</tr>
<tr>
<td>Transport</td>
<td>20</td>
<td>2</td>
<td>90</td>
<td>10</td>
</tr>
<tr>
<td>Others</td>
<td>83</td>
<td>7</td>
<td>87</td>
<td>13</td>
</tr>
<tr>
<td>Total</td>
<td>1245</td>
<td></td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Table 2. Cooperatives classified by annual revenue

<table>
<thead>
<tr>
<th>Size</th>
<th># of coops</th>
<th>%</th>
<th># of UITs</th>
<th>Annual Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>810</td>
<td>65</td>
<td>≤ 150</td>
<td>≤ US $188 K</td>
</tr>
<tr>
<td>Small</td>
<td>315</td>
<td>25</td>
<td>150 to 1700</td>
<td>US $188K to US $2.1 million</td>
</tr>
<tr>
<td>Medium</td>
<td>120</td>
<td>10</td>
<td>≥ 1700</td>
<td>≥ US $2.1 million</td>
</tr>
<tr>
<td></td>
<td>1245</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 1. Cooperative Members by Region (%)

Of Peru’s registered cooperatives, the Lima region had the highest percentage (29.9%), followed by Junín (7.6%), Puno (6.7%), Cusco (6.7%), Cajamarca (6.0%) and Arequipa (5.1%). Nationwide distribution is displayed below. Thirty-three percent (33.0%) of the salaried population employed by cooperatives are concentrated in the Lima region, followed by Piura (9.8%), Arequipa (9.5%) and Cajamarca (5.9%).

29 As stipulated by Law No. 30056 cooperative size is measured by Tax Value Units (UIT in Spanish) based on their annual revenue (as defined by the national tax service SUNAT). Peru’s 2019 Tax Unit Value is of PEN 4,200 or US$ 1,256.
Table 3. Cooperatives by Region (# and %)

<table>
<thead>
<tr>
<th>Region</th>
<th>#</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amazonas</td>
<td>25</td>
<td>2</td>
</tr>
<tr>
<td>Ancash</td>
<td>14</td>
<td>1.1</td>
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<tr>
<td>Apurimac</td>
<td>33</td>
<td>2.7</td>
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<tr>
<td>Arequipa</td>
<td>63</td>
<td>5.1</td>
</tr>
<tr>
<td>Ayacucho</td>
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<td>3</td>
</tr>
<tr>
<td>Cajamarca</td>
<td>75</td>
<td>6</td>
</tr>
<tr>
<td>Callao</td>
<td>27</td>
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</tr>
<tr>
<td>Cusco</td>
<td>84</td>
<td>6.7</td>
</tr>
<tr>
<td>Huancavelica</td>
<td>4</td>
<td>0.3</td>
</tr>
<tr>
<td>Huanuco</td>
<td>23</td>
<td>1.8</td>
</tr>
<tr>
<td>Ica</td>
<td>37</td>
<td>3</td>
</tr>
<tr>
<td>Junin</td>
<td>95</td>
<td>7.6</td>
</tr>
<tr>
<td>La Libertad</td>
<td>38</td>
<td>3.1</td>
</tr>
<tr>
<td>Lambayeque</td>
<td>28</td>
<td>2.2</td>
</tr>
<tr>
<td>Lima</td>
<td>372</td>
<td>29.9</td>
</tr>
<tr>
<td>Lima Provincias</td>
<td>35</td>
<td>2.8</td>
</tr>
<tr>
<td>Loreto</td>
<td>11</td>
<td>0.9</td>
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<tr>
<td>Madre de Dios</td>
<td>5</td>
<td>0.4</td>
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<tr>
<td>Moquegua</td>
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<tr>
<td>Pasco</td>
<td>18</td>
<td>1.4</td>
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<tr>
<td>Piura</td>
<td>48</td>
<td>3.9</td>
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<td>Puno</td>
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<td>6.7</td>
</tr>
<tr>
<td>San Martin</td>
<td>48</td>
<td>3.9</td>
</tr>
<tr>
<td>Tacna</td>
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<td>Tumbes</td>
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<tr>
<td>Ucayali</td>
<td>19</td>
<td>1.5</td>
</tr>
<tr>
<td></td>
<td>1245</td>
<td>100</td>
</tr>
</tbody>
</table>

2.3.2 Cooperative networks

Cooperative networks have defended the cooperative movement at political and economic levels, with varying degrees of efficiency. The National Confederation of Cooperatives of Peru (CONFENACOOP) was founded on December 14, 1973, by mandate of Law 15260, General Law of Cooperatives. Currently CONFENACOOP is formed by five APEX organizations: FENACREP, SERVIPERÚ, COCLA, FENACOFEM and CAJA CENTRAL. Since its foundation, CONFENACOOP’s advocacy in favor of the cooperative movement has contributed to the approval of several pieces of the General Cooperative Law by the Peruvian congress. Nonetheless, CONFENACOOP has not been able to develop a collaborative agenda with the Directorate of Cooperatives at the Ministry of Production (PRODUCE).

"The integration of Peruvian cooperatives has been the Achilles heel of cooperativism – integration has always been weak. Self-interest always overshadowed unity. The absence of debates on the main cooperative issues, the absence of dialogue and constructive criticism, the lack of analysis and conclusions have left an unfinished integration." [Urquiaga, PRODUCE].
According to several interviewees, CONFENACOOP has struggled to integrate the Peruvian cooperative movement. As reported by the 2017 census, out of the 1,250 cooperatives registered, only 326 (26.2%) belong to any form of association, APEX, or integration organization.

The table below shows how cooperatives are integrated into existing cooperative networks.

Table 4. APEX Organizations and their Cooperative Members

<table>
<thead>
<tr>
<th>APEX</th>
<th># of cooperatives</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>FENACREP</td>
<td>120</td>
<td>37</td>
</tr>
<tr>
<td>Junta Nacional del Café</td>
<td>52</td>
<td>16</td>
</tr>
<tr>
<td>CONFENACOP</td>
<td>12</td>
<td>4</td>
</tr>
<tr>
<td>APPCACAO</td>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td>Cooperativas Alpaqueras</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>FENACOOSEP</td>
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<td>2</td>
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<td>FENACOOSMUP</td>
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</tr>
<tr>
<td></td>
<td>326</td>
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2.4 Cooperatives as social service providers
Cooperatives in Peru often go where neither government nor the private sector are willing to go, thereby generating inclusive processes for people and communities. Based on the 2017 cooperative census, one in three people are connected to cooperatives and/or the solidarity economy in Peru.

Cooperatives in Peru provide benefits to their communities, including:

- Promotion of financial inclusion, social and solidarity finance, responsible production, fair trade, ethical consumption, access to services, and knowledge exchange within communities;  
- Cultivation of the “C factor,” referring to a series of categories linked to collective and cooperative work, such as *compartir* (signifying “to share” in Spanish), community, confidence, etc.;  
- Development of skills at the community level, through offering opportunities to youth, women, indigenous peoples, and other marginalized and vulnerable groups;  
- Promotion of identity, integrity, and gender equity in all processes.

30 **FENACREP**: Savings and Credit Cooperatives Federation  
31 **Junta Nacional del Café**: National Coffee Board  
32 **CONFENACOOP**: National Confederation of Cooperatives of Peru  
33 **APPCACAO**: Peruvian Association of Cocoa Producers  
34 **FEBACOOSEP**: National Federation of Special Services Cooperatives of Peru  
35 **FENACOOSMUP**: National Federation of Multiple Services Cooperatives of Peru  
36 [Torres, San Martin University]  
37 [Anchahua, PRODUCE]  
38 [Vásquez, San Pío X]  
39 [Marin, RONDESA]
Some cooperatives manage self-financed social welfare funds for their members. This social welfare system:

- Provides social services;
- Grants loans;
- Promotes social protection among members based on mutual help and solidarity;
- Guarantees the payment of insurance to beneficiaries following the death of an immediate family member and provides economic support to alleviate burial expenses.

The Union of Cooperative Services, SERVIPERU (an APEX organization) took on the challenge of proposing SERVISALUD, a micro-health insurance program. With the backing of a commercial insurer, SERVIPERU provides affordable preventive and hospital health coverage and funeral services to members that lack access to traditional social security or private health care providers.

SERVIPERU and its insurance brokerage subsidiary have helped more than 170 cooperatives increase awareness, acquire, and jointly access insurance coverage by giving members greater negotiation capacity. Furthermore, the program makes insurance viable for the smallest of cooperatives, especially those located in remote areas where traditional insurers might not have operations.

The San Pío X cooperative in Cajamarca, with over 7,000 members, offers discounted health, dental and oral healthcare and psychological services to its members through a network of local providers.  

Over the last 50 years, savings and credit cooperatives have brought financial services to households and communities that did not have access to the banking system. These vital services, including micro-loans, improve quality of life, empower women, foster financial literacy, alleviate poverty, and allow individuals and collectives to fund projects at their lowest operational costs.

2.5 Observable trends

The implementation of the cooperative census in 2017 and improvements to the cooperative legislative framework demonstrate a renewed interest in cooperatives on the part of the Peruvian government and Peruvian society at large.

Savings and credit cooperatives (COOPACs) have grown exponentially. However, while it is true that many financial cooperatives have achieved a high degree of development, many others have been operating outside the law and without oversight.

At the end of 2018, COOPACs reported a collective total of 13.2 billion soles (US$ 3.9 billion) in assets. The growing need to protect deposits, in addition to addressing reports of illegal activity (including money laundering) by some cooperatives motivated the government to modify laws

35 [Vásquez, San Pío X]
36 [Webb, CUANTO and Bonfiglio, The Peru Institute]
37 [Baba Nakao, ABACO]
38 [Basso, SBS]
governing the supervision and control of financial cooperatives – a role assumed by the Superintendent of Banking and Insurance (SBS) on January 1, 2019.

Further, a revised General Law of Cooperatives has been under discussion since 2018. The new law, advanced by the Ministry of Production (PRODUCE), seeks to fill legal gaps and encourage the creation of new cooperatives while positioning cooperatives as an engine of productive growth in Peru. While the law is expected to be rigorously scrutinized by the Ministry of Economy and Finance (MEF), PRODUCE expects the law to boost formal employment and productivity levels for cooperatives nationwide.39

3. Support Mechanisms
For years, cooperatives in Peru have received varying degrees of national and international institutional support through alliances and agreements, allowing them to strengthen their own capacities and potentiate innovation in response to globalization and new competitive contexts.

At the government level, the Directorate of Cooperatives of the Ministry of Production is the agency in charge of cooperative promotion and development. However, due to its limited resources and high staff turnover, Directorate-led initiatives intended to strengthen the cooperative movement are few and are not as impactful. Other government entities such as the Ministry of Agriculture, AGROBANCO, and Private Investment Promotion Agency of Peru (PROINVERSION) have long sought to establish business alliances and other support mechanisms to enhance the capacity of rural cooperatives and have also been met with challenges and limitations. Regional and local governments often ignore cooperatives and limited-to-no support can be expected at the local level.40 In some cases, the government has combined cooperative policies with other small and medium enterprise (SME) legislation, which splits resources – which usually resulted in SME’s receiving more attention and resources.41

International institutions initiate more direct support programs and have netted better results. The World Council of Credit Unions (WOCCU), the Inter-American Development Bank (IDB), Cooperativa Cassa Padana of Italy, SOS FAIM of Belgium, the United States Agency for International Development (USAID), the German Technical Cooperation (GTZ) and the Organization International Labor Organization (ILO), are some of the international organizations that have supported or are still supporting cooperative development in Peru.42

Some recent examples of distinctive Peruvian cooperative programs include:

39 While SUNAT has been trying for years to impose taxes on cooperatives, the new law seeks to enforces Law Nº 29683 establishing that operations between cooperatives and its members are exempt from income and general sales taxes.
40 [Romo, FENACREP]
41 [Urquiaga, PRODUCE]
42 [Romo, FENACREP].
• **2007-2010**: The IDB and WOCCU granted non-reimbursable funds to savings and credit cooperatives to improve financial management, control systems, and productivity and efficiency standards.

• **2006-2010**: With funding from the USAID Office of Microenterprise Development and support from FENACREP, WOCCU implemented the Credit Union Market Integration Program (CUMIP). CUMIP’s goal was to increase the income and assets of poor households by improving access to financial services and facilitating greater market access for their products. WOCCU worked with nine credit unions in low economic growth corridors:
  - Improve financial performance
  - Enhance producer competition by improving access to finance and market linkages
  - Launch client-responsive savings and credit products designed to reach low-income consumers in local markets.
  - Create a national credit union branch network to offer low-cost transactions.

• **2008**: A project co-funded by international organizations USAID, CICDA, AVSF, SOS FAIM, RABOBANK, and GTZ, the private sector, and producer organizations collaborated to enhance cocoa production over 28,250 hectares using a cooperative value chain approach.

• **2011**: The IDB worked with FENACREP to launch an exchange program between cooperatives to create an effective and low-cost mechanism for capacity building.

• **Ongoing**: USAID’s Cooperative Development Program (CDP) is a global initiative focused on building the capacity of cooperatives for self-reliance, local ownership, and sustainability. In Peru, USAID’s CDP has helped increase member equity among cacao cooperatives.

• **Ongoing**: USAID’s Peru Cocoa Alliance (PAC) is an incubator for organizational models which align producers, cooperatives, aggregators, buyers, technology companies, exporters, chocolatiers, and financial institutions to achieve scale based on mutually profitable business models. PAC manages a growing production network of 18,000 farming families and over 50,000 hectares.

According to USAID’s *Peru Journey to Self-Reliance FY 2019 Country Roadmap*, when comparing Peru’s ‘Inclusive Development’ metric scores with other low and middle-income countries, Peru’s Social Group Equality score of (0.40) is below average and their Economic

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43 [http://www.woccu.org/documents/cuworldv10i1_16](http://www.woccu.org/documents/cuworldv10i1_16)
44 [Romo, FENACREP]
45 International Center for Agricultural Development
46 Agronomes et Vétérinaires Sans Frontières
47 Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.
48 [Romo, FENACREP].
50 From USAID’s Self Reliance Roadmap for Peru: A measurement of “political equality with respect to civil liberties protections across social groups as defined by ethnicity, religion, caste, race, language, and region”
Gender Gap score (0.63) is slightly above average. Cooperatives in Peru have proven to be an effective mechanism for social and economic inclusion and gender equality; consequently, USAID’s strategic and continued support to the cooperative movement in Peru is integral to advancing inclusive development.

4. Conclusion

Peru’s cooperatives have played a significant role in the country’s development through their long and entwined history. Political and societal reforms also changed the environments in which cooperatives operate, with the Peruvian government enshrining cooperatives within their government legislation and the formation of a number of apex umbrella organizations devoted to cooperatives.

There is work to be done for cooperatives in Peru [Baba Nakao, ABACO]:

- First, while people view cooperatives as fair and local, they do not perceive them as innovative, profitable, global model businesses. If the business world, entrepreneurs, government and the people in general are to see cooperatives as a viable, sustainable alternative, cooperative success will grow.
- Second, older people tend to have more positive perceptions (and knowledge) regarding cooperatives when compared to younger generations. This is an issue that needs to be addressed if cooperatives are to continue to be perceived positively. Younger people need to learn more about the benefits and strengths of the cooperatives model, encouraging membership and active participation.

Individual cooperatives and APEX organizations are trying to address these two major perception challenges by demonstrating to their members, communities, and government supervisory agencies that cooperatives are based on a model committed to both its principles and good-business practices (profitability) by providing products, services and a wide-range of social benefits, designed to appeal all members (including the younger generations).

Cooperatives and APEX organizations have a role in showing their members and the general public that they are modern, innovative, transparent and profitable. New iconic cooperative models in Peru can succeed in attracting public attention and resonance with the co-operative model. The sector should emphasize the ‘business’ side of co-operatives showcasing evidence-based impact in both social and economic areas.

The cooperative movement’s need for generational renewal is an important policy imperative. Advancing toward this goal include activities such as the development and promotion of Co-operative Schools, through campaigns inspiring young people through educational services and activities. Cooperatives in Peru confirm that these activities focused on younger people are of real strategic importance [Marin, RONDESA & Vásquez, San Pío X].

51 USAID’s Self Reliance Roadmap: An index comprising of “(1) wage equality between women and men for similar work; (2) the ratio of female estimated earned income to male income; (3) the ratio of female labor force participation to male participation; (4) the ratio of female legislators, senior officials, and managers to male counterparts; and (5) the ratio of female professional and technical workers to male counterparts.”
The Context Study has uncovered the important impact of all types of cooperatives, including agrarian – particularly coffee and cacao – savings and credit, and others, throughout the country’s diverse geography and throughout history. With concentrated efforts and targeted marketing in key sectors, the cooperative sector in Peru has potential to thrive and grow.
5. **Key literature**

5.1 **Cooperative Reference Documents**

- Caracterización e importancia de las cooperativas en Perú 2015
  http://demi.produce.gob.pe/images/publicaciones/publid6c7885640b45e6bc_12.pdf

- Censo Nacional de Cooperativas 2017, Principales Resultados
  http://www2.congreso.gob.pe/sicr/cendocbib/con5_uibd.nsf/FF2C0FC9A60AC3F30525829C000076C6/$FILE/Cenacoop_2017.pdf

- Dialogo Nacional Cooperativo y Solidario 2018
  https://fortalecer.org/imagenes/DOCUMENTOS/DIALOGO_NACIONAL_COOPERATIVO_Y_SOLIDARIO.pdf

- El Cooperativismo en América Latina ACI 2012

- The Solidarity Economy and its model in Latin America and the Caribbean
  https://ccfd-terresolidaire.org/IMG/doc/la_economia_y_el_desarrollo_solidario_en_america_latina_y_el_caribe_en.doc

- ICA, Review of international co-operation 2017

- Resumen Ejecutivo, Censo de Cooperativas 2017
  http://ogeiee.produce.gob.pe/index.php/k2/censos/cooperativas

- Directorio de Cooperativas, Censo de Cooperativas 2017
  http://ogeiee.produce.gob.pe/index.php/k2/censos/cooperativas

- Plan Estratégico CONFENACOOP 2019-2021

  https://minds.wisconsin.edu/bitstream/handle/1793/34176/448.pdf?...1

- PERU Journey to Self-Reliance: FY 2019 Country Roadmap
  https://selfreliance.usaid.gov/country/peru

- USAID Country Development Cooperation Strategy
  https://www.usaid.gov/sites/default/files/documents/1862/PeruCDCS_0_updated20202.pdf
  https://selfreliance.usaid.gov/country/peru

- USAID Peru Cocoa Alliance (PAC)
  http://www.fao.org/3/a-i6502e.pdf

5.2 **Cooperative Research / Case Studies**

- Small Business Case Study - Awana Wasi, Women Cooperative in Cusco, Peru

- How do coffee cooperatives support smallholder coffee farmers in Peru?
Using Value-chain Finance, Peruvian Credit Unions Help Andean Growers Compete
http://www.woccu.org/documents/cuworldv10i1_16

Financial Transparency Laws in Peru

5.3 Cooperative Legal Framework
- Supreme Decree Nº 004-91-TR
- Supreme Decree Nº 074-90
  http://www2.congreso.gob.pe/sicr/cendocbib/con4_uibd.nsf/0C8229556E3DC6030525B5C0051906C/$FILE/DECRETO_SUPREMO_N%C2%BA_074_90_TR.pdf
6. List of Key Informants Interviewed

For the purpose of this study, individuals listed in the table below were interviewed as key informants in Lima and Cajamarca, Peru from May 6 – 11, 2019.

<table>
<thead>
<tr>
<th>No.</th>
<th>Name</th>
<th>Position/Organization</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Abraham Vasquez</td>
<td>General Manager, San Pio X, Cajamarca</td>
</tr>
<tr>
<td>2</td>
<td>Alejandro Ernesto Niezen(^{52})</td>
<td>Former President, Fondo Mi Vivienda</td>
</tr>
<tr>
<td>3</td>
<td>Cesar Quispe(^{53})</td>
<td>Deputy Manager, National Federation of Credit and Savings Cooperatives (FENACREP)</td>
</tr>
<tr>
<td>4</td>
<td>Edinov Anchahua Guillen(^{54})</td>
<td>Cooperative Specialist, Ministry of Production, PRODUCE</td>
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<tr>
<td>5</td>
<td>Giovanni Bonfiglio(^{55})</td>
<td>Researcher, The Peru Institute, San Martin University</td>
</tr>
<tr>
<td>6</td>
<td>Lorenzo Castillo</td>
<td>General Manager, National Coffee Board</td>
</tr>
<tr>
<td>7</td>
<td>Luis Baba Nakao(^{56})</td>
<td>Former President, ABACO Cooperative</td>
</tr>
<tr>
<td>8</td>
<td>Luz Urquiaga Cabello(^{57})</td>
<td>Capacity Building Specialist, Cooperatives Directorate, Ministry of Production, PRODUCE</td>
</tr>
<tr>
<td>9</td>
<td>Marco Antonio Romo(^{58})</td>
<td>Technical Assistance Manager, National Federation of Credit and Savings Cooperatives (FENACREP)</td>
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<td>10</td>
<td>Nelson Torres Balarezo</td>
<td>Cooperative Researcher, San Martin University</td>
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<td>11</td>
<td>Oscar Basso Winffel(^{59})</td>
<td>Cooperatives Superintendent, Superintendency of Bank and Insurances (SBS)</td>
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<tr>
<td>12</td>
<td>Richard Webb(^{60})</td>
<td>Director at CUANTO Institute, San Martin University</td>
</tr>
<tr>
<td>13</td>
<td>Wilson Marin(^{61})</td>
<td>General Manager, RONDESA, Cajamarca</td>
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\(^{52}\) https://pe.linkedin.com/in/alejandro-alex-niezen-sarmiento-0614b152
\(^{53}\) https://pe.linkedin.com/in/cesarquispelujan
\(^{54}\) https://pe.linkedin.com/in/edinov-anchahua-guill%C3%A9n-23135949
\(^{55}\) http://institutodelperu.pe/giovanni-bonfilgio/
\(^{56}\) https://www.bloomberg.com/profile/person/2129059
\(^{57}\) https://pe.linkedin.com/in/luz-urquiaga-cabello-887875113
\(^{58}\) https://pe.linkedin.com/in/marco-romo-b2297917
\(^{60}\) https://es.wikipedia.org/wiki/Richard_Webb_Duarte
\(^{61}\) https://pe.linkedin.com/in/wilson-marin-b7774071
7. List of potential local research service providers

Companies listed below were assessed to confirm readiness, interest and availability to conduct WDDCM data collection and analysis in later stages of this project.

<table>
<thead>
<tr>
<th>Name</th>
<th>PoC</th>
<th>Email</th>
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<tr>
<td>IMASEN</td>
<td>Samuel Sánchez</td>
<td><a href="mailto:ss@imasenperu.com">ss@imasenperu.com</a></td>
<td>+51 999152369</td>
</tr>
<tr>
<td>IMASEN</td>
<td><a href="http://imasenperu.com/">http://imasenperu.com/</a></td>
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IMASEN is Peruvian company with 30 years of experience conducting ad-hoc research and analysis for a wide range of clients. IMASEN is ISO 20252 certified for market opinion and social research, including insights and data analytics.

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<tr>
<td>CUANTO</td>
<td>Dr. Richard Webb Director</td>
<td><a href="mailto:richardcwebb@gmail.com">richardcwebb@gmail.com</a>,</td>
<td>+51 4214503</td>
</tr>
<tr>
<td>CUANTO</td>
<td><a href="https://www.cuantoo.org/">https://www.cuantoo.org/</a></td>
<td><a href="mailto:giovannibonfigliov@gmail.com">giovannibonfigliov@gmail.com</a>,</td>
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<tr>
<td></td>
<td></td>
<td><a href="mailto:nelson.torresbalarezo@gmail.com">nelson.torresbalarezo@gmail.com</a></td>
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CUANTO Institute is a Peruvian private nonprofit association whose mission is to develop research to educate citizens on issues of national reality, with an emphasis on quantitative aspects. The Institute was founded in Lima, Peru, in 1988 by Dr. Richard Webb.

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<tr>
<td>IPSOS</td>
<td>Patricia Rojas, Director of Public studies</td>
<td><a href="mailto:patricia.rojas@ipsos.com">patricia.rojas@ipsos.com</a></td>
<td>+51 988051146</td>
</tr>
<tr>
<td>IPSOS</td>
<td><a href="https://www.ipso.com/es-pe">https://www.ipso.com/es-pe</a></td>
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IPSOS is a global market research and a consulting firm with worldwide headquarters in Paris, France. The company was founded in 1975 by Didier Truchot, Chairman and CEO. Founded in 1987 IPSOS Peru has organized its business into four areas of specialization: media and advertising research; marketing research; opinion and social research; client and employee relationship management.

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<tbody>
<tr>
<td>PRACTICAL ACTION CONSULTING</td>
<td>Walter Ita, Business Development &amp; Quality Head</td>
<td><a href="mailto:Walter.Ita@solucionespracticas.org.pe">Walter.Ita@solucionespracticas.org.pe</a></td>
<td>+51 999773342</td>
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<td><a href="https://practicalaction.org/peru">https://practicalaction.org/peru</a></td>
<td></td>
<td>+51 441-2950 Ext: 168</td>
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Practical Action Consulting Latin America (PAC LA) based in Lima, Peru serves as the regional office for Latin America and the Caribbean. PAC LA provides independent and professional consulting services and research. PAC LA undertakes projects of varying levels of complexity and duration, according to the clients’ needs. PAC LA works in partnership with and for NGOs, development agencies, government departments, research institutions, community groups and the private sector.