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REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

REPUBLIC OF EL SALVADOR

FOR THE

**RURAL DEVELOPMENT PROJECT FOR THE CENTRAL REGION
(PRODAP-II)**



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CURRENCY EQUIVALENTS

Currency Unit	=	Colones (SVC)
USD 1.00	=	SVC 8.8
SVC 1.00	=	USD 0.11

WEIGHTS AND MEASURES

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m ²)	=	10.76 square feet (ft ²)
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

ABBREVIATIONS AND ACRONYMS

BFA	Agricultural Development Bank
FISP	Social and Productive Investment Fund
M&E	Monitoring and Evaluation
NGO	Non-Governmental Organization
PCU	Project Coordination and Management Unit
PROCHALATE	Rehabilitation and Development Project for War-torn Areas in the Department of Chalatenango
PRODAP-I	Smallholders' Agricultural Development Project in the Paracentral Region
PRODERNOR	Rural Development Project for the North-Eastern Region
USAID	United States Agency for International Development

GOVERNMENT OF THE REPUBLIC OF EL SALVADOR

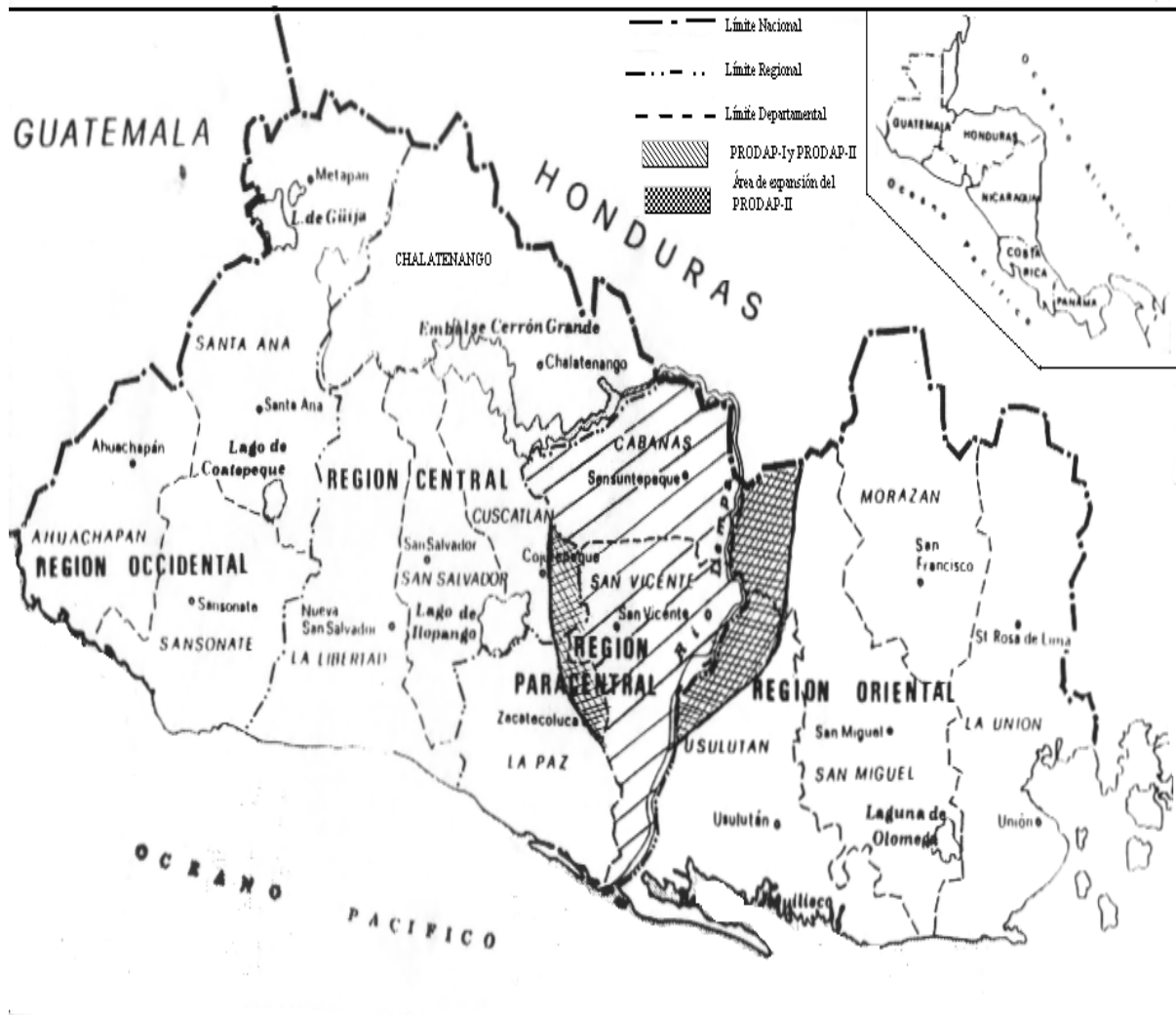
Fiscal Year

1 January – 31 December



MAP OF THE PROJECT AREA

REPUBLIC OF EL SALVADOR



Source: Instituto Geográfico Nacional del Ministerio de Obras Públicas

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.



REPUBLIC OF EL SALVADOR
THE RURAL DEVELOPMENT PROJECT FOR THE CENTRAL REGION
(PRODAP-II)

LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	Republic of El Salvador
EXECUTING AGENCY:	Ministry of Agriculture
TOTAL PROJECT COST:	USD 20.0 million
AMOUNT OF IFAD LOAN:	SDR 9.55 million (equivalent to approximately USD 13.0 million)
TERMS OF IFAD LOAN:	20 years, including a grace period of five years, with an interest rate of one half of the reference interest rate per annum as determined by the Fund annually
COFINANCIERS:	None
CONTRIBUTION OF BORROWER:	USD 5.1 million
CONTRIBUTION OF BENEFICIARIES:	USD 1.9 million
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	United Nations Office for Project Services (UNOPS)



PROJECT BRIEF

Who are the beneficiaries?

The project's target group is composed of 30 000 poor smallholder families, landless farmers, female-headed households, agricultural and non-agricultural workers, and small rural entrepreneurs living in an area that was affected by Hurricane Mitch. Seventy-four per cent of the rural population lives below the poverty line (estimated at USD 550 per capita/year). The project will directly benefit 13 500 families, out of which 7 500 will receive financial and technical support, while 4 600 will benefit from the Social and Productive Investment Fund and 1 400 will receive specific training. Women represent about 30% of the beneficiaries, either as heads of households or as female farmers or entrepreneurs.

Why are they poor?

Rural poverty in the central region of the country is largely a consequence of lack of access to land, loss of soil fertility, lack of access to financial resources, an inadequate rural financial system and weak peasant organizations; this results in a high degree of unmet basic needs. The scarcity of land, the degradation of natural resources and a weak marketing system prevent families from earning sufficient income from agricultural and other activities to meet their basic needs. Poor living conditions among El Salvador's rural population were one of the main causes of the prolonged armed conflict in the country during the 1980s, which further exacerbated rural living conditions.

What will the project do for them?

The main objective of this second-phase project will be to raise income levels and improve standards of living among the rural poor, while consolidating the positive results of PRODAP-I. The main specific objective is to strengthen grass-roots farmer organizations through strong investment in local capacity-building. The project will focus on optimizing a combination of agricultural and non-agricultural activities. For this purpose, male and female producers will receive technical assistance and credit that will help: (i) increase and diversify agricultural production; (ii) improve natural-resource management; and (iii) establish and improve small-scale enterprises. Gender issues will be mainstreamed in all project components in order to promote equity in male and female beneficiaries' participation in project activities and benefits.

The project will establish a sustainable system for the transfer of services to grass-roots farmer organizations. Services will be provided by multidisciplinary teams, local NGOs, and private and public institutions using a cost-sharing scheme between the project and the beneficiaries. The project will introduce a new financial intermediation mechanism aimed at establishing a sustainable rural financial system. The mechanism will be based on the gradual transfer of responsibilities and funds to local intermediary financial institutions; it will use the resources available in the PRODAP-I Trust Fund, as well as add fresh funds and mobilize local savings. The project's Social and Productive Investment Fund will guarantee that the poorest families in the project area benefit from project activities. Their demands will be expressed in community development plans, following a demand-driven approach based on participatory methodologies.

How will beneficiaries participate in the project?

The project's strategy is to fully ensure beneficiaries' participation in all phases of project design and implementation. During project design, participatory workshops – which were attended by more than 200 beneficiaries (50% women) – were organized. Farmer organizations will be directly responsible for the identification and implementation of project activities. To achieve this, the strengthening of local organizations through training programmes will be emphasized. Equitable participation of men and women will be ensured by means of gender sensitization workshops and a training programme in participatory methodologies and gender analysis provided through the Office for Coordination of Gender Issues.



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TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE
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RURAL DEVELOPMENT PROJECT FOR THE CENTRAL REGION
(PRODAP-II)**

I submit the following Report and Recommendation on a proposed loan to the Republic of El Salvador for SDR 9.55 million (equivalent to approximately USD 13.0 million) on intermediate terms to help finance the Rural Development Project for the Central Region (PRODAP-II). In accordance with paragraph 36 of IFAD's Lending Policies and Criteria, this loan is proposed to be made on intermediate terms, taking into consideration that the project is designed for a post-war situation in an area also damaged by Hurricane Mitch. The loan will have a term of 20 years, including a grace period of five years, with an interest rate of one half of the reference interest rate per annum as determined by the Fund annually. It will be administered by the United Nations Office for Project Services (UNOPS) as IFAD's cooperating institution.

PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. The Economy and Agricultural Sector

1. The Republic of El Salvador is located in the Central American isthmus and covers an area of approximately 21 000 km². It borders Honduras to the north and east, Guatemala to the west, and the Pacific Ocean to the south. Arable land covers 46% of the national territory (2.1 million hectares), of which only 17% is suitable for intensive exploitation.
2. The total population was estimated at 6 million inhabitants in 1996, with a density of close to 290 people per km². About 43% of the population lives in rural areas. The population growth rate is 2.1% per year; the illiteracy rate is 23.6% for men and 27.2% for women. Child mortality stands at 46 per 1 000 births during the first year of life and 63 per 1 000 during the first five years. Post-partum maternal mortality is one of the highest in Latin America at 72 per 100 000. About 63% of the rural population lives below the poverty line, estimated at USD 550 per capita. Since 1990, urban poverty has declined by 12%, while rural poverty has remained constant, with 64% of the rural population living in poverty.
3. El Salvador suffered an economic decline in the 1980s as a result of the civil war. The Peace Accords of 1992 launched a process of structural adjustment, trade liberalization and progressive rationalization of the public sector, which resulted in greater macroeconomic stability and economic growth. The manufacturing sector, especially in-bond assembly for re-export (*maquila*), and commerce have been the leading sectors of the economy, accounting for over 40% of total gross domestic product (GDP) in 1996. Per capita GDP in 1996 was USD 1 700. In 1997, GDP grew 3.8%, but the agricultural GDP dropped by 0.3% in the wake of crop losses caused by *El Niño*. In November 1998, portions of El Salvador were affected by Hurricane Mitch and this will probably have a negative effect on the national economy during 1999 and subsequent years. The flow of remittances is of particular importance in El Salvador given their macroeconomic impact (13% of GDP). The country's total debt-to-GDP ratio in 1996 was 9.6%, one of the lowest in Latin America.

¹ See Appendix I for additional information.



4. While rural poverty was one of the main reasons for the civil war, the conflict also exacerbated the country's poverty levels. Rural poverty is mainly associated with lack of access to land and titling, extreme fragmentation of landholdings, deficient marketing systems and limited access to financial resources. In 1975, 50% of the country's 271 000 farms were less than 1 hectare in size and 40% were only 1 to 5 hectares. The agrarian reform of the 1980s benefited little more than a fifth of the rural population, and the Peace Accords of January 1992 called for land to be distributed to ex-combatants as well as to civilian members of the Farabundo Martí National Liberation Front. This land transfer programme has benefited 37 000 individuals in rural areas, of whom only 12% are women.

5. The agricultural public sector is comprised of the Ministry of Agriculture, the National Centre for Agricultural Technology, the Agricultural Development Bank (BFA), the Sectoral Office for Agricultural Planning and the Ministry of Agriculture's Project Coordination Office. The Ministry of Agriculture sets global sectoral policies and strategies, while its Project Coordination Office oversees the implementation of rural development projects. Private institutions (such as non-governmental organizations (NGOs), cooperatives and foundations) play an important role in agricultural production and marketing.

B. Lessons Learned from Previous IFAD Experience

6. **Operations.** IFAD has granted four loans to El Salvador: (i) the Agricultural Credit Project for Phase III of a Programme (Loan 163-ES), which closed in 1990; (ii) the Smallholders Agricultural Development Project in the Paracentral Region (PRODAP-I, Loan 267-ES), which will close in December 1999; (iii) the Rehabilitation and Development Project for War-torn Areas in the Department of Chalatenango (PROCHALATE, Loan 322-ES), currently under implementation; and the Rural Development Project for the North-Eastern Region (PRODERNOR, Loan 465-SV), which was approved in December 1997 and will start activities during the first half of 1999.

7. **Lessons learned.** Evaluation of PRODAP-I and other IFAD projects has provided a number of valuable insights and raised a number of issues: (i) the civil conflict led to a serious breakdown of rural social structures making it necessary to channel additional resources to the rebuilding of grass-roots organizations; (ii) rural financial services provided through BFA (the state-owned agricultural development bank) were not sufficiently flexible or efficient; (iii) technical assistance has been provided by government institutions with a bias towards large, commercial agriculture; the public extension system does not take account of the specific characteristics of small-scale farming operations; (iv) marketing support has not received sufficient attention in past IFAD projects; and (v) gender issues are of the utmost importance for the success of rural development initiatives in El Salvador. PRODAP-I included activities to mainstream gender issues and has obtained useful experiences in credit, technological proposals and support services.

C. IFAD's Strategy for Collaboration with El Salvador

8. **El Salvador's policy for poverty eradication.** The peace accords between the Government of El Salvador and the Farabundo Martí National Liberation Front considered rural poverty alleviation and agricultural development a top priority of the reconstruction process. At present, the Government attaches highest priority to the alleviation of rural poverty. As part of its strategy, the Government is committed to implementing a national policy on gender, social investment programmes, multisectoral investments, increased funding for education, land-distribution programmes, agriculture and small-business credit programmes.

9. **Poverty-eradication activities of other major donors.** International organizations and bilateral aid agencies have focused their efforts on structural-adjustment programmes and strengthening the post-war development process. Recent programmes include: (i) the Agricultural-Sector Reform and Investment Programme, financed by the World Bank; (ii) sizeable allocations from



the World Bank and the Inter-American Development Bank for the reconstruction or construction of infrastructure and social investments; (iii) financing from the European Union and the United States Agency for International Development (USAID) for programmes to reintegrate ex-combatants into civil society; (iv) financing from the European Union for land-transfer, credit and agricultural-development programmes, including cofinancing at present for IFAD's PROCHALATE project (Loan 322-ES); it will also start up a rural and social development project in Morazán and a rural development project for ex-combatants in San Vicente; and (v) USAID has set up a Regular Country Programme that is financing land transfers, agricultural-export ventures and urban/rural microenterprises. International financial resources have been directed to the urban areas and to social programmes.

10. **IFAD's strategy for collaboration with El Salvador.** IFAD's strategy aims at consolidating the peace and reconstruction process (which began after the signing of the Peace Accords in 1992) by reducing rural poverty. Accordingly, IFAD focuses on projects that improve the living conditions of the rural poor and support the transition from the peace and reconstruction phase to sustainable and replicable development.

11. IFAD's country strategy has six elements: (i) local capacity-building by strengthening local organizations and promoting beneficiary participation; (ii) providing an appropriate financial-services system; (iii) formalizing a demand-driven technical-assistance system; (iv) emphasizing a gender focus in the development process; (v) developing training programmes to improve the skills of male and female farmers and rural youths; and (vi) diversifying rural families' sources of income. IFAD feels that agricultural activities and rural non-farm employment play a key role in its strategy for rural poverty alleviation, which seeks to support small-scale male and female farmers and landless rural workers by creating a sustainable process of income growth in rural areas.

12. **Project rationale.** The project was designed within the Government's policy framework and strategies for poverty eradication and natural-resource management. The State's withdrawal from extension activities in the field has resulted in a reduction, or even disappearance, of public agencies that provide technical, infrastructure and logistical services to the agricultural sector. These institutional gaps are being filled by local organizations and private technical-service providers, which the project will support by investing in capacity-building and the strengthening of market services.

13. The project will set up an innovative coordination link with the other IFAD-financed projects in El Salvador: PROCHALATE in the north and PRODERNOR in the north-east. Together, IFAD's projects will form a coherent development intervention in the poorest departments of El Salvador. Implementation of PRODAP-II will ensure an integrated and coordinated development effort throughout the northern region of El Salvador. Cross-project strategies are also possible, especially in the areas of organizational strengthening, delivery of rural financial services, technical assistance, marketing support, gender issues and natural-resource management.

PART II - THE PROJECT

A. Project Area and Target Group

14. **The project area.** The project area is situated in the central region of El Salvador and covers a total of 32 municipalities, i.e., the Departments of Cabañas and San Vicente and ten municipalities located in the Departments of San Miguel, La Paz, Usulután and Cuscatlán. In the north, the project area borders with Honduras and in the south with the Pacific Ocean.

15. In the Departments of Cabañas and San Vicente, about 4% of the soil is suitable for all types of agriculture (classes I and II); about 30% is apt for agricultural production but requires some kind of



soil-conservation measures; 43% is suitable for pasture, grazing or permanent crops; and – owing to the inclination of the slopes – 23% should be protected.

16. The main productive activity in the project area is agriculture, mainly maize in combination with beans and sorghum; basic grains represent 94% of agricultural output. Fruits, vegetables, coffee, sesame, sugar cane and flowers are also grown, but on a small scale. Livestock-raising is very limited, and is geared mainly towards milk and meat production. The major constraints on livestock production are sanitation issues and the scarcity of water.

17. **Poverty and the target group.** The rural population in the project area is estimated at 235 000. In 1997, an estimated 74% of the rural population lived below the poverty line, 42% in extreme poverty. The target group consists of poor rural smallholders and landless farmers, female-headed households, agricultural workers, non-agricultural workers and small rural entrepreneurs. The target population will be composed of 30 000 families, with an average family size of 6.1 members. Women comprise 31% of the target population. The project will directly benefit approximately 13 500 rural families, equivalent to roughly 44% of the target population.

18. **The gender situation.** Women are responsible for all household chores and sometimes receive help from their husbands. In agricultural activities, both women and men are active. Men and women in the target group also engage in other income-generating activities, such as making cheese, buying and selling bread, selling eggs, poultry, etc. The project area has approximately 10% female-headed households, where women are responsible for all agricultural activities in addition to household chores.

19. Of the landowners (40% of the target group), 11% are women. Under PRODAP-I, 14% of credit facilities were provided to women. Despite that project's significant achievements in the gender area, women still face the highest incidence of poverty and their access to productive resources is more limited than for men. Women have less access to land, credit facilities, market information, and opportunities for personal development; a combination of cultural and social factors keeps women from participating in development processes in an equitable manner.

B. Objectives and Scope

20. The main objective of PRODAP-II is to consolidate the positive aspects of PRODAP-I, with emphasis on new implementation arrangements and a new financial-services delivery system. The project will continue to improve the standard of living among the rural poor (both males and females) by increasing agricultural production, crop diversification and productivity in an area that was affected by Hurricane Mitch. Beneficiary participation in project implementation and decision-making will be enhanced by transferring these responsibilities to their own organizations.

21. The specific objectives of the project are to: (i) increase family income by boosting agricultural productivity and diversifying income opportunities in agricultural and non-agricultural activities, small-scale enterprises and marketing; (ii) strengthen local farmer organizations and institutions in order to facilitate participation in the identification, design, implementation and evaluation of PRODAP-II activities; (iii) improve the existing credit system through the gradual transfer of responsibilities and funds to local intermediary financial institutions; (iv) introduce arrangements to make existing technical assistance and extension services more sustainable by gradually transferring administration and supervision to local farmer organizations; (v) mainstream and strengthen the gender perspective in all project activities, ensuring equal participation of men and women in activities and benefits and reducing gender inequities in the project area; (vi) improve environmental conditions, ensuring sustainable management of soil, water and forest resources; and (vii) establish coordination and formal links with IFAD's other projects.



C. Components

22. The proposed project, which will be implemented over a six-year period, has three components: (a) local capacity-building, through (i) the strengthening of grass-roots organizations, and (ii) the Social and Productive Investment Fund; (b) production-support services, through: (i) agricultural technical services, (ii) marketing support, (iii) small-scale rural enterprise development, and (iv) sustainable natural-resource management; and (c) rural financial services, through (i) strengthening financial intermediaries, and (ii) the credit fund. Project implementation and management will be the responsibility of a project coordination unit.

Local Capacity-Building

23. The objective of this component is to strengthen and consolidate existing grass-roots and other local organizations to enable them to formulate and negotiate their demands and small projects, carry out social and economic investment activities and administer extension services.

24. **Strengthening of grass-roots organizations.** The objective of this sub-component is to provide project beneficiaries with the knowledge, skills and abilities that will allow them to improve their social and technical capabilities and self-sufficiency. Training will be provided to innovative producers, grass-roots producer organizations, young people, male and female beneficiaries, project staff (technical management level and extension workers) and financial intermediaries. Training content will focus on small-project design, implementation, administration, gender issues, teaching methods, participatory methods and organization. Strong emphasis will be placed on improving beneficiaries' ability to adopt new technologies, natural-resource management, marketing, microenterprise development and other skills.

25. **Social and Productive Investment Fund (FISP).** A fund will be created to cofinance social and productive activities of community organizations or small groups of beneficiaries. The fund will support a wide range of investments: (i) community infrastructure for productive activities, such as rural roads, infrastructure damaged by Hurricane Mitch, electric power installations; (ii) social infrastructure, such as schools, health posts, water tanks, etc.; (iii) activities that reduce women's time spent doing household chores; (iv) infrastructure for innovative productive investments that involve higher financial risks and therefore are not eligible for the credit fund (particularly, investments for post-harvest and commercial activities, marketing support, legal assistance for land titling, seed money for communal banks and local saving schemes, etc.; and (v) activities related to natural-resource management. Cofinancing will be offered through community counterpart funds in coordination with local authorities.

Production-Support Services

26. This component will provide grass-roots organizations with technical assistance for agricultural operations, marketing and small-scale enterprise development. Project inputs will gradually decrease as beneficiaries increase their financial contribution and take responsibility for the selection, contracting, administration and supervision of extension services. This component's services will be delivered to farmers through flexible, technical multidisciplinary teams whose members will be determined on the basis of the local organizations' specific demands as expressed in the development plans they have drawn up pursuant to participatory rural appraisals. Technical services will be provided with active participation by innovative producers who received considerable training under PRODAP-I.

27. **Agricultural technical services.** This sub-component will provide funding for contracting technical assistance for farmers through their organizations. The objective is to strengthen local institutional capacity to assure a permanent and sustainable extension and technical-assistance service



on a demand-driven basis. Identified services can be provided through extension arrangements and social workers currently involved in PRODAP-I, or by outside agencies, NGOs, consulting firms or specialists interested in working in a decentralized structure. All service providers will be supervised and paid in part by the producers. The project will provide funds for costs not covered by the producers. After project closing, it is expected that the government will continue providing subsidies, especially to the poorest farmers.

28. **Marketing support.** This sub-component will facilitate access to local and regional markets by making information on market prices, trends and opportunities available to farmer organizations. The implementation strategy for this sub-component will be part of the overall strategy to gradually transfer services to local organizations.

29. **Small-scale rural enterprise development.** This sub-component will promote microenterprise development by providing financial support for contracting technical, managerial and marketing assistance and training. Through the FISP, potential entrepreneurs (especially women) will receive assistance for identifying and financing new business opportunities.

30. **Sustainable natural-resource management.** This sub-component aims at promoting more sustainable natural-resource management, particularly on beneficiaries' farms. Environmental and soil-conservation initiatives will be promoted and incorporated into training programmes for beneficiaries, at schools, and at the municipal level. Specific activities related to sustainable natural-resource management will be cofinanced by the project through the FISP.

Rural Financial Services

31. The main objective of this component is to establish and consolidate a local credit system as a means of ensuring beneficiaries' permanent access to credit facilities. The system will be based on a second-tier, formal financial institution and on local, first-tier financial intermediaries. The component includes institutional strengthening for these local institutions and funds for credit.

32. The potential demand for credit under PRODAP-II has been estimated on the basis of experience under PRODAP-I and on a study of the financial intermediaries' ability to efficiently respond to local demand. The strategy of this component is: (i) to promote competitive financial services by involving a wide range of financial intermediaries to serve the various socio-economic groups within the target population; (ii) to create a basic mechanism to be applied simultaneously by different institutions; and (iii) to appraise the strengths and weaknesses of each of the participating institutions and support the ones that offer the greatest potential.

33. **Credit fund.** The Agricultural Development Bank (BFA) will continue to operate as a second-tier bank with respect to the trust fund and, working through its local offices, as a first-tier bank for financial intermediaries. The credit system will have two modalities: (i) continuation of the PRODAP-I modality, which channels credit through the BFA directly to beneficiaries, and (ii) credit channelled through local financial intermediaries. Financial intermediaries will apply the rules and regulations proposed by PRODAP-II, and each institution (including the BFA) will participate in setting the interest rate to be charged to end clients. Funds transferred to the financial intermediaries will be subject to an interest rate equal to the average market savings rate. As of the second year of PRODAP-II, several financial intermediaries (five to ten) are expected to be in a position to place credit. The credit fund will include the existing revolving fund of the PRODAP-I Trust Fund at the BFA.

34. **Institutional strengthening of financial intermediaries.** The objective of this sub-component is to assist local institutions that work with the target population to improve their financial-management capacity and efficiency and to diversify their financial services towards small-scale



farmers. In the long term, this assistance should lead to sustainable institutions capable of mobilizing local resources. Funds will be used mainly for equipment, training and technical assistance to enhance the efficiency of financial and administrative procedures. In principle, the funds for this sub-component will be allocated to financial intermediaries on a cofinancing basis, with the financial intermediary sharing the risk of the activity.

D. Costs and Financing

35. **Costs.** The total project cost, including contingencies, is USD 20.0 million. Contingencies are estimated at USD 1.2 million, equivalent to 6% of the total base costs. The project costs are summarized in Table 1.

36. **Financing.** IFAD will finance USD 13.0 million, equivalent to 65% of the total cost of the project; the Government will contribute USD 5.1 million (25.7%); and the beneficiaries will contribute USD 1.9 million (9.3%). The proposed financing plan is summarized in Table 2.

TABLE 1: SUMMARY OF PROJECT COSTS^a
(USD '000)

				%	% Total
	Local	Foreign	Total	Foreign Exchange	Base Costs
A. Local capacity-building					
1. Strengthening of grass-roots organizations	1 739	68	1 806	4	10
2. Community social and productive investment fund	2 373	975	3 348	29	18
Subtotal	4 112	1 042	5 154	20	27
B. Productive-support services					
1. Agricultural technical services	5 552	86	5 638	2	30
2. Marketing support	479	15	493	3	3
3. Small-scale rural enterprise development	520	-	520	-	3
4. Environmental and natural-resource management	438	22	460	5	2
Subtotal	6 989	122	7 111	2	38
C. Rural financial services					
1. Strengthening of financial intermediaries	450	50	500	10	3
2. Credit fund	3 000	-	3 000	-	16
3. Administration and supervision	369	103	472	22	3
Subtotal	3 819	153	3 972	4	21
D. Project management					
1. Management and administration	1 276	191	1 467	13	8
2. Coordination of gender issues	477	15	493	3	3
3. Programming, monitoring and evaluation	457	122	578	21	3
4. Inter-project coordination council	90	-	90	-	-
Subtotal	2 300	328	2 627	12	14
TOTAL BASELINE COSTS	17 219	1 646	18 865	9	100
Physical Contingencies	200	35	235	15	1
Price Contingencies	870	30	900	3	5
TOTAL PROJECT COSTS	18 289	1 711	20 000	9	106

^a Discrepancies in totals are due to rounding.

TABLE 2: FINANCING PLAN^a
(USD '000)

	IFAD		Gov.t		Beneficiaries		Total		Local		Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	For. Exch.	(Excl. Taxes)	
A. Local capacity-building											
1. Strengthening of grass-roots organizations	1 786	88.6	231	11.4	-	-	2 017	10.1	77	1 747	193
2. Community social and productive investment fund	2 518	75.0	28	0.8	811	24.2	3 357	16.8	975	2 375	6
Subtotal	4 305	80.1	259	4.8	811	15.1	5 374	26.9	1 052	4 122	200
B. Productive-support services											
1. Agricultural technical services	3 995	65.3	1 206	19.7	916	15.0	6 117	30.6	96	5 973	47
2. Marketing support	448	83.9	39	7.2	48	8.9	535	2.7	16	490	28
3. Small-scale rural enterprise development	468	82.4	17	3.0	83	14.6	569	2.8	-	552	17
4. Environmental and natural-resource management	443	86.8	68	13.2	-	-	510	2.6	24	440	46
Subtotal	5 355	69.3	1 329	17.2	1 047	13.5	7 731	38.7	137	7 455	139
C. Rural financial services											
1. Strengthening of financial intermediaries	532	100.0	-	-	-	-	532	2.7	53	479	-
2. Credit fund	-	-	3 000	100.0	-	-	3 000	15.0	-	3 000	-
3. Administration and supervision	438	86.8	66	13.2	-	-	504	2.5	110	348	46
Subtotal	970	24.0	3 066	76.0	-	-	4 036	20.2	163	3 827	46
D. Project management											
1. Management and administration	1 322	82.3	284	17.7	-	-	1 606	8.0	210	1 272	124
2. Coordination of gender issues	434	81.7	97	18.3	-	-	531	2.7	17	474	40
3. Programming, monitoring and evaluation	523	84.5	96	15.5	-	-	620	3.1	130	437	52
4. Inter-project coordination council	91	90.0	10	10.0	-	-	102	0.5	-	91	10
Subtotal	2 371	82.9	488	17.1	-	-	2 859	14.3	358	2 274	226
TOTAL DISBURSEMENT	13 000	65.0	5 142	25.7	1 858	9.3	20 000	100.0	1 711	17 679	611

^a Discrepancies in totals are due to rounding.





E. Procurement, Disbursement, Accounts and Audit

37. **Procurement.** The procurement of goods and services financed by IFAD will be in accordance with the Fund's guidelines. Goods or services costing the equivalent of USD 200 000 or more will be procured through international competitive bidding. Goods and services costing between USD 30 000 and USD 200 000 equivalent will be procured through national competitive bidding. Goods and services costing less than USD 30 000 and more than USD 3 000 will be procured through local purchasing with at least three eligible bidders. Items costing less than USD 3 000 equivalent can be purchased directly. The contracting of technical assistance will be carried out in accordance with procedures acceptable to IFAD.

38. **Disbursement.** Loan proceeds will be disbursed in accordance with procedures acceptable to IFAD and defined in the loan agreement. To ensure an adequate flow of funds, the borrower shall open and maintain a special account in the Central Bank of El Salvador or another bank satisfactory to IFAD. An initial amount of USD 1.3 million will be deposited in this account upon loan effectiveness. The special account is to be replenished in accordance with IFAD procedures. The closing date of the loan will be six months after the project completion date.

39. **Accounting, audits and reporting.** All institutions receiving IFAD project funds will maintain separate accounts. An audit firm will be selected to undertake annual financial and management audits, which will be financed by the project. The audited project accounts and audit report will be submitted to IFAD and the cooperating institution not later than six months after the close of the project's financial year. The project will submit a preliminary audit report to IFAD and the cooperating institution every six months.

F. Organization and Management

40. **Beneficiary participation and project sustainability.** Tools such as participatory appraisal and gender analysis were used in the planning and formulation of PRODAP-II. The Formulation Mission held four participatory workshops and a series of on-farm small workshops with project beneficiaries. During project appraisal, and as part of the participatory planning process, five workshops were organized in order to validate and refine – at the community level – the technical and organizational proposals of PRODAP-II. The project will consolidate local grass-roots organizations and will gradually transfer the administration and supervision of extension services to them. Beneficiaries will participate directly in the various committees that will make up the project execution structure.

41. **Project implementation.** The Ministry of Agriculture will be responsible for project execution. It will establish a project coordination unit that will have budgetary, technical and financial autonomy. The project will function in coordination with the Ministry's Project Coordination Office, and it will maintain horizontal coordination with other agencies, such as the Ministry of Environment and Natural Resources, the Ministry of Education, the Adult Basic Education Programme, and the Salvadorian Institute for Vocational Training. The Ministry of Finance will be responsible for channelling all counterpart funds and external resources. At the local level, project implementation will rely on local organizations (community associations, cooperatives and NGOs).

42. **Project management and coordination.** The project's highest level of authority will be a steering committee that will include the Vice-Minister of Agriculture, the Vice-Minister of Finance, and/or their respective alternates. The Agriculture Ministry's Project Coordination Office will be responsible for the functioning of this committee, whose activities will focus on defining policies, strategies and project priorities; it will also approve regulations and operational procedures, and approve the annual plans of work. The steering committee will be responsible for disbursements, auditing financial statements, appointing higher-level project staff through a competitive selection process and assuring coordination with the various government and private-sector entities.



43. **Project Coordination and Management Unit (PCU).** This unit will consist of an executive manager and offices for the coordination of gender issues, monitoring and evaluation, and auditing. The PCU will have two main areas: technical issues and administration. The technical division, in turn, will have three departments: production support, strengthening of grass-roots organizations and rural financial services, in addition to a natural-resources unit and the FISP.

44. **Implementation of project components.** The project will be implemented by gradually shifting from the PRODAP-I modality (which relies basically on government implementation) to the more participatory and sustainable modality of PRODAP-II. The first task will be to strengthen beneficiary organizations in the poorest communities through promotion, motivation and training. In implementing the components and the strategy of transferring responsibilities to producer organizations, the PCU will collaborate with these organizations in: (i) the identification and selection of technical assistance and training; (ii) the supervision of contracts between peasant organizations and service providers; and (iii) quality control of technical assistance.

45. The Social and Productive Investment Fund will cofinance, on a non-reimbursable basis, proposals submitted to the PCU by beneficiary organizations. The main responsibilities of the unit responsible for this fund will be to promote activities at the community level, ensure the use of participatory methods, motivate participants to present proposals, make sure that proposals contain the necessary information and comply with the established requirements, participate in the committee that will analyse the proposals, and maintain the necessary records.

46. **Coordination of gender issues.** Gender issues will be mainstreamed and strengthened in all project activities and components, thus ensuring equitable participation of men and women in project activities and benefits. Since the ultimate objective is to reduce gender inequities in the project area, each component will be responsible for developing and implementing strategies to incorporate a gender approach in all activities. The Office for the Coordination of Gender Issues will have an advisory role within the PCU but it will also coordinate with the Technical Area in order to ensure that all activities implemented directly or contracted by the project adopt a gender focus. The office will also coordinate with field operations to ensure that the technical multidisciplinary teams assist beneficiaries on the basis of an integrated and participatory approach and have access to tools to help them facilitate equitable participation by both men and women. Each year a specific study will be conducted to measure the project's impact by means of qualitative and quantitative indicators of changes in gender inequities, division of roles, and the attitudes of beneficiaries, organizations and project personnel.

47. **Monitoring and evaluation.** The monitoring and evaluation (M&E) system will operate at the level of the PCU. PRODAP-II is expected to introduce a participatory evaluation methodology whereby the PCU, producer organizations and other participating organizations will self-evaluate progress, problems, gender impact and achievements. The Monitoring and Evaluation Office will supply the PCU and participating organizations and institutions with specific, relevant information to facilitate project execution, identify actual and potential problems, and provide feedback on corrective actions and their follow-up.

48. Monitoring includes verifying if the planned physical and financial resources are allocated properly and if they effectively reach male and female beneficiaries. The monitoring and evaluation of agreements with local organizations and institutions will be of particular importance. Given the decentralized nature of project activities and beneficiaries' participation, PRODAP-II will develop a more participatory M&E system that will also serve as a project management tool. Members of producer organizations will receive training in monitoring, in how to identify their own indicators, and in the use and importance of a monitoring system. Whenever applicable, indicators will be disaggregated by gender. The M&E unit will also need to commission in-depth studies and research to



enable it to evaluate specific issues deemed to be of particular interest to the development of the project, such as impact on the environment, the situation and position of women, etc.

49. **Inter-project coordination council.** The project will set up a permanent inter-project coordination council that will promote the collaboration and exchange of experiences with IFAD's other projects. The main objective is to define a formal link and common platform for rural development and maximize the positive experiences of the various IFAD projects under way. The council will be open to participation by other projects.

G. Economic Justification

50. **Production and marketing.** The agricultural production proposal was designed for the area's prevalent production systems and is based on data provided by PRODAP-I. Six farm models were identified, representing the project's agro-ecological areas: sugar cane, coffee, livestock, basic grains in highlands, basic grains in lowlands and irrigation in Lempa-Acahuapa. There will be a total of 6 600 beneficiaries, of which 31% are women.

51. Opportunities to increase income will be created by higher yields of existing crops (e.g., through improved seed selection, and soil and natural-resource management), expansion of the area under coffee, improved technology, diversification of vegetables under irrigation, and improvements in cattle and pig-raising. Other beneficiary demands will also be integrated as project activities, one they have been analysed from a market perspective. Food security at the family level will be addressed through small projects; in this area, it will be necessary to diversify production and moderately reduce the areas used for the production of basic grains. It is proposed that the actions launched under PRODAP-I regarding the raising of small animals be continued. Diversification will be oriented towards non-traditional products having solid market potential. However, traditional products with market outlets and sustained demand, such as coffee, sugar cane and milk, will also be considered. The use of organic fertilizers and natural herbicides produced at the farm level will be promoted with the objective of reducing costs and contributing to environmental conservation.

52. **Benefits and beneficiaries.** The project will directly benefit 13 500 families, of whom: 7 500 will receive technical support and credit, 4 600 will benefit from the FISP, and 1 400 young people and male and female innovative producers will receive specific training. Of the 6 000 families who will receive credit, about 5 100 will participate in agricultural activities, while 900 will benefit from microenterprise activities. Women represent about 30% of the beneficiaries, either as heads of household or as farmers or entrepreneurs.

53. There will be an increase in the land area cultivated with rice, coffee, sugar cane, orange, lemon and vegetables. Productivity is expected to increase by 3.4 times, which is equivalent to a global increase of USD 13.8 million at project closing. It is estimated that the annual family income from agricultural activities will show increases ranging from USD 740 during the first years of project implementation to a total of USD 1 692 by full project implementation. It is expected that the project will generate 290 000 workdays in increased employment opportunities.

54. **Economic analysis and feasibility.** An economic analysis of the project has shown an internal rate of return (IRR) of 18.5% over the opportunity cost of capital (8%), a net present value (NPV) of USD 13 427 000, and a benefit/cost (B/C) ratio of 1.19. A sensitivity analysis indicates that a 10% reduction in benefits would bring the IRR down to 12.2% and the NPV to USD 5 140 000. With a 20% reduction in benefits, the IRR would go down to 5.2%, which is slightly below the opportunity cost of capital. The B/C ratio would drop to 1.07 and 0.95, respectively. An increase in costs would have less impact. With a 10% increase, the IRR would fall to 12.8%. With a 20% increase in costs, the IRR would go down to 7.7%, slightly below the opportunity cost of capital. The least sensitive variable is the rate of incorporation of beneficiaries. Even with a delay of three years, the IRR bears



the opportunity cost of capital, and the B/C ratio is 1.07. A 25% increase in wages would reduce the IRR to 16.1% and the B/C ratio to 1.14.

H. Risks

55. Project risks are qualified as moderate, based on past experiences and lessons learned from IFAD projects in the country, especially PRODAP-I. However, some risks will need to be taken into account during implementation. For instance, the elections slated for early 1999 might result in changes in national and institutional policies and priorities and the current institutional framework, including changes in financial and credit by-laws. This risk is moderate, since no major changes in rural-development and poverty-eradication programmes are foreseen.

56. A slow supply of technical-assistance services is another potential risk, although it can be minimized by setting up a strong training programme and by gradually transferring services. Similarly, a slow pace in the capacity-building of farmer organizations or strengthening of financial intermediaries might jeopardize their self-sustainability. Accordingly, the financial-services component will make an additional effort to strengthen financial institutions, provide seed capital, transfer technologies and assist with expansion of their coverage. Price fluctuations in the Central American market represent another risk for project implementation, as would continued climatic adversity due to residual effects of *El Niño* and Hurricane Mitch. The project will minimize the first risk by giving strong support to marketing through information systems and greater efficiency in commercial transactions. The natural-resource and soil-management practices proposed by the project will limit potential damage caused by climatic conditions. Finally, possible difficulties in effectively applying diversification technologies will be minimized by the project thanks to a training system and highly qualified and specialized production-support services.

I. Environmental Impact

57. At present, the project area has little forest cover left and has serious erosion problems owing to cropping practices that do not include soil-conservation measures. The design of PRODAP-II addresses this problem through its sub-component on sustainable natural-resource management. PRODAP-II takes an integral approach to on-farm management, providing services that combine financial assistance with agricultural-extension programmes and assistance on soil-conservation practices. Besides on-farm activities, PRODAP-II will promote awareness-raising campaigns at the beneficiary and municipal level and it will assist schools with the integration of environmental themes in primary education. Also, successful experiences will be systematized so they can be shared with other farmers. These activities will have a positive impact on natural-resource management and the sustainability of the activities and practices promoted.

J. Innovative Features

58. PRODAP-II is based on a participatory process whereby responsibility for project implementation and evaluation will be gradually transferred to the beneficiaries. Beneficiaries have already participated in the project's overall design through workshops held during the formulation and appraisal stages. The project will set up an innovative coordination link between PROCHALATE (in the northern area), PRODERNOR (north-east) and PRODAP-II (central region) to ensure an integrated and coordinated development effort throughout one of El Salvador's poorest regions. One of PRODAP-II's innovative aspects in El Salvador is that implementation will be based on demand, and the contracting, administration and supervision of technical assistance will be decentralized – on the basis of a cost-sharing system – in order to strengthen local organizations. With regard to the credit system, a transition is foreseen from the centralized BFA system developed for PRODAP-I to a system of placing credit through local financial intermediaries. Significant resources have been allocated to strengthen the mainstreaming of a gender approach throughout the project structure.



PART III - LEGAL INSTRUMENTS AND AUTHORITY

59. A loan agreement between the Republic of El Salvador and IFAD constitutes the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.
60. The Republic of El Salvador is empowered under its laws to borrow from IFAD.
61. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

PART IV - RECOMMENDATION

62. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Republic of El Salvador in various currencies in an amount equivalent to nine million five hundred and fifty thousand Special Drawing Rights (SDR 9 550 000) to mature on and prior to 15 May 2019 and to bear an interest rate of one half of the reference interest rate per annum as determined by the Fund annually, and to be upon such other terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Fawzi H. Al-Sultan
President



SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT

(Loan negotiations concluded on 19 March 1999)

1. During the project execution period, the Government of El Salvador (the Government) will make available to the Ministry of Agriculture (the Ministry) counterpart funds from its own resources in accordance with the country's customary procedures for development cooperation. To this end, as soon as possible but, in any event, within the 60 days following the effective date of the loan agreement, the Government will deposit in the project account counterpart funds, as indicated in the approved Annual Work Plan and Budget (AWPB) for an initial amount, in colons, equivalent to USD 50 000, to defray the costs of the first three months of project execution; and every three months thereafter, it will replenish the project account, in advance, by depositing the counterpart funds provided for in the AWPB for the relevant year.
2. The Government will transfer the available funds and other resources provided for in the AWPB to the Agricultural Development Bank (BFA) in accordance with the trust agreement referred to in paragraph 4 *infra* to execute the credit sub-component.
3. The project coordination unit (PCU) will prepare operating regulations for the Social and Productive Investment Fund (FISP) as soon as possible but, in any event, no later than 60 days following the effective date of the loan agreement. These regulations will contain the eligibility and selection criteria for FISP proposals and end beneficiaries; the maximum amounts for FISP financing; the procedures for identifying, selecting, assessing, formalizing, executing, monitoring and evaluating microprojects; and all such other provisions as may be agreed by IFAD and the Government. The PCU will observe these regulations, as agreed with IFAD, in all financing granted to project beneficiaries.
4. As soon as possible but, in any event, before the closing date of PRODAP-I, the trust agreement with the BFA will be amended so as to: confirm the application of the trust to the project; extend its validity to cover the project execution period; allow for the introduction of intermediation arrangements; ensure an appropriate administrative cost to the BFA for the intermediation arrangements; and make all such other modifications as may be agreed by IFAD and the Government. A draft version of the amendment will be submitted to IFAD for its comment and non-objection prior to signature.
5. The PCU will prepare operating regulations for the financial services component as soon as possible but, in any event, no later than six months following the effective date of the loan agreement. These regulations will contain: a definition of the permitted uses for resources under the component; limits for loans and subloans, and funding for institutional strengthening; eligibility criteria for financial intermediaries and beneficiaries; procedures for the approval of financial intermediaries and access to loans and technical services; conditions of loans and subloans, including interest rates; and all such other provisions as IFAD and the Government may decide. The PCU will observe, and will ensure that others observe, these regulations, as agreed with IFAD, in all loans and subloans granted under the project.
6. The BFA will establish and maintain a revolving fund into which all net revenues from credits granted to project beneficiaries and financed (directly or indirectly) out of the loan proceeds will be deposited. The BFA will use the revolving fund to finance further credits for project beneficiaries in accordance with the loan agreement, at least until the date specified in the trust agreement referred to in paragraph 4 *supra* or, if no date is so specified, until such time as all loan service payments have been made in full. For purposes of this paragraph, the term "net revenues" means all repayments of principal and all payments of interest, less reasonable administrative and other costs.
7. The units that execute the project will use appropriate pest-control methods in project activities. To that end, the Government will ensure that pesticides procured under the project do not include any



ANNEX

pesticide either proscribed by the International Code of Conduct on the Distribution and Use of Pesticides of the Food and Agriculture Organization of the United Nations (FAO), as amended from time to time, or listed in Tables 1 (Extremely Hazardous) and 2 (Highly Hazardous) of the WHO Recommended Classification of Pesticides by Hazard and Guidelines to Classification 1996-1997, as amended from time to time.

8. The Government will insure project staff against risks of disease and accident to the extent required by national legislation.

9. The Government will make sure that the project contributes to gradually reducing gender inequalities in the project area. To this end, the Government will ensure that the following activities and strategies, *inter alia*, are implemented:

- (a) gender focus will be built into each project component, and components are to have the necessary human and financial resources for implementing this approach;
- (b) the training component will include a gender awareness programme at the PCU level for all project staff, the multidisciplinary technical teams, grass-roots organizations, financial intermediaries, service providers and the producers;
- (c) agreements with financial intermediaries will include the principle of equal access to resources for men and women;
- (d) the PCU will organize, during the first year of project execution, a workshop to identify indicators for measuring gender-equity progress under each component;
- (e) the Ministry of Education, through its Adult Basic Education Programme (PAEBA), will carry out a literacy campaign among the target group during project execution; and
- (f) gender focus will be included in primary-education curricula throughout the project area.

10. IFAD, in coordination with the Ministry of Agriculture, will undertake an evaluation of project execution at the third year of execution, at the latest, in keeping with terms of reference prepared by IFAD in consultation with the Ministry. The evaluation will examine, among other things, the progress made towards achieving the project's objectives as well as constraints and problems encountered, and will recommend any necessary adjustments in the project's orientation so that the objectives can be attained and identified constraints and problems can be eliminated. The Government will ensure that all such recommendations are implemented within a reasonable period to IFAD's satisfaction.

11. Before the end of the first quarter of the third year of project execution, the PCU will conduct an evaluation of the status of execution of the financial services component. Subsequently, the CDP, upon proposal by the PCU, may decide to set up a new trust and reallocate resources assigned to institutional strengthening of the financial intermediaries, in which case the loan agreement would be amended by mutual agreement of the Government and IFAD.

12. The Government will make available to the project all equipment and other goods used under PRODAP-I.



13. The following are specified as conditions precedent to the effectiveness of the loan agreement:
- (a) the Ministry of Agriculture will have selected the project director to IFAD's satisfaction;
 - (b) the loan agreement will have been duly signed, and the signature and performance thereof by the Government will have been duly authorized and ratified by all necessary governmental and administrative action; and
 - (c) a favourable legal opinion, issued by a legal counsel approved by IFAD, in form and substance acceptable to IFAD, will have been delivered by the Government to IFAD.

COUNTRY DATA EL SALVADOR

Land area (km² thousand) 1995 1/	21	GNP per capita (USD) 1996 2/	1 700
Total population (million) 1996 1/	6	Average annual real rate of growth of GNP per capita, 1990-96 2/	3.5
Population density (people per km²) 1996 1/	280	Average annual rate of inflation, 1990-96 2/	10.8
Local currency	El Salvador Colon (SVC)	Exchange rate: USD 1 =	SVC 8.8
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1980-96 1/	1.5	GDP (USD million) 1996 1/	10 469
Crude birth rate (per thousand people) 1996 1/	31	Average annual rate of growth of GDP 1/ 1980-90	0.2
Crude death rate (per thousand people) 1996 1/	6	1990-96	5.8
Infant mortality rate (per thousand live births) 1996 1/	34	Sectoral distribution of GDP, 1996 1/	
Life expectancy at birth (years) 1996 1/	69	% agriculture	13.1
Number of rural poor (million) 1/	2	% industry	26.8
Poor as % of total rural population 1/	55.7	% manufacturing	20.9
Total labour force (million) 1996 1/	2	% services	60.1
Female labour force as % of total, 1996 1/	34.6	Consumption, 1996 1/	
Education		General government consumption (as % of GDP)	9.3
Primary school gross enrolment (% of relevant age group) 1995 1/	88.0	Private consumption (as % of GDP)	87.5
Adult literacy rate (% of total population) 1995 3/	71.5	Gross domestic savings (as % of GDP)	3.3
Nutrition		Balance of Payments (USD million)	
Daily calorie supply per capita, 1995 3/	2 571	Merchandise exports, 1996 1/	1 023
Index of daily calorie supply per capita (industrial countries=100) 1995 3/	81	Merchandise imports, 1996 1/	2 670
Prevalence of child malnutrition (% of children under 5) 1990-96 1/	11.2	Balance of merchandise trade	-1 646
Health		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 1990-95 1/	5.0	before official transfers, 1996 1/	-1 711
Physicians (per thousand people) 1994 1/	0.7	after official transfers, 1996 1/	- 322
Percentage population without access to safe water 1990-96 3/	31	Foreign direct investment, 1996 1/	25
Percentage population without access to health services 1990-95 3/	60	Government Finance	
Percentage population without access to sanitation 1990-96 3/	19	Overall budget surplus/deficit (including grants) (as % of GDP) 1995 1/	-0.1
Agriculture and Food		Total expenditure (% of GDP) 1995 1/	13.7
Food imports as percentage of total merchandise imports 1996 1/	17.0	Total external debt (USD million) 1996 1/	2 894
Fertilizer consumption (hundreds of grams per ha of arable land) 1994-96 1/	1 386	Present value of debt (as % of GNP) 1996 1/	25.7
Food production index (1989-91=100) 1994-96 1/	107	Total debt service (% of exports of goods and services) 1996 1/	9.5
Land Use		Nominal lending rate of banks, 1996 1/	18.6
Agricultural land as % of total land area, 1994 4/	64.9	Nominal deposit rate of banks, 1996 1/	14.0
Forest area (km ² thousand) 1995 1/	1		
Forest area as % of total land area, 1995 1/	5.1		
Irrigated land as % of cropland, 1994-96 1/	15.8		

n.a. not available.

Figures in italics indicate data that are for years or periods other than those specified.

1/ World Bank, *World Development Report*, 1998

2/ World Bank, *Atlas*, 1998

3/ United Nations Development Programme, *Human Development Report*, 1998

4/ World Bank, *The World Development Indicators CD-ROM*, 1998



PREVIOUS IFAD LOANS TO EL SALVADOR

Project Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan/Grant Acronym	Currency	Approved Loan/Grant Amount	Disbursement (as % of approved amount)
Agricultural Credit Project for Phase III of a Programme	IDB*	IDB	I	12 Dec 84	26 Sep 85	30 Jun 90	L - I - 163 - ES	SDR	5 050 000	100
Smallholders' Agricultural Development Project in the Paracentral Region	IFAD	BCIE**	I	02 Oct 90	30 Nov 92	31 Mar 99	L - I - 267 - ES	SDR	6 500 000	73.8
Rehabilitation and Development Project for War-torn Areas in the Department of Chalatenango	IFAD	UNOPS***	I	03 Dec 92	08 Mar 94	30 Jun 00	L - I - 322 - ES	SDR	9 250 000	60.1
Rural Development Project for the North-Eastern Region	IFAD	UNOPS	I	04 Dec 97	23 Feb 99 (provisional)	30 Jun 05	L - I - 465 - SV	SDR	13 050 000	

* Inter-American Development Bank

** Central American Bank for Economic Integration

*** United Nations Office for Project Services

LOGICAL FRAMEWORK

Narrative Summary	Performance Indicators	Verification and Source	Important Assumptions
Goal:			
To contribute to the alleviation of rural poverty by improving income levels and the standard of living of the rural poor (male and female) and local capacity-building.	<p>1. The percentage of the target population living below the rural poverty threshold will have decreased from 75% (1997) to 50% at project closing.</p> <p>2. About 7 500 agricultural families (35% female producers) will have raised their income level above the poverty line and will have access to credit, technical assistance and an integral training programme at project closing.</p> <p>3. About 4 600 rural families will have benefited directly through the installation of social and productive infrastructure; of this group, 900 women will have reduced the time spent on household chores by 10% at project closing.</p> <p>4. About 900 rural residents (40% women) will have started up or expanded a microenterprise and will have raised their income levels above the poverty line at project closing.</p>	<p>Updated rural development survey at project start and project closing.</p> <p>Monitoring and evaluation, household income study of all beneficiaries. Participatory evaluations with beneficiaries and annual gender impact study.</p> <p>Participatory evaluations with beneficiaries. Annual gender impact study.</p> <p>Family income study of all beneficiaries and microenterprises survey. Evaluation of job demand and opportunities.</p>	Unchanged global and national sectoral policies.
Purpose:			
<p>1. Increase family income by improving agricultural productivity levels and diversifying income opportunities in agricultural and non-agricultural activities, small-scale enterprises and marketing.</p> <p>2. Strengthen local farmer organizations and institutions in order to facilitate their participation in the identification, design, implementation and evaluation of PRODAP-II activities.</p>	<p>1.1 15% increase in basic grain productivity. Production diversified on 10% of cultivated land.</p> <p>1.2 1 000 new jobs created; 600 microenterprises expanded and 400 created (40% for women).</p> <p>2.1. About 15 organizations will have been strengthened and equipped to establish participatory development plans and take over responsibility to request and supervise technical services at project closing.</p>	<p>Farm-specific study, survey and evaluation. Project progress reports. Project mid-term evaluation.</p> <p>Progress reports. Annual gender impact study.</p> <p>Project mid-term evaluation. Self-evaluations by farmer organizations.</p>	<p>Farmers (male and female) will use credit. National policies on credit will remain constant.</p> <p>Beneficiaries will maintain interest in strengthening their own organizations.</p>





Narrative Summary	Performance Indicators ²	Verification and Source	Important Assumptions
	<p>2.2. Approximately 45 local organizations will have prepared local development plans on a yearly basis and through a participatory process, and will be able to negotiate and administer funds at project closing.</p> <p>2.3. About 120 innovative producers (30% female) will have been trained and be able to provide technical assistance to beneficiaries after project closing.</p> <p>2.4 600 small community projects will have been carried out, including social and productive investments.</p> <p>2.5 100 local male and female leaders will have been trained.</p>	<p>Progress reports. Self-evaluations by farmer organizations.</p> <p>Project progress reports and evaluation. Field visits and discussions with other beneficiaries. Annual gender impact study. Reports and evaluation of beneficiary groups involved in management of local investments. Progress reports.</p>	
<p>3. Implement an efficient and sustainable credit system based on the gradual transfer of responsibilities and funds to local intermediary financial institutions.</p>	<p>3.1 At least 3 financial intermediaries will be providing financial resources to project beneficiaries (30% female).</p>	<p>Project progress reports. Evaluation of intermediary financial institutions. Records and portfolio evaluation of the first-tier financial entities.</p>	
<p>4. Build a sustainable technical-assistance and extension service through the gradual transfer of supervision and administration to local farmer organizations.</p>	<p>4.1 Technical-assistance services will have been transferred to at least 15 organizations at project closing.</p>	<p>Survey on performance of producer organizations at project closing. Participatory evaluations with beneficiaries.</p>	
<p>5. Mainstream and strengthen the gender perspective throughout project activities, ensuring equal participation of men and women in activities and benefits and reducing gender inequities in the project area.</p>	<p>5.1 At least 30% of female producers will be participating in local organizations and benefiting from project activities related to integral production services (credit and technical assistance).</p> <p>5.2 Gender issues will have been mainstreamed in all project components and gender-sensitive indicators identified.</p> <p>5.3 Mechanisms will have been designed to facilitate women's participation in project activities and access to project resources.</p> <p>5.4 60% of social investment and productive activities will benefit women.</p>	<p>Gender-sensitive evaluation of income levels and access to services. Annual gender impact study. Participatory evaluations with beneficiaries. M&E system. Mid-term evaluation. Progress reports.</p> <p>Gender strategies developed by each component. Annual gender impact study.</p> <p>Project reports and M&E reports. Annual gender impact study.</p>	<p>National policies will continue to focus on gender rather than on women in development.</p> <p>Project director and personnel are sensitive to gender issues.</p>

² Since the project is based on beneficiary demand, the performance indicators will be revised each year after the participatory planning process.



Narrative Summary	Performance Indicators	Verification and Source	Important Assumptions
<p>6. Improve environmental conditions, ensuring sustainable management of soil, water and forest resources.</p>	<p>6.1 On-farm environmental conservation, tree-planting in agroforestry systems and/or soil-fertility recovery practices will have been carried out in 6 000 farms located on slopes.</p> <p>6.2 A minimum of 3 agreements will have been entered into with municipalities for collaboration in watershed management.</p> <p>6.3 400 teachers and 2 000 beneficiaries, mainly youth, will have been trained and educated in environmental and conservation practices.</p> <p>6.4 A minimum of 10 innovative producers will be planting trees and will be able to continue activities after project closing.</p>	<p>Farm survey and project progress reports. Study on practice-adoption levels. Participatory evaluation with beneficiaries.</p> <p>Progress and M&E reports.</p> <p>Progress and M&E reports. Participatory evaluation with beneficiaries.</p> <p>Progress reports. Self-evaluation by beneficiaries. Study on practice-adoption levels.</p>	
<p>7. Establish coordination and formal links among IFAD's projects.</p>	<p>7.1 Staff from all ongoing projects will have jointly participated in specific training events.</p> <p>7.2 Shared issues are being jointly addressed.</p>	<p>Minutes of meetings. Progress reports.</p>	
<p>Outputs:</p>			
<p>1.1 Technical assistance has been provided for increased agricultural productivity, crop diversification and market opportunities.</p> <p>1.2 Existing and new microenterprises have received financial and technical services. New job opportunities were identified.</p> <p>1.3 Specific vocational-training programmes were implemented.</p> <p>1.4 Market access has been facilitated by means of information and improvement of infrastructure and facilities.</p>	<p>1.1.1 6 600 farmers (30% women) will have been organized and will have received technical assistance for sustainable and diversified agricultural production.</p> <p>1.1.2 80 technicians will have been contracted directly through farmer organizations.</p> <p>1.2.1 About 900 microentrepreneurs (40% women) will have been trained in business management, and 500 microenterprises will have received technical assistance.</p> <p>1.3.1 640 youth, men and women will have received training in specific jobs and support for entering the job market.</p> <p>1.3.2 Agreements will have been signed with institutions that provide training.</p> <p>1.4.1 200 marketing groups will have received training and technical assistance and support for commercial activities.</p> <p>1.4.2 10 local marketing-infrastructure facilities will have been cofinanced.</p>	<p>Reports and evaluations at the beneficiary level. Supervision reports and contract monitoring.</p> <p>Specific annual survey on microenterprise. Progress report on microenterprises</p> <p>Training reports and implementation of vocational-training agreements.</p> <p>Project reports Study on market performance.</p>	<p>Soil fertility can be sustained and farmers will adopt technical recommendations for diversification.</p> <p>Technical know-how will be available to raise productivity and diversify production.</p>



Narrative Summary	Performance Indicators	Verification and Source	Important Assumptions
<p>2.1 Farmer organizations have been strengthened through legal, training and financial support.</p> <p>2.2 Agricultural and microenterprise projects have been cofinanced.</p>	<p>2.1.1 Training and assistance will have been provided according to development plans and project profiles.</p> <p>2.1.2 Each organization will have a development plan with an integrated approach.</p> <p>2.2.1 At least 20 municipalities and 10 local institutions will have signed agreements to cooperate with the project.</p> <p>2.2.2 200 contracts/agreements will have been implemented among beneficiaries, the project and companies for the design and implementation of social infrastructure works.</p>	<p>Project progress reports. Participatory evaluations.</p> <p>Reports from participating municipalities and institutions. Performance evaluations and project reports.</p>	<p>Municipalities will maintain their interest and priority for cofinancing local investments.</p>
<p>3.1 Local credit system based on a second-tier institution and on local first-tier financial intermediaries has been established.</p> <p>3.2 Financial intermediaries' actions are in accordance with project strategy, in particular its gender and environmental strategies.</p> <p>4.1 Local capacity for sustainable delivery of technical support has been strengthened.</p>	<p>3.1.1 Two local institutions will have been converted into formal financial institutions and will be offering financial services to local beneficiaries.</p> <p>3.1.2 Eight first-tier intermediaries will be participating in credit operations.</p> <p>3.1.3 At least 12 000 short-term loans and 4 000 long term loans, for a total of 8 000 beneficiaries, will have been financed.</p> <p>3.1.4 USD 3 million net will have been disbursed over 6 years, with repayment levels above 80%.</p> <p>3.2.1 At least one introductory seminar for financial intermediaries will have been held during the first three years of project implementation.</p> <p>3.2.2 Training programme for financial intermediaries will have been implemented.</p> <p>4.1.1 45 farmers groups will have been trained in the administration, monitoring and evaluation, and delivery of technical services, 15 of which are to have reached a level of self-sustainability.</p> <p>4.1.2 An integral curriculum for innovative producers will have been developed and implemented.</p>	<p>Credit-operation performance and credit administration. Credit evaluation study. Project progress reports. Mid-term evaluation.</p> <p>Evaluation and training reports. Registers of operations and credit performance.</p> <p>Project progress reports. Mid-term evaluation.</p>	

Narrative Summary	Performance Indicators	Verification and Source	Important Assumptions
<p>4.2 Local organizations are able to contract technical, managerial and marketing assistance on a cost-sharing basis.</p>	<p>4.2.1 60 person-months of consulting services will have been contracted for technical assistance in marketing.</p> <p>4.2.2 150 community infrastructure projects will have been carried out by local organizations.</p> <p>4.2.3 By the third year of project implementation, at least 90% of the project profiles included in the annual plan of work will be formulated through participatory methods.</p>	<p>Progress reports of project and coexecuting organizations. Beneficiary evaluation of contracts.</p>	
<p>5.1 Technical staff and beneficiaries have been trained in gender issues.</p>	<p>5.1.1 120 training courses and workshops, involving 7 500 beneficiaries and 200 technicians, will have been carried out.</p> <p>5.1.2 Two major training courses will have been organized for training project staff in gender issues and the use of participatory methodologies.</p> <p>5.1.3 9% of the Social and Productive Investment Fund will have been used to reduce the time spent on household activities.</p> <p>5.1.4 At least 600 beneficiaries will have improved their reading and writing skills.</p> <p>5.1.5 Teachers from at least 120 schools will have followed up on gender issues in classes.</p>	<p>Evaluation and training reports. Progress reports.</p>	
<p>6.1 Technical assistance, training and education in environmental issues has been provided.</p>	<p>6.1.1 120 training courses, involving 4 500 beneficiaries and 200 technicians, will have been carried out.</p> <p>6.1.2 Teachers from at least 120 schools will have followed up on environmental issues in classes.</p>	<p>Reports and course evaluations.</p>	
<p>6.2 Small-scale environmental initiatives have been cofinanced and natural-resources management has been promoted.</p>	<p>6.2.1 On-farm environmental conservation works will have been adopted on 3 000 farms. Agroforestry practices will have been implemented on 1 500 ha.</p> <p>6.1.2 Innovative producers will have produced and sold a minimum of 15 000 trees a year.</p> <p>6.1.3 13% of the Social and Productive Investment Fund will have been used for environmental activities.</p>	<p>Progress reports and on-farm evaluation study.</p>	
<p>7.1 A permanent Inter-project Coordination Council is operative.</p>	<p>7.1.1 Monthly coordination activities will have been carried out.</p>		

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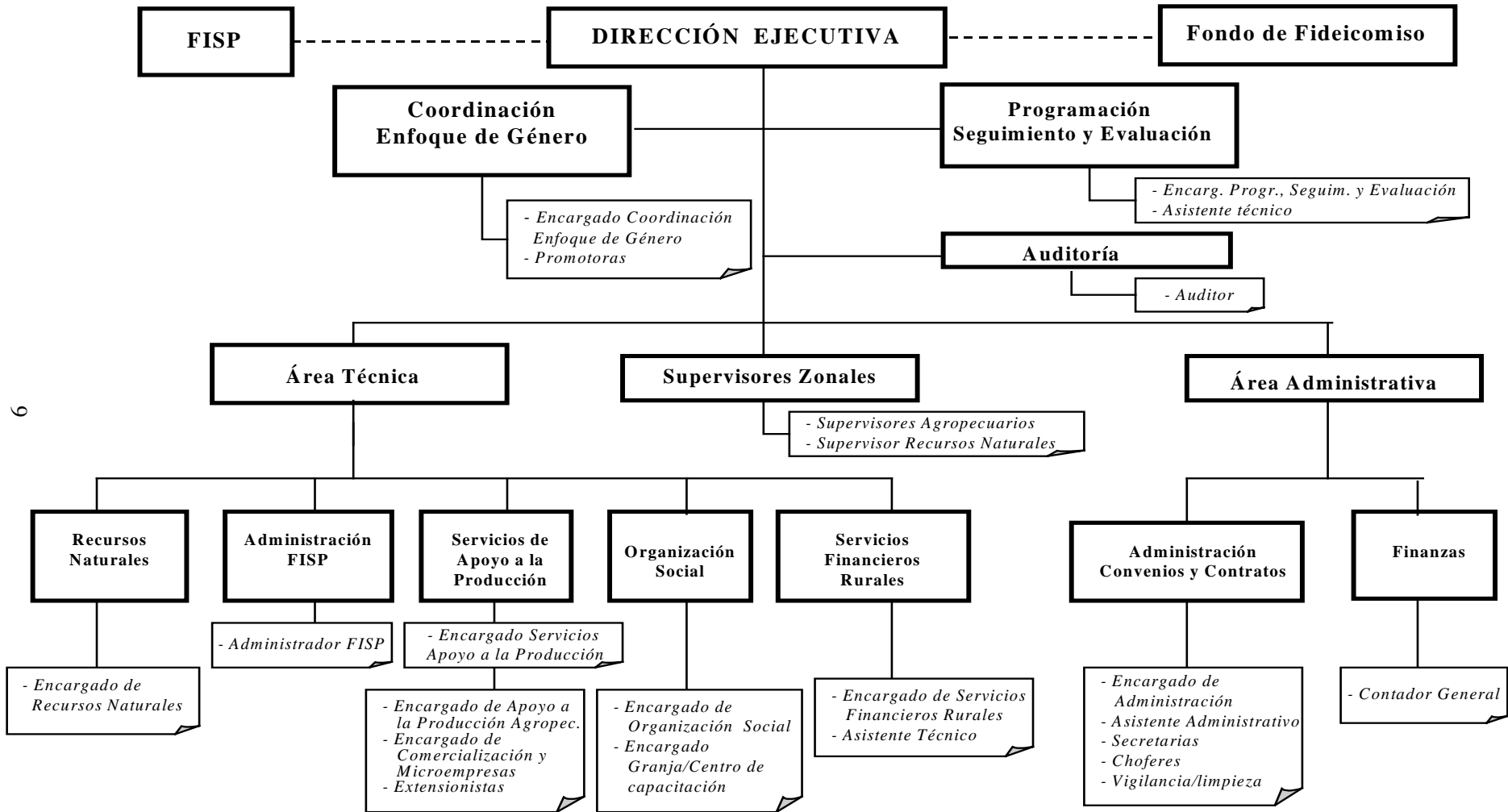


OBJECTIVES, QUANTITATIVE INPUTS, TARGETS AND KEY PROJECT FACTORS

GENERAL OBJECTIVE													
To contribute to the alleviation of rural poverty through improving income levels and standards of living of the rural poor, male and female, and local capacity building													
SPECIFIC OBJECTIVES													
(1) Strengthen local farmers' organizations and local institutions in order to facilitate their participation in the identification, design, implementation and evaluation of PRODAP-II activities													
(2) Build a sustainable technical assistance and extension service through the gradual transfer of supervision and administration to local farmers' organizations													
(3) Increase family income by improving productivity on agricultural production and diversifying income opportunities. Improve the environmental conditions and ensure sustainable management of natural resources													
(4) Implement an efficient and sustainable credit system based on a gradual transfer of responsibilities and funds to local Intermediate Financial Institutions													
(5) Mainstream and strengthen the gender perspective throughout project activities, ensuring equal participation of men and women in activities and benefits and reducing gender inequities existing in the project area.													
COMPONENTS	ACTIVITIES	Years						Total	PROJECT COSTS AND FINANCING				
		1	2	3	4	5	6		USD million	IFAD %	Gov.t %	Benef. %	
A. Local Capacity Building									COMPONENTS				
- Strengthening of grassroots organizations	Strengthen farmers' organizations and local institutions	20	43	65	67	-	-	195	A. Local Capacity Building	5.37	80	5	15
	Train Innovative Producers and PCU staff (number)	91	102	72	89	48	45	447	B. Productive Support	7.73	69	17	14
	Beneficiaries training (beneficiaries)	700	300	200	100	100	-	1 400	C. Rural financial services	4.04	24	76	-
	Promotion & Training activities (USD '000)	172	302	415	319	136	88	1 433	D. Project Management	2.86	83	17	-
	Execute and coordinate of sub - component activities (USD '000)	99	60	71	59	42	42	373	TOTAL COSTS	20.00	65	26	9
- Social & Productive Investment Fund	Social & Productive Investment Fund Beneficiaries (beneficiaries)	2 500	700	600	500	300	-	4 600	DISBURSEMENTS ACCOUNTS				
	Social and productive investments (USD '000)	307	599	739	740	507	354	3 246	A. Vehicles & Equipment	0.68	90	10	-
	Administration of de Fund (FISP) (USD '000)	19	17	17	17	17	17	104	B. Infrastructure	3.24	75	-	25
									C. Credit	3.00	-	100	-
B. Productive Support Services									D. Contracts & Agreements	7.62	71	15	14
- Agricultural Technical Services	Beneficiaries contract technical services (beneficiaries)	3 900	1 000	900	530	270	-	6 600	E. Training & Promotion	2.53	90	10	-
	Technical Assistance & Specialised Institutions (USD '000)	324	829	1 091	1 020	907	851	5 021	F. Incremental Costs	2.08	73	27	-
	Execute and coordinate sub-component activities (USD '000)	243	152	82	48	46	46	617	G. Operation Costs	0.84	90	10	-
- Marketing Support	Marketing information system and technical support (USD '000)	44	44	44	44	20	20	213	TOTAL	20.00	65	26	9
	Training and exchange of experiences (USD '000)	41	41	41	41	-	-	165	TRANSFERS TO BENEFICIARIES				
	Execute and coordinate sub-component activities (USD '000)	47	23	23	8	8	8	116	Percent				69%
- Small-scale rural enterprise development	Microentrepreneurs trained in business management (beneficiaries)	100	190	220	220	170	-	900	USD (millions)				13.78
	Training and technical assistance (USD '000)	35	93	119	128	109	36	520	PROJECT BENEFITS				
	Improve environmental conditions (USD '000)	116	91	75	68	57	53	460	Incremental production (USD'000)			8 868	
C. Rural Financial Services									Labor Increase (man work day)			311	
	Strengthening financial intermediaries (USD '000)	69	78	125	153	34	41	500	Family Benefits (USD)			1 701	
	Credit Fund (USD '000)	1 200	600	700	500	-	-	3 000	ECONOMIC ANALYSIS				
	Administration & Supervision	144	107	94	61	34	34	472	SCENARIO		IRR		B/C
D. Project Management	Management & Administration (USD '000)	388	201	220	220	219	219	1 467	Base		18%		1.19
	Coordination of gender issues (USD '000)	174	119	84	45	35	35	493	Benefits. -10%		12%		1.07
	Monitoring & evaluation (USD '000)	153	83	121	80	55	87	578	Costs +10%		13%		1.08
	Inter-project coordination council (USD '000)	15	15	15	15	15	15	90	Delay Incorp. benef. 2 years		14%		1.11
	Project Beneficiaries (Nr.)	7 200	2 190	1 920	1 350	840	-	13 500					
	Project Cost (without contingencies)	3 590	3 454	4 075	3 565	2 239	1 945	18 867					



ORGANIZACIÓN DE LA UNIDAD COORDINADORA DEL PROYECTO



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ECONOMIC AND FINANCIAL ANALYSIS

Internal Rate of Return (USD '000)

Year	Incremental Benefits Value	Investment Value	Inputs Costs	Family Labour Cost	Total Project Cost	Project Operation Costs (Years 7-20)	Net Incremental Benefits
1	843	1,305	536	352	2,636	0	-3,986
2	2,487	968	1,397	605	2,754	0	-3,237
3	4,686	985	2,458	971	3,107	0	-2,835
4	6,921	964	3,529	1,209	2,791	0	-1,572
5	8,876	549	4,511	1,427	2,093	0	296
6	10,032	132	4,969	1,518	1,905	0	1,508
7	10,881	59	5,246	1,492	0	200	3,885
8	11,231	26	5,354	1,484	0	200	4,166
9	11,370	0	5,394	1,473	0	200	4,303
10	11,392	0	5,396	1,465	0	200	4,331
11	11,392	0	5,396	1,462	0	200	4,335
12	11,392	0	5,396	1,462	0	200	4,335
13	11,392	0	5,396	1,462	0	200	4,335
14	11,392	0	5,396	1,462	0	200	4,335
15	11,392	0	5,396	1,462	0	200	4,335
16	11,392	0	5,396	1,462	0	200	4,335
17	11,392	0	5,396	1,462	0	200	4,335
18	11,392	0	5,396	1,462	0	200	4,335
19	11,392	0	5,396	1,462	0	200	4,335
20	11,392	0	5,396	1,462	0	200	4,335
Internal Rate of Return							18.5%
Actualization Rate							8.0%
Net Present Value							13,427
Cost/Benefits Ratio							1.19
Critical Value Analysis							
	1	2	3	4	5	6	Total Costs
NPV	82,872	4,034	40,363	12,064	11,945	1,039	69,445
COEF	83.8%	432.8%	133.3%	211.3%	212.4%	1392.2%	119.3%
C-V	-16.2%	332.8%	33.3%	111.3%	112.4%	1292.2%	19.3%

Sensitivity Analysis

	IRR	NPV (USD '000)	B/C
1. Project	18.5%	13,427	1.19
2. Reduction in benefits			
	10%	5,140	1.07
	20%	-3,147	0.95
3. Increase in costs			
	10%	6,483	1.08
	20%	-462	0.99
4. Delay (years)			
	1	10,570	1.15
	2	7,924	1.11
	3	5,475	1.07
5. Project with family labour at market prices	16.1%	10,411	1.14



STAKEHOLDERS' PARTICIPATION IN PROJECT DESIGN

1. The Rural Development Project for the Central Region (PRODAP-II) of the Republic of El Salvador is a good example of how stakeholders could be actively involved in the design of a project (involvement refers to presence, expression of opinions and decision-making). One of the first activities of the Formulation Mission was to organize participatory workshops in communities of the project area. Tools such as participatory rural appraisals and gender analyses were used to enable the men and women of a given community to express their problems, needs, priorities and solutions, and identify differences and similarities between male and female stakeholders.
2. Four workshops were organized in selected communities using simple, but very effective, tools, such as: (i) "the 24-hour clock," which shows how men and women distribute their working and leisure hours on a daily basis; (ii) "the annual calendar," which helps to determine the division of labour in productive activities; (iii) "the map of the future," whereby groups of males and females expressed their expectations and dreams; and (iv) "the institutional diagram," which shows the level of community organization and the different ways men and women participate in local and external organizations.
3. Participatory rural appraisals were used as a means to initiate the participatory project-planning process. Male and female groups worked separately to allow a more conducive atmosphere for discussion, particularly on gender-related issues; the proposals of both groups were discussed and harmonized in plenary sessions. In these plenary sessions, specific project proposals for local capacity-building and social and productive activities were identified and later integrated into the technical proposal of PRODAP-II.
4. After project formulation, and as a second step in the project-planning process, six participatory workshops were organized with the participation of community members, local authorities and NGOs, as well as selected members of the Project Appraisal Mission. The workshops were implemented ten days before the arrival of the complete appraisal team. These workshops were aimed at validating – at the community level – the technical proposal of PRODAP-II as presented in the Formulation Report and ensuring that the proposed project activities genuinely addressed the problems identified by the men and women of the communities involved. During the event, local NGOs and community-based organizations with potential to implement project activities were also identified. This participatory process has also helped to create a sense of project ownership and empowerment among community members, and at the same time has strengthened local capacity in the use of participatory methods.
5. Participatory planning is an integral part of the PRODAP-II proposal and will be used in the preparation of annual plans of work, in the monitoring process, and in other project activities.



PROPOSED GENDER APPROACH

General Objective

1. Contribute to gradually reducing gender inequalities in the project area, thus improving the living conditions of all members of rural families.

Specific objectives

- Fully incorporate a gender approach in PRODAP-II, ensuring the presence of a multidisciplinary team that is sensitive to gender issues and is able to facilitate equitable access for men and women to the services offered by PRODAP-II.
- Broaden women's access to financial services under PRODAP-II, along with training and technical assistance in order to achieve more equitable access.
- Contribute, on an equitable basis, to creating agricultural and non-agricultural income for men and women by lending support for marketing and microenterprise activities.
- Create conditions and promote equitable participation by men and women in local organizations and decision-making processes.
- Create conditions for equal participation by women in environmental activities under PRODAP-II.
- Promote acknowledgement of productive work at the community level and recognition of the reproductive activities of women, in order to arrive at a more equitable distribution of labour.
- Support a reduction in the reproductive workload of women.

Mechanisms for Incorporating the Gender Approach in the Sub-Components

2. To ensure that the gender approach is incorporated in the various sub-components of PRODAP-II, strategies and actions have been planned by component and sub-component.

3. The following considerations were used as a starting point for preparing strategies and methodologies to implement the gender approach in the sub-components of PRODAP-II:

- The gender approach is geared towards equitable, sustainable rural development and will be a common element in all action taken under PRODAP-II.
- In the project area, there are women who are wives or long-time companions of farmers as well as women who are heads of households.
- Both women and men participate actively in the processes of agricultural production, marketing and microenterprise activities.
- All segments of the target population display a gender-based division of labour. As a consequence of the various tasks, problems, development conditions and social position that may be held by men and women, there are also differences in interests, proposed solutions and priorities.
- Factors continue to exist that limit the equitable participation of women: lack of collateral since they do not own their land, fear of going into debt, the culture of machismo and lack of self-esteem as a result of a patriarchal society, the triple role of women with the consequent heavy workload.



COMPARATIVE FEATURES BETWEEN PRODAP I AND PRODAP II

	PRODAP I	PRODAP II
Objectives	Improve income and living standards Increase production of basic grains Mainstream gender perspective Improve marketing	Improve income and living standards Strengthen producer organizations Diversify production Support microenterprise activities Transfer technical services Mainstream gender and environment issues
Execution Modality	Activities centralized in the PCU	Based on demand Decentralized and supervised by producer organizations
Financial Services	Trust fund at the BFA, use of BFA branches, extensionists, and credit agents	Transition from the BFA to financial intermediaries
Community Social Investment Fund	Scarce resources with women in development (WID) approach	Significant resources with gender in development (GID) approach
Production-Support Services	Provided by the PCU and the National Centre for Agricultural Technology	Transferred to the producer organizations Cost-sharing with beneficiaries Participation of NGOs and private institutions
Gender and Environment	Women's participation approach	Integration in all components and coordination of gender issues at the project management level
PCU	Execution by components	Execution by themes and functional areas

