

## EXPORT PROMOTION STRATEGY FOR NATURAL INGREDIENTS FOR FOOD, COSMETICS AND PHARMACEUTICALS FROM PERU

*Elaborated by BioTrade Peru & PROMPEX, May 2004*

### I. BACKGROUND

This strategy is based on the assessment of the supply chain for natural ingredients in Peru, which has been elaborated by the BIOTRADE Peru Programme, in collaboration with PROMPEX, UNCTAD BTFP, the Centre for the Promotion of Imports from Developing Countries (CBI) and the Peruvian Institute for Natural Products (IPPN). This assessment is available in a separate document.

The assessment emphasizes the existing potential for the development of exports of natural ingredients from Peru. Peru is a mega-biodiverse country with ample natural resources and ecosystems, and has a large number of innovative productive initiatives that work with natural ingredients.

However, the assessment also shows that the development of the sector is at an incipient stage. There have been some important advances in the area of natural colorants, but this has not been repeated for other types of products, such as medicinal plants. This is due to legal, social, technical and organisational obstacles.

These obstacles found in Peru (and listed in the assessment) can be summarized as follows:

- Legislation needed for promoting efficient productive and commercial practices and sound management ethics is incomplete and disarticulated between different Government actors (e.g. Health Ministry - MINSA, Agricultural Ministry - MINAG), and therefore not very conducive. In some cases there is no legislation at all.
- Technical, scientific and commercial information about products is difficult to access and hardly oriented to private sector needs.
- Integration between producers and exporters is only incipient.
- Integrated research and development strategies are not yet elaborated.
- Institutions in the sector duplicate efforts and lack commitment, which disperses efforts of sector development.
- Export policies are still under formulation, for which reason opportunities are missed in markets for (organic) natural ingredients for food, cosmetics and pharmaceuticals (NIFCPs).
- Existing strengths are not capitalised upon, nor are new ones developed.
- The approach of sustainable supply chain management is not applied. The absence of planning and formal practices in the use and commercialisation of the resources is generating negative impacts on biodiversity conservation and not generating local benefits.

In view of the above, it is not yet feasible to develop a long-term strategy, in particular since the sector is still characterized by a lack of trust and articulation.

It has therefore been decided to develop a more short-term strategy that focuses on a relatively small number of companies that are interested in applying biotrade criteria. It is expected that this strategy will trigger trust and collaboration among the private sector and

between public and private actors. A more full-fledged strategy will be developed at a later stage.

This short-term strategy focuses on 3 general components:

1. To promote and consolidate the existing export capacity.
2. To create an enabling environment (institutional and legal) for NIFCPs.
3. Development of a more comprehensive and long-term strategy.

This strategy was presented and validated with the main players in the sector for natural ingredients during the workshop on value chain analysis, which was held in Lima, Peru, in May 2004, with support of CBI, UNCTAD and ITC<sup>1</sup>. Based on the outcomes of this workshop it was decided to include food ingredients in this strategy, and in future possibly final products. Likewise, it was decided to form a stronger alliance between IPPN, BioTrade Peru and Prompex to facilitate and strengthen the development of this sub-sector. It is envisaged that a more full-fledged strategy will be developed in 2005.

## **II. OBJECTIVE OF THE SHORT-TERM STRATEGY**

The initiation of a strategy that establishes lines of action to develop the sub-sector of natural ingredients for cosmetics and pharmaceuticals, therewith promoting trust and collaboration. This is expected to enhance competitiveness and to result in the application of sustainability criteria in the productive and commercial activities within this sub-sector supply chain.

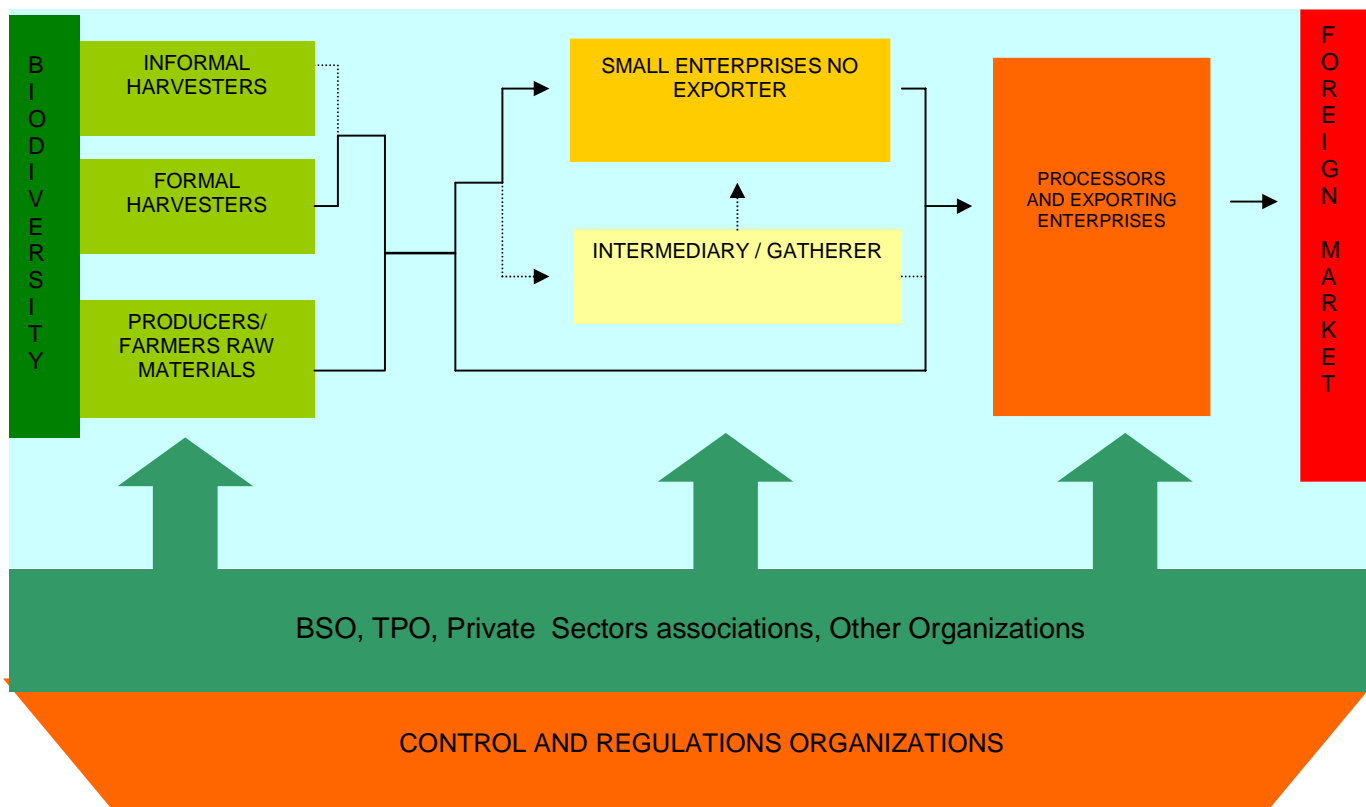
## **III. CONCEPTUAL APPROACH**

This strategy seeks to improve export supply through sustainable supply chain management and the strengthening of following economics agents:

- Producer and collectors of raw materials;
- Processors and exporters of NIFCPs;
- Institutions and services providers that support economics agents;
- Standards setting institutions.

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<sup>1</sup> See report of the workshop elaborated by BioTrade Peru, August 2004.



- Relationships that should be formalized and strengthened according the biotrade criteria
- Relationships that should be integrated to the value chain

The implementation of this strategy will be viable only if it is applied in a progressive and systemic manner along the whole value chain, in accordance with market dynamics.

The above flow-chart presents the approach of the strategy. It proposes the development of the sector on the basis of a solid and consolidated normative and regulatory framework, allowing for the development of promotion and support activities aimed at economic actors in the value chain. The depicted relationships would need to be strengthened and/or formalized in order to promote sustainable management and value addition throughout the value chain.

## IV. STRATEGIC PLAN

The principle aim of the strategic plan is to identify and organize economics actors (companies), orienting them towards growth and sustainable development of the sub-sector of NIFCPs, and positioning them in foreign markets.

This strategic plan consists of the following components/objectives:

### **Component 1: To promote and to consolidate the existing export capacity.**

This component seeks to promote and consolidate a competitive export supply, based on sustainable use of biodiversity, by strengthening of processing companies that are export ready, or with potential to export in the short term<sup>2</sup>.

#### ***Specific objectives***

#### **1.1 To support processors and exporting companies in the integration of sustainability criteria in their activities.**

##### ***Activities***

- Support companies in the identification of raw materials suppliers.
- Conduct an assessment of the areas of influence of the companies in the NIFCPs sector.
- Elaborate company-specific action plans for the development of sustainable use plans.

##### ***Results***

- Companies in the NIFCPs supply chain source and supply raw materials and ingredients according to environmental, social and economic sustainability criteria.
- Commitment exists to establish long-term linkages between raw materials suppliers and processors.

#### **1.2 To support companies in the application of quality standards according to market demands and national/regional legislation.**

##### ***Activities***

- Provide training and consultancy services to companies in integrating quality and conservation issues (e.g. GMPs, GCPs, GAPs).
- Provide information sources of finance to support the implementation of GMPs, GCPs and GAPs.

##### ***Results***

- Companies have quality systems (GMP, GAP, GCP certified if it is required by law or market).

#### **1.3 To promote the competitiveness and efficiency of processors/exporters**

##### ***Activities***

- Provide support to the formulation of business plans and export marketing plans.

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<sup>2</sup> Where possible, priority will be given to companies that participate or have the potential to do so, in CBI and SIPPO programmes (so-called A (export ready) and B (future exporters) companies).

- Support the consolidation of business and export market plans of companies.
- Facilitate technology transfer to address the main bottlenecks in the supply chain (post harvest handling, efficiency of transformation processes).

#### **Results**

- Companies have a business and export marketing plan.
- Companies have received training oriented at improving competitiveness and efficiency.

### **1.4 To support companies in trade promotion**

#### **Activities**

- Provide market and marketing information.
- Support companies in the participation of trade fairs.

#### **Results**

- Relevant market and marketing information available to companies.
- Companies have participated in specialized trade fairs.

## **Component 2: To create an enabling environment (institutional and legal) for NIFCPs**

The development of the sub-sector of NIFCPs depends to a considerable extent on the existence of an enabling environment that governs the sub-sector. This includes among others provision of adequate services by the different service providers; cooperation and coordination between suppliers, companies, services providers and Government; and the existence of an appropriate regulatory framework that facilitates sustainable use of and trade in natural ingredients.

### **Specific objectives**

#### **2.1 To strengthen existing relevant business associations and networks**

##### **Activities**

- Include the associations in the development of the sector, and promote shared responsibility between associations, services providers and Government.
- Support the institutional strengthening of associations.

##### **Results**

- The main actors are organised to discuss and promote a joint sector development strategy / action plan.
- Associations strengthened and in better condition to carry out their activities.

#### **2.2 To advocate for a legal framework to promote sustainable use of and trade in NIFCPs.**

##### **Activities**

- Facilitate advocacy and lobbying efforts with respect to legal and regulatory proposals with respect to NIFCPs (e.g. implementation of existing WHO guidelines on GACPs into national regulatory framework).

- Facilitate use of mechanisms for legal protection (intellectual property rights, certificates of origin, etc.).

#### **Results**

- Improved legal framework for NIFCPs.
- NIFCPs from Peru better protected.

### **2.3 To systemize and generate technical information on existing species/ products**

#### **Activities**

- List the species/products that are currently being utilised/produced in the NIFCPs chain.
- Compile and systematize existent information and prepare data sheets for these products.
- Publish the data sheets.
- Establishing regulations and product standards for listed species/products

#### **Results**

- A list of species/ products currently used.
- Data sheets for selected species.
- Development of national standards started.

### **2.4 To develop an R&D programme that is tailored to the private sector needs**

#### **Activities**

- Select key public and private sector institutions working on R&D of NIFCPs.
- Design a research program geared to private sector needs.
- Promote the implementation of the programme.

#### **Results**

- A task-force of R&D institutions formed.
- A research programme formulated.
- Activities underway to promote implementation of the programme.

### **2.5 To create a network of public and private service providers**

#### **Activities**

- Prioritise the services providers mentioned in the NIFCPs assessment.
- Create a platform of communication and exchange on NIFCPs for selected service providers.
- Develop support mechanisms to facilitate the provision of services to companies and their suppliers.

#### **Results**

- An overview of key service providers for NIFCPs.
- Services providers aware of needs of NIFCPs companies and their suppliers.
- A mechanism to facilitate the provision of services is in place (e.g. for processing, business plan development, export promotion).

## **Component 3: Development of a more comprehensive and long-term strategy**

In order to develop the sub-sector of NIFCPs, it is important to develop a more long-term and comprehensive sector strategy. A sector strategy will be developed taking into account the results of this intermediate strategy and building on improved trust between players and better understanding generated by the implementation of this intermediate strategy.

### ***Specific objectives***

#### **3.1 To identify the potential of raw material production of NIFCPs in Peru**

##### ***Activities***

- Undertake a census of the suppliers of NIFCPs.

##### ***Results***

- A census of the productive capacity of NIFCPs in Peru.

#### **3.2. To prioritise species with potential biotrade and commercial value**

##### ***Activities***

- To organise a workshop to identify and prioritise species, using the product selection matrix.
- Further market analysis of these products.

##### ***Results***

- A list of priority species on which future R&D and commercial development by the public and private sector can be concentrated.

#### **3.2 To design the second phase of the strategy for the development of NIFCPs**

##### ***Activities***

- Formulate a more wide strategy with participation of the most important stakeholders.
- Undertake fund-raising activities to implement the strategy.

##### ***Results***

- A proposal of the second phase of the NIFCPs strategy.
- Sources of funds identified for support to the implementation of the strategy.