



**IFAD**  
**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**  
**Executive Board – Seventieth Session**  
Rome, 13-14 September 2000

**REPORT AND RECOMMENDATION OF THE PRESIDENT**

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

**BOLIVARIAN REPUBLIC OF VENEZUELA**

FOR THE

**AGRO-PRODUCTIVE-CHAINS DEVELOPMENT PROJECT IN THE BARLOVENTO  
REGION**





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### CURRENCY EQUIVALENTS

Currency Unit	=	Bolivar (VEB)
USD 1.00	=	VEB 660
VEB 1.00	=	USD 0.00151

### 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 <sup>2</sup> )	=	10.76 square feet (ft <sup>2</sup> )
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

### ABBREVIATIONS AND ACRONYMS

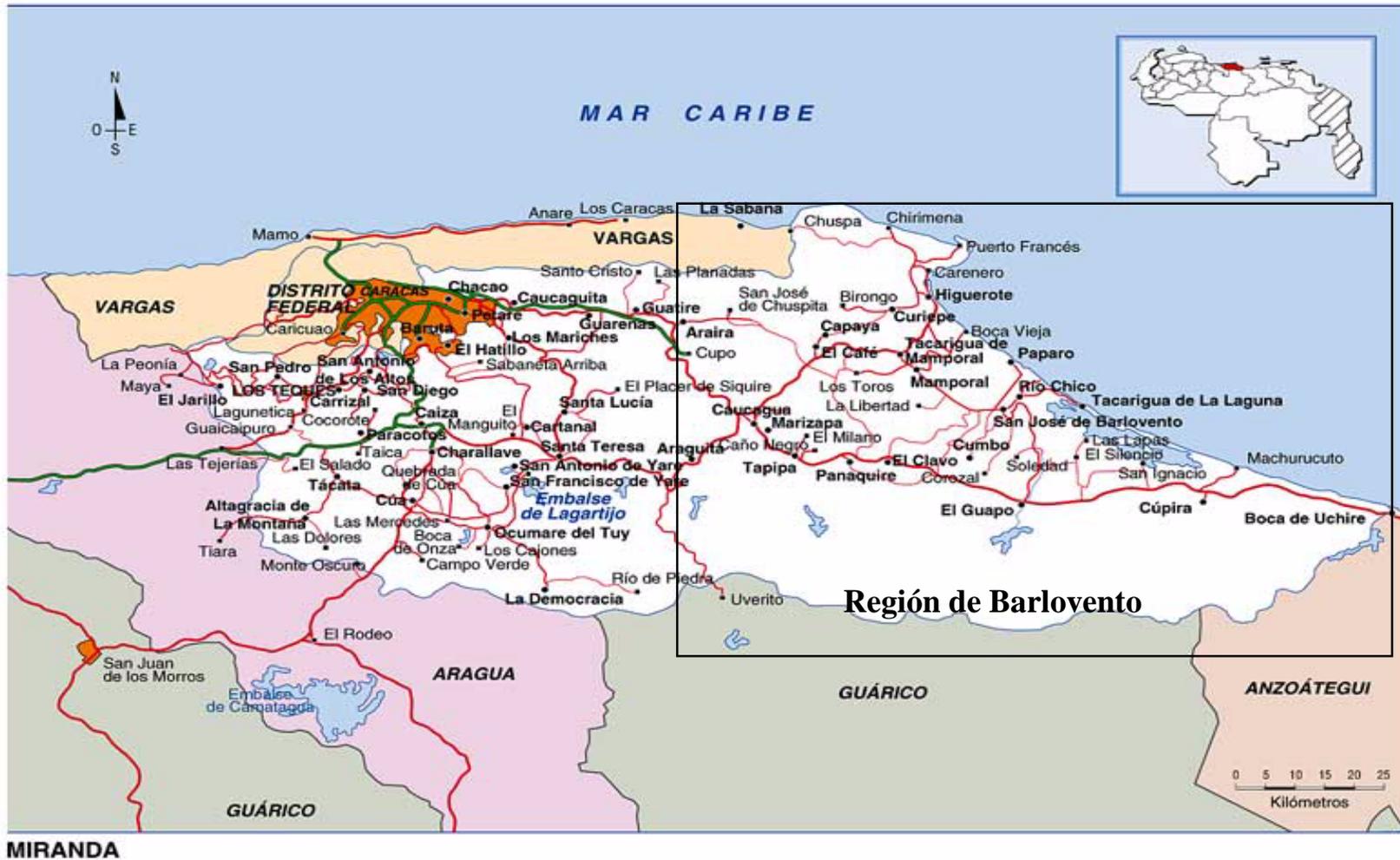
CAF	Andean Development Corporation
CIARA	Foundation for Training and Applied Research in Agrarian Reform
FIV	Fondo de Inversiones de Venezuela (Venezuelan Investment Fund)
FONAIAP	Fondo Nacional de Investigaciones Agropecuarias (National Fund for Agricultural Research)
MPC	Ministry of Production and Commerce
PMU	Project Management Unit
PRODECOP	Economic Development of Poor Rural Communities Project
PROSALAF	Support Project for Small Producers in the Semi-Arid Zones of Falcon and Lara States

### GOVERNMENT OF THE BOLIVARIAN REPUBLIC OF VENEZUELA

#### Fiscal Year

1 January-31 December

## MAP OF THE PROJECT AREA



Source: El Nacional, Atlas de Venezuela, 1999

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.



**BOLIVARIAN REPUBLIC OF VENEZUELA**  
**AGRO-PRODUCTIVE-CHAINS DEVELOPMENT PROJECT**  
**IN THE BARLOVENTO REGION**

**LOAN SUMMARY**

<b>INITIATING INSTITUTION:</b>	IFAD
<b>BORROWER:</b>	The Bolivarian Republic of Venezuela
<b>EXECUTING AGENCY:</b>	Ministry of Production and Commerce (MPC)
<b>TOTAL PROJECT COST:</b>	USD 17.00 million
<b>AMOUNT OF IFAD LOAN:</b>	SDR 9.75 million (equivalent to approximately USD 13.00 million)
<b>TERMS OF IFAD LOAN:</b>	15 years, including a grace period of three years, with an interest rate equal to the reference interest rate per annum as determined by the Fund annually
<b>COFINANCIERS:</b>	None
<b>CONTRIBUTION OF BORROWER:</b>	USD 3.00 million
<b>CONTRIBUTION OF BENEFICIARIES:</b>	USD 1.00 million
<b>APPRAISING INSTITUTION:</b>	IFAD
<b>COOPERATING INSTITUTION:</b>	Andean Development Corporation (CAF)



## PROJECT BRIEF

**Who are the beneficiaries?** Due to continual economic decline, the incidence of rural poverty in Venezuela has risen constantly over the last two decades. In this period, the number of poor households has grown from 223 000 to 542 000. IFAD target groups for rural-development and poverty-alleviation strategies in Venezuela fall into two main categories: peasant farmers (about 169 000) and agricultural and non-agricultural wage workers (about 233 000). Within these segments, rural women, indigenous communities and African-Venezuelan populations are among the most vulnerable groups. In the Barlovento area about 75% of the rural population is under the poverty line. Moreover, floods in January 2000 inundated 30 000 ha of small-farmers' property, with a 60% loss of plantations and annual crops; 5 600 families lost their homes and 7 400 sustained partial damage to their living quarters.

**Why are they poor?** The causes of poverty in Venezuela are related to historical, economic and political factors. At the macroeconomic level, the overall economic recession of the last two decades has contributed significantly to increments in rural poverty. The short periods of economic growth have not been sufficient to achieve any impact on poverty due to the great disparities in income in Venezuela. At the rural household level, poverty is determined by the lack of: (i) access to productive resources: land, good-quality soil, credit, irrigation, etc.; (ii) access to basic services; (iii) social and/or productive organizations; (iv) access to markets; and (v) access to technical and financial support services.

**What will the project do for them?** The proposed project will address the needs of 12 000 rural poor families in the Barlovento region of the State of Miranda, 50% of which are of African-Venezuelan origin. The project's general approach supports production/transformation/market links in an integral and comprehensive regional programme for small farmers' agricultural products, particularly cacao, with existing, albeit imperfect, relationships with national and export agricultural and industrial markets. The aim of the project is to increase income opportunities for beneficiary families in all phases of the production, transformation and marketing cycle. The project will develop and strengthen five agro-industrial chains, including cacao for export and national markets, cassava, banana and citrus for the Caracas market, and small rural processing industries devoted to fruits, vegetables and cacao – benefiting landless rural dwellers, particularly women. Based on experiences highlighted by the Programme for the Strengthening of Gender Issues in IFAD's Projects (PROSGIP), the project will promote gender equality in its operational and rural-development activities. The project will support the capitalization of beneficiaries' agricultural and processing assets through productive funds and the promotion of rural local savings and loan organizations. It will establish a systematic policy-dialogue mechanism with the Government of Venezuela, the World Bank, and other donor- and IFAD-financed projects in order to promote tested policies/methodologies for poverty alleviation and rural development.

**How will beneficiaries participate in the project?** The project strategy provides different opportunities for beneficiary participation, starting at the community level. Communal councils will be organized, with responsibility for local and municipal relations in development initiatives and investments. A democratically elected group of beneficiaries, with at least one rural woman member, will participate in the project Directive Committee. Monitoring and evaluation activities will be conducted with beneficiary participation.



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REGION**

I submit the following Report and Recommendation on a proposed loan to the Bolivarian Republic of Venezuela for SDR 9.75 million (equivalent to approximately USD 13.00 million) on ordinary terms to help finance the Agro-Productive-Chains Development Project in the Barlovento Region. The loan will have a term of 15 years, including a grace period of three years, with an interest rate equal to the reference interest rate per annum as determined by the Fund annually. It will be administered by the Andean Development Corporation (CAF) as IFAD's cooperating institution.

**PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY<sup>1</sup>**

**A. The Economy and Agricultural Sector**

1. The Republic of Venezuela is located at the extreme north of South America, with an area of 916 000 km<sup>2</sup> of territorial land. It borders on the west with Colombia, east with Guyana, south with Brazil and north with the Caribbean. Venezuela is divided in 22 states, one Federal District and the Federal Dependencies islands. The country comprised 23 million inhabitants in 1997, heavily concentrated in the northern states, with 12% of the population located in rural areas.

2. The Venezuelan economy is highly dependent on petroleum, which represents more than two thirds of the country's exports. In the 1970s, the Government began several ambitious programmes of investment in physical and social infrastructure. Lower oil prices in the 1980s exposed the economy's vulnerability and the high degree of dependency of all economic sectors on costly subsidies financed by petroleum exports. Almost 60% of government expenses are covered by income derived from oil exports.

3. By March 1996, the Government had unveiled a very ambitious economic reform programme. However, a sustained decline in world petroleum prices during the early and mid-1990s caused the failure of the proposed agenda, pulling the country into deep economic recession. Average oil prices fell 34.1%, creating a severe imbalance in fiscal accounts. Venezuela's economic policies have led to a negative GDP annual growth rate of -2% between 1960 and 1995, compared with the annual average rate of 2% for the rest of the Latin America and the Caribbean (LAC) region in the same period<sup>2</sup>. GDP annual growth rates have declined from 6.3% in 1997 to -0.3% in 1998 and to a projected -6.0% for 1999. This economic process has generated stagnation and an acute macroeconomic imbalance over the last 15 years. As a result, the country is facing a progressive impoverishment of its population. Poverty has increased dramatically in the last decade and is expressed in lower nutritional standards, educational levels and productivity of labour, the latter directly related to the country's low production competitiveness.

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<sup>1</sup> See Appendix I for additional information.

<sup>2</sup> Economic Commission for Latin America and the Caribbean (ECLAC). 1998. Regional Economic Development Data.



4. The government of the current President, elected in mid-1999, has proposed a new socio-economic and political era for the country. The short-term agenda includes modification of the current constitution, reform of all branches of government and a new set of macroeconomic policies. Two elements will affect the short and medium-term economic development plans. One is the evolution of world oil prices, which provide financial resources to the country. The second is related to the severe rains that affected the coastal areas of Venezuela in December 1999 and January 2000. This phenomenon took a heavy toll in lost lives, property damage and environmental problems, causing the redirection of financial resources and priorities to the alleviation of thousands of homeless people and the reconstruction of basic infrastructure in the affected areas. The Barlovento region was among the areas most affected by the floods.

5. The agricultural sector in Venezuela generates approximately 5% of GDP and satisfies about 40% of internal demand for agricultural products. Agricultural production is based on 2 650 000 ha of arable land. Of this total, only 250 000 ha are irrigated land owned by commercial operators. A large proportion of agricultural production is concentrated in rainfed and dryland areas in the hands of small producers, very vulnerable to cyclical variations in climatic conditions. The first agrarian reform law in Venezuela was passed in 1945, a second version was approved in 1960 and is still in force. Land-reform laws have created a very complex land-tenure structure, which no doubt hinders sustainable, lasting development efforts. The new constitution has addressed this important issue. However detailed legislation is still to be discussed and approved by the new congress elected in July 2000.

6. Agricultural production has been dependent on government subsidies and decisions over the past 30 years. As of 1992 all agricultural prices and marketing policies were regulated by the Government, either through state-run enterprises or by ministerial decrees. Agricultural credit institutions had their interest rates determined by the Government and these rates were below the inflation rate or commercial interest rates. The Institute of Agriculture and Livestock (ICAP), the specialized lending institution for peasant farmers and beneficiaries of agrarian reform, had its annual loan interest rates fixed by the 1960 constitution at 4%. By the early 1990s most state market and credit institutions were collapsing due to financial failures and the inability of the Government to provide additional resources. Most have been closed, leaving commercial and peasant farmers with very limited financial support services. Today, Venezuela presents the lowest per capita food production in the South American region.

## **B. Lessons Learned from Previous IFAD Experience**

7. IFAD has approved three loans to Venezuela, for a total of USD 39.0 million on ordinary terms. The first project, the Sucre Support Project for Small Producers, initiated in 1990 and completed in 1998, provided strategic productive and financial support to small agricultural producers and fishermen. The second, the Support Project for Small Producers in the Semi-Arid Zones of Falcon and Lara States (PROSALAFSA), is providing support to small producers in those states. Initiated in 1992, the project is now implemented by the Foundation for Training and Applied Research in Agrarian Reform (CIARA). The last one, the Economic Development of Poor Rural Communities Project (PRODECOP), implemented by CIARA, aims to assist rural poor communities in 8 states and 39 municipalities by providing training and financial support to local organizations in order to efficiently develop and manage sustainable local savings-and-loan institutions. In 1991 IFAD approved a technical assistance grant to CIARA to finance the Regional Training Programme in Rural Development (IFAD-CIARA), with operational activities in Brazil, Colombia, Cuba, the Dominican Republic, Ecuador and Venezuela. In 1998 a second phase was approved in which six new countries were added – Angola, Cape Verde, Equatorial Guinea, Haiti, Mozambique and Sao Tome and Principe – in order to transfer rural development strategies and operational management techniques derived from IFAD's project experiences in Latin America.



8. The main lessons from IFAD projects include: (i) during project design processes, efficient and operative coordination between government institutions should be established to avoid duplication of activities and inappropriate use of human and financial resources; (ii) IFAD's projects should promote and support government decentralization policies in their designs and operational schemes and through systematic training of local government officials and technical staff; (iii) the high turnover of directors and project personnel in the implementation stage of the Sucre Support Project for Small Producers hindered the attainment of project objectives, so in the case of PROSALAFI and PRODECOP, IFAD and the Government settled this issue through successful negotiations; (iv) it is essential to include gender issues not only during project design and implementation, but also at the country policy-making level because of the lack of gender-related policies, information and trained personnel in the country; and (v) producing written and visual material on project experiences should be a specific objective of all IFAD field projects, as a means of creating a written memory of strategies and methodologies applied, and to disseminate field knowledge, methodological approaches and innovative experiences.

### **C. IFAD's Strategy for Collaboration with Venezuela**

9. Based on the current rural poverty situation in Venezuela, three main strategic thrusts have been identified for IFAD intervention. The first is to increase household income and improve the nutritional quality and quantity of the family diet of smallholders and landless farmers through improved productivity of agricultural and livestock activities and better access to potential market opportunities. This thrust will include support for technology generation, validation and dissemination. Rural families' agricultural and non-agricultural small-scale industrial production will also be supported. The second thrust is the promotion and strengthening of active grass-roots organizations as a means of creating a viable civil society in rural areas, as well as enabling rural communities and individuals to be active market participants. As the incidence of rural poverty in Venezuela has significantly increased, the third thrust is systematic dialogue with the Government on rural-development and poverty-alleviation strategies and policies in order to incorporate "best practices" in current and new programmes and projects.

## **PART II - THE PROJECT**

### **A. Project Area and Target Group**

10. The Barlovento region is located in the northwestern section of the State of Miranda in northern Venezuela (see Map). This section of the State of Miranda borders the Federal District, and due to the relatively short distance from Caracas, the Barlovento region is considered the rural and agricultural hinterland of the capital. The region covers 4 610 km<sup>2</sup>, comprising six municipalities: Acevedo, Andres Bello, Brion, Buroz, Paez and Pedro Gual. The region has close to 120 small towns and communities, with populations ranging from 500 to 15 000 inhabitants. The coastal beaches are an important weekend attraction for Caracas inhabitants, creating a floating population close to two million during long holidays and weekends.

11. Despite the region's closeness to Caracas, the largest agricultural market of the country, agricultural production is predominantly oriented towards traditional tropical crops (76% of the agricultural area) and pasture for cattle (24% of the area). Cattle production is carried out by medium-to large-scale producers. Cacao (*Theobroma cacao*) plantations, some of them dating back to colonial times, give the region its characteristic feature. Currently, over 85% of cacao plantations are in the hands of small producers – beneficiaries of agrarian reform – and they cover 45% of the agricultural land of the Barlovento region.

12. Tropical roots and tubers are the second important crop group, with 12% of the planted area, including bitter and sweet cassava (*Manihot esculenta*), yams (*Xanthosoma saggitifolium*) and ñame



(*Diocorea alata*). The third group is banana (*Musa paradisiaca*) and cambur or plantain (*Musa sp.*), with 6.0% of the area. Mandarin-oranges (*Citrus reticulata*), with 2.1% of planted area, are the fastest-growing permanent crop because of the large demand and high prices in the Caracas market. Small-scale processing of tropical fruits, cassava and vegetables, sold at the side of local roads, is also an important activity developed locally by rural women.

13. After the government-run National Cacao Fund closed its marketing operations, private operators undertook cacao-marketing activities. At least six private companies operate in the area, purchasing high- and commercial-grade cacao for export and the national market. Small farmers, lacking adequate infrastructure for fermenting and drying cacao beans, as well as for collective price negotiation, are paid lower-than-average prices. Even though rural communities have “neighbors associations” dealing with local municipal services, there are no small-producer or marketing organizations. All agricultural production is marketed or traded by the individual farmer to traders and/or truck drivers that act as intermediaries. In spite of the proximity to Caracas, isolation and lack of social and agricultural services have been historical characteristics of the Barlovento region.

14. The project target group has been estimated at 16 500 poor rural families, including 14 000 headed by small farmers with landholdings of less than 5 ha and 2 500 headed by women and men landless rural workers and/or small-scale processors. These groups present daily family incomes of USD 1.60 for poor families and USD 1.00 for extremely poor families.

15. Direct project beneficiaries have been estimated at 12 000 families, representing 73% of the target population (Table 1). This group comprises families headed by 8 000 men and women small farmers: 6 500 are agrarian reform beneficiaries and 1 500 are in the process of legalizing their land titles with the National Agrarian Institute (IAN). Direct project beneficiaries also comprise: (i) 1 500 landless and wage-workers – men and women rural dwellers engaged in small family processing enterprises; (ii) 500 families who are members of local savings and loan organizations and (iii) 2 000 rural families who are beneficiaries of social investment programmes. It is estimated that at least 50% of the target population is of African-Venezuelan origin, settled in the area since colonial times. Because of early interbreeding among European, African and native Americans, the region presents a particular but homogeneous cultural heritage. The people consider themselves *criollos*, without racial implications<sup>3</sup>, meaning only “born in American lands”.

**Table 1: Number of Beneficiaries by Project Activity and Sex**

Beneficiaries	Men		Women		Total
	N°	%	N°	%	
Agro-productive chains	5 000	62	3 000	38	8 000
Small rural enterprises	750	50	750	50	1 500
Savings-and-loan organizations	250	50	250	50	500
Social development investments	1 000	50	1 000	50	2 000
<b>Total</b>	<b>7 000</b>	<b>59</b>	<b>5 000</b>	<b>41</b>	<b>12 000</b>

16. **Gender situation.** Since government efforts to integrate rural women into development programmes have been few and had little success, IFAD’s appraisal mission conducted a gender-oriented participatory survey<sup>4</sup> in eight communities, involving more than 160 men and women. As a result of the diagnosis, two major findings were used in the design of project activities: (i) in cacao-, banana- and cassava-producing communities, women are more oriented towards agricultural production improvements, while men tend to prefer processing and marketing activities; and (ii) in mandarin-orange-producing communities, while agricultural production and marketing activities are

<sup>3</sup> Guerra, F. 1983. *Esclavos Negros, Cimarronas y Cumbes de Barlovento*. Cuadernos Lagoven. Caracas, Venezuela; and Pollak-Eltz, A. 1993. *La Negritud en Venezuela*. Cuadernos Lagoven. Caracas, Venezuela.

<sup>4</sup> See Appendix V. Beneficiary Views of the Present and Future of their Communities.



male interests, rural women are oriented towards household activities. In cassava-producing communities, men and women are engaged in the production of *casave*, a local bread made from cassava and sold along the main roads, with each sex having specific responsibilities during the manufacturing process.

## B. Objectives and Scope

17. IFAD's country strategy and operational guidelines, as well as current government policies and priorities, frame the general project strategy and rationale. Components and activities have been designed to achieve an increment in beneficiary family income and to strengthen local, grass-roots civil, social and productive organizations. Thus a combination of improved beneficiary economic status and the strengthened capacity of an organized, local civil society will achieve rural development in the Barlovento region. The project will focus on local, productive agricultural and non-agricultural processes in an integral approach that strengthens the weakest links and provides support services simultaneously to all phases of the economic chains: production, post-harvest, transformation and marketing.

18. The project will operate with participatory methodologies through which men and women beneficiaries will first identify their pressing social and productive constraints. Next they will formulate viable solutions within the scope and financial resources of the project and of municipal and state rural-development and poverty-alleviation programmes. Based on beneficiary preferences and vocations, grass-roots social, productive and financial organizations will be formed, strengthened and consolidated. To support the development of social and productive initiatives, the project will provide capitalization funds and encourage the formation of local, self-governing savings-and-loan organizations. A comprehensive gender approach to rural development will be implemented, aiming at reducing social and economic inequalities currently affecting rural women. In this context, all participatory methods and techniques used in community diagnosis, as well as in the drafting of social, productive and organizational proposals will be gender-balanced.

19. The general objective is to improve productive, social and organizational capabilities of beneficiary families, achieving efficient and integral links to local and national markets and managing productive activities efficiently and sustainably. Specific project objectives aim to: (i) develop human resources and local grass-roots organizations, strengthening their capacity for participation in local social and productive development programmes; (ii) raise beneficiary income through improvements in on-farm and small rural enterprise production, productivity and marketing, as well as through promotion of the vertical and horizontal integration of productive activities and consolidation of economically oriented organizations; (iii) promote the capitalization of beneficiaries' farms and small rural enterprises through specific funds and the formation and consolidation of local, self-governing savings-and-loan organizations; and (iv) promote gender equality in local social- and economic-development processes.

## C. Components

20. Project execution will entail the implementation of three components: promotion of rural development, sustainable development of agro-productive chains, and rural capitalization. A Project Management Unit (PMU) will be established including administrative and monitoring units.

21. **Promotion of rural development.** The objective of this component is to develop and strengthen beneficiaries' organizational and management skills, as well as their capacity to interact with and participate in community, municipal and state government rural-development programmes and initiatives. The component will stimulate the creation and consolidation of civil and grass-roots beneficiary organizations formed on the basis of common interests and/or economic activities within and among communities. Leadership training courses will be organized, with particular focus on young men and women local leaders. Through community and municipal committees, the project will



stimulate beneficiary participation in the planning and implementation of socially oriented government initiatives, as well as in the planning of project activities. Staff from the PMU, contracted private national and local development organizations and municipal and state personnel will be trained by second-tier institutions in participatory rural-development methodologies, gender-oriented techniques and sustainable agricultural development.

**22. Sustainable development of agro-productive chains.** This component aims to raise beneficiary income through simultaneous and coordinated improvements in agricultural and non-agricultural production, transformation and marketing processes. It seeks to improve the production and productivity of five agro-productive chains (cacao, cassava, banana, citrus and processed fruits and vegetables) through improved technologies, vertical and horizontal integration and efficient market links. The project will contract the services of the National Fund for Agricultural Research (FONAIAP) and national universities in order to provide comprehensive information on technologies for selected, marketable agricultural products as well as for small-scale industrial processing. Technologies will be based on environmentally oriented conservation and management practices. The component will support the formation of economic organizations and strengthen those currently existing in the region by providing managerial and organizational training with the support of the Polar Foundation, a national, private organization already operating in the region. The project will promote and strengthen the provision of private technical-assistance services to project beneficiaries and their organizations through an integral agro-productive-chain approach. Support will be provided in the areas of agricultural production, transformation, small-scale industrial processes and marketing of agricultural and non-agricultural products. A demand-led, participatory assistance-services system will be used to identify and implement beneficiary initiatives. Market studies for current and prospective crops/products will be conducted. Support services will also be provided for local savings-and-loan operations.

**23. Rural capitalization.** The objective of the component is to support the capitalization of small farmers, processors and microentrepreneurs through support to local financial organizations and capitalization funds. The project will provide technical assistance and in-service training by contracted private organizations to groups of beneficiaries willing to create local savings-and-loan institutions, with methodologies based on the experiences of the IFAD-financed PRODECOP. In addition, the component will establish three capitalization funds: social, productive and financial. The social fund will involve non-reimbursable, socially oriented investments selected by communities, matching municipal, state and beneficiary contributions. The productive fund has reimbursable and non-reimbursable financial resources. Reimbursable resources will be used to finance productive initiatives presented by community and economic organizations, individual small producers and entrepreneurs. By-laws and regulations will establish the levels of cofinancing, repayment periods and interest rates. Non-reimbursable resources will be used in soil- and water-conservation investments, as well as in long-maturing (more than five years) productive investments. A productive committee with beneficiary participation will manage both funds. The financial fund will support the capitalization of local savings-and-loan institutions that have achieved an adequate degree of maturity and experience, acting as a reimbursable loan with market interest rates and a maximum limit equal to ten times its own capital. Savings-and-loan institution members will be responsible for the loan, which will be approved by the project director and the component coordinator.

#### **D. Costs and Financing**

**24.** Total project costs are estimated at USD 17.00 million. The cost structure by component is presented in Table 2. The disbursement period is estimated at six years. Total costs for the promotion of rural development component are USD 2.57 million (15%), the sustainable development of agro-productive-chains component USD 8.02 million (47%), the rural capitalization component USD 4.54 million (27%) and the PMU, including monitoring and evaluation costs, USD 1.87 million (11%). The proposed project financing structure, presented in Table 3, is as follows: an IFAD loan of USD 13.00 million, representing about 77% of total project costs; a government counterpart

contribution of USD 3.00 million (18%); and beneficiary in-kind and cash contributions of USD 1.00 million (6%).

**TABLE 2: SUMMARY OF PROJECT COSTS<sup>a</sup>**  
(USD '000)

Components	Local	Foreign	Total	% Foreign Exchange	% Total Base Cost
<b>A. Promotion of rural development</b>					
1. Strengthening PMU and contracted service providers	152	27	178	15	1
2. Strengthening social organizations	1 489	306	1 794	17	12
3. Component management	274	28	303	9	2
<b>Subtotal</b>	<b>1 915</b>	<b>360</b>	<b>2 275</b>	<b>16</b>	<b>15</b>
<b>B. Sustainable development of agro-productive chains</b>					
1. Technological development	565	100	665	15	4
2. Strengthening economic organizations	387	68	456	15	3
3. Integral technical assistance	4 542	801	5 343	15	35
4. Component management	498	54	552	10	4
<b>Subtotal</b>	<b>5 992</b>	<b>1 023</b>	<b>7 015</b>	<b>15</b>	<b>45</b>
<b>C. Rural capitalization</b>					
1. Support to local financial organizations	258	46	303	15	2
2. Capitalization funds	3 850	-	3 850	-	25
3. Component management	274	28	303	9	2
<b>Subtotal</b>	<b>4 382</b>	<b>74</b>	<b>4 456</b>	<b>2</b>	<b>29</b>
<b>D. Project Management Unit</b>					
1. Project management	1 224	146	1 369	11	9
2. Monitoring and evaluation	294	44	338	13	2
<b>Subtotal</b>	<b>1 518</b>	<b>190</b>	<b>1 708</b>	<b>11</b>	<b>11</b>
<b>Total base costs</b>					
Physical contingencies	369	65	434	15	3
Price contingencies	963	149	1 111	13	7
<b>Total project costs</b>	<b>15 139</b>	<b>1 862</b>	<b>17 000</b>	<b>11</b>	<b>110</b>

<sup>a</sup> Discrepancies in totals are due to rounding.

**TABLE 3: FINANCING PLAN<sup>a</sup>**  
(USD '000)

Components	Government		IFAD		Beneficiaries		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes
	Amount	%	Amount	%	Amount	%	Amount	%			
<b>A. Promotion of rural development</b>											
1. Strengthening PMU and contracted service providers	35	19	151	81	-	-	186	1	28	131	27
2. Strengthening social organizations	712	35	1 341	65	-	-	2 053	12	342	1 289	422
3. Component management	140	42	193	58	-	-	334	2	31	217	86
<b>Subtotal</b>	<b>887</b>	<b>35</b>	<b>1 686</b>	<b>66</b>	<b>-</b>	<b>-</b>	<b>2 572</b>	<b>15</b>	<b>400</b>	<b>1 638</b>	<b>534</b>
<b>B. Sustainable development of agro-productive chains</b>											
1. Technological development	143	20	570	80	-	-	713	4	107	495	110
2. Strengthening economic organizations	100	20	401	80	-	-	502	3	75	349	78
3. Integral technical assistance	820	13	4 948	80	423	7	6 191	36	929	4 302	960
4. Component management	221	36	391	64	-	-	613	4	60	408	145
<b>Subtotal</b>	<b>1 284</b>	<b>16</b>	<b>6 311</b>	<b>79</b>	<b>423</b>	<b>5</b>	<b>8 018</b>	<b>47</b>	<b>1 171</b>	<b>5 554</b>	<b>1 293</b>
<b>C. Rural capitalization</b>											
1. Support to local financial organizations	70	20	282	80	-	-	352	2	53	245	55
2. Capitalization funds	-	-	3 273	85	578	15	3 850	23	-	3 850	-
3. Component management	140	42	193	58	-	-	334	2	31	217	86
<b>Subtotal</b>	<b>211</b>	<b>5</b>	<b>3 747</b>	<b>83</b>	<b>578</b>	<b>13</b>	<b>4 536</b>	<b>27</b>	<b>83</b>	<b>4 312</b>	<b>140</b>
<b>D. Project Management Unit</b>											
1. Project management	497	33	1 006	67	-	-	1 504	9	160	1 036	308
2. Monitoring and evaluation	121	33	249	67	-	-	371	2	48	246	77
<b>Subtotal</b>	<b>619</b>	<b>33</b>	<b>1 256</b>	<b>67</b>	<b>-</b>	<b>-</b>	<b>1 874</b>	<b>11</b>	<b>208</b>	<b>1 282</b>	<b>385</b>
<b>Total disbursement</b>	<b>3 000</b>	<b>18</b>	<b>13 000</b>	<b>77</b>	<b>1 000</b>	<b>6</b>	<b>17 000</b>	<b>100</b>	<b>1 862</b>	<b>12 787</b>	<b>2 352</b>

<sup>a</sup> Discrepancies in totals are due to rounding.



### **E. Procurement, Disbursements, Accounts and Audit**

25. **Procurement.** Procurement of goods and services financed by IFAD will be in accordance with the Fund's procurement guidelines. Contracts for vehicles and equipment over USD 100 000 will be procured through national competitive bidding. Contracts valued from USD 10 001 to 100 000, up to an aggregate amount of USD 300 000 equivalent, will be procured through local shopping, with at least three eligible bidders. Vehicles and equipment valued at USD 10 000 or under, up to an aggregate amount of USD 30 000 equivalent, will be contracted directly. Private rural-development agencies and technical-assistance services will be contracted through national bidding procedures acceptable to IFAD and in agreement with government regulations for the procurement of services.

26. **Disbursements.** Disbursements of less than USD 10 000 for operating costs, salaries and contracted services will be made against statements of expenditures (SOEs). Payment to local contractors involved in development activities and technical assistance will require detailed documentation. A special account will be opened at the Central Bank of Venezuela. Loan funds will be maintained in United States dollars. Project funds will be allocated annually on the basis of the annual work plan approved by the projects' Directive Committee. The Venezuelan Investment Fund (FIV) will act as the Government's financial agent. The Ministry of Production and Commerce (MPC) will submit documentation of project expenses to FIV and the cooperating institution (CAF), which will verify eligible expenses and request disbursements to IFAD.

27. **Accounts and audits.** Immediately upon loan effectiveness and prior to initial deposit in the special account using the loan proceeds, the project will set up integrated accounting and internal control systems, which will be installed by a specialized accounting firm. Accounting will be by component, category and government expense classification procedures. An audit firm, selected to IFAD's satisfaction, will undertake annual financial and management audits, to be financed by the project. Other contracted agencies will keep separate accounts for project-related expenditures. The audited project accounts and audit report, including a separate opinion on the SOEs and the special account, will be submitted to IFAD no later than six months after the close of the project's financial year. An annual project operative and financial report will be prepared by the PMU and submitted to CAF and IFAD at the end of each fiscal year.

### **F. Organization and Management**

28. MPC, through the Vice-Ministry of Agriculture, will be responsible for overall implementation of the project. By formal delegation from MPC, CIARA will be responsible for direct implementation of the project. A Directive Committee will be organized, with the under-secretary of agriculture or other representative of MPC as chairperson. Other members will include the director general of international cooperation of MPC, the directors for planning and rural development of the Vice-Ministry of Agriculture, one representative from the Government of the State of Miranda and one representative from participating municipalities (on a rotational basis). The committee will include five beneficiaries democratically elected by beneficiary groups<sup>5</sup>, one of which will be a rural woman. The committee will be responsible for the approval and supervision of annual operating plans and budgets, as well as for overall project guidance. The project director will be an ex-officio member of the committee, with a voice but no voting privileges, and will act as its secretary.

29. An Inter-Institutional Committee for Methodological Coordination will be established to systematize and coordinate the application of rural-development and poverty-alleviation strategies and methodologies. It will be chaired by the director of CIARA and will include the project directors of the World Bank/Government Agricultural Extension Programme (PREA), PRODECOP, PROSALAFSA, FONAIAP, the Polar Foundation and the project director.

<sup>5</sup> One representative for each of the agro-productive chains: cacao, cassava, banana, mandarin citrus, and small-fruit, cacao and vegetable processors.



30. A Project Management Unit (PMU) with financial and administrative autonomy will be established in Caucagua in the project area, with responsibilities and authority delegated by MPC and CIARA. The PMU will report directly to CIARA and is responsible for management and supervision of day-to-day operations. MPC and CIARA will select the project director to IFAD's satisfaction, based on specific terms of reference.

31. The PMU will consist of the project director and three component coordinators. An Administrative and a Monitoring Unit will support the project director. Project evaluation activities will be the responsibility of the General Directorate of Planning of the Vice-Ministry of Agriculture. Technical backstopping in required areas will be provided by a Technical Support Unit, which will include specialists in agricultural production, microenterprise and other required fields. A gender specialist will support the project director in related matters. The PMU includes a total of 12 project promoters, who will work at the community level as trainers, organizers and supervisors of private contract-services providers. All field activities related to support services for the integral production, transformation and market chains will be contracted to private organizations, including non-governmental organizations (NGOs), foundations, farmer organizations, etc. Second-tier support in agricultural and food-processing research, training, supervision and quality control of field operators will also be contracted to specialized private and/or government institutions, including FONAIAP, the Polar Foundation and national universities.

32. Project beneficiaries will participate in project activities through community and municipal committees, which will be responsible for selecting and approving social investment projects in coordination with project social promoters. A specialized production committee will select, approve and oversee productive investment proposals, working with PMU staff. Elected beneficiaries from the above-mentioned committees will participate in project monitoring and evaluation activities and in the Directive Committee.

33. **Gender considerations.** Gender-related experiences and recommendations raised and analysed by the Programme for the Strengthening of Gender Issues in IFAD's Projects (PROSGIP) will be implemented and monitored by the project specialist. Gender parity will be observed in all staff opportunities created by the project. The gender expert will monitor activities related to nutritional improvement. Among contracted, private training and technical-support organizations, at least 30% of social and agricultural extension field staff will be women.

### **G. Economic Justification**

34. The project will benefit 12 000 rural families, including those headed by 8 000 agricultural producers and 1 500 small industrial processors and entrepreneurs. Local, small savings-and-loan organizations will be established, benefiting at least 500 families. Social investments and works will improve the living conditions of 2 000 additional rural families. A total of 5 000 rural women, including heads of households and partners of small-scale producers and processors will benefit from technical assistance, training and capitalization funds. A total of 800 men and women local leaders and 60 professional staff from the PMU and contract-services operators will be trained in concepts and methodologies of gender-balanced rural development processes. The project will promote and support the rural development process of six municipalities in the Barlovento region. At the end of the project, social, economic and civil-society organizations will be active participants in local, municipal and state rural-development programmes. Economic organizations will improve their productive levels, links and relationships with local, national and external markets.

35. A total of 4 000 families will renew cacao plantations and at least 1 000 will increase the area planted with mandarin oranges. Improvements in agricultural and microenterprise production will result in an incremental production equivalent to USD 24.00 million. Labour intensification at the



farm level, renewal of plantations and soil- and water-conservation works will generate 810 000 person-days, equivalent to 2 900 new labour posts. At the end of the project, beneficiary families will have USD 15.00 million in annual incremental income.

36. The project will focus on the improvement of the nutritional status of its beneficiaries through improved income, family training courses and support nurseries, which provide daily care, sanitation and feeding of six-month to six-year-old children. Nurseries are government financed and operated through local NGOs and other civil organizations. Social capitalization funds will provide resources, at beneficiary request, to improve the operation of nurseries. At the end of the project, an improved nutritional level is expected for beneficiary families.

37. Strategies and field methodologies applied to rural and productive development will be shared, discussed and evaluated with other IFAD- and donor-supported projects in Venezuela, as well as with officials from the Vice-Ministry of Agriculture through the Inter-Institutional Committee for Methodological Coordination. Thus best practices and knowledge-sharing will help strengthen the government portfolio of conceptual and operational alternatives for rural development and poverty alleviation.

### **H. Risks**

38. Rural development and poverty alleviation based on a whole-farm, agro-productive-chains approach present limited biological, productive, market and environmental risks. Project risks are associated with potential changes in rural-development and poverty-alleviation policies after the July 2000 national elections, as well as restrictions of an institutional, administrative or financial nature that may occur during project implementation.

39. A shift in rural-development policies could affect the operational priority and financial resources currently allocated to MPC. The creation of the Directorate General for Rural Development under the Vice-Ministry of Agriculture of MPC in 1999 and its sustained priority within national programmes provide assurances that no major changes in policies and/or financial priorities will occur during the present administration. Due to confirmation of this administration in the July 2000 elections, there are strong possibilities that current policies will continue.

40. Venezuela's budgetary crisis associated with low petroleum prices has ended. Even though there are several priority areas for government investment, rural development and poverty alleviation are still top government priorities. During loan negotiations, assurances were sought and received regarding MPC budget allocations for counterpart resources.

### **I. Environmental Impact**

41. The project has been tentatively classified as Category B, based on the fact that the potential impacts identified can be addressed through environmentally sensitive recommendations and interventions. Investments and actions under the technologies proposed for cacao, mandarin oranges, banana and tropical roots will alleviate and recover some of the areas in danger of degradation. Thus agricultural and microenterprise technical assistance will be consistent with safe practices in terms of soil, water and vegetation conservation and the regulated use of pesticides and chemicals. Soil-conservation practices in sloped areas will be financed through the productive fund. The conservation of over 30 000 ha of cacao plantations will have a long-term positive impact in the project area. Reduction of soil erosion, better watershed management and restoration of biodiversity are among the expected environmental benefits. Technical advice provided to small-scale agricultural and non-agricultural enterprises will correct and/or avoid environmental damage caused by pollution discharges.



### **J. Innovative Features**

42. The simultaneous implementation of three innovative features included in the project design and operative structure are expected to have a catalytic effect on the processes of poverty alleviation and rural development in the Barlovento region. Innovative features include: (i) integrated implementation of rural-development and productive-chain-development components, which address the social and economic constraints of project beneficiaries in synchrony and coordination and in a participatory manner; (ii) an agro-productive-chains approach to agricultural and non-agricultural development that focuses on the simultaneous solution of production, post-harvest, transformation and market constraints present in beneficiary economic activities, thus promoting incremental income through vertical, horizontal and market integration; and (iii) organization of an inter-institutional mechanism to promote the exchange of proven methodologies and best practices among IFAD-, government- and other donor-supported projects and programmes in Venezuela.

### **PART III - LEGAL INSTRUMENTS AND AUTHORITY**

43. A loan agreement between the Bolivarian Republic of Venezuela 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.

44. The Bolivarian Republic of Venezuela is empowered under its laws to borrow from IFAD.

45. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

### **PART IV - RECOMMENDATION**

46. 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 Bolivarian Republic of Venezuela in various currencies in an amount equivalent to nine million seven hundred and fifty thousand Special Drawing Rights (SDR 9 750 000) to mature on and prior to 15 June 2015 and to bear an interest rate equal to 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 26 July 2000)

1. For the purpose of financing execution of the project, the Government of the Bolivarian Republic of Venezuela, through MPC, the executing agency, will transfer loan funds to CIARA as non-reimbursable budget allocations under an implementation and loan administration agreement to be signed by MPC and CIARA in accordance with the provisions established in the loan agreement. MPC will exercise its rights under the implementation and loan administration agreement in such a way as to safeguard the rights of the Government and of IFAD and accomplish the purposes of the project, and unless IFAD and the Government agree otherwise, MPC will not convey, amend, revoke or rescind the implementation and loan administration agreement or any provisions thereof.
2. As soon as possible after the signing of the loan agreement, but in no case later than thirty (30) days from the date of effectiveness, MPC will open and maintain a project account in Venezuelan bolivares for project operations in the Venezuelan Credit Bank.
3. In addition to the loan proceeds, the Government will make available to CIARA, promptly as needed, funds, facilities, services and other resources as may be required to implement the project in accordance with the loan agreement. Without limiting the generality of the aforesaid, the Government will deposit counterpart funds in the project account as soon as possible, but in no case later than thirty (30) days from the date of effectiveness, in an initial amount equivalent to USD 500 000 for the purpose of defraying project implementation costs for the first year, and will replenish the project account annually in advance by depositing the counterpart funds called for in the annual work plan and budget (AWP/B) for the respective project year.
4. During project implementation, MPC will establish and maintain a Directive Committee as part of its structure, with terms of reference acceptable to IFAD, to provide overall project guidance and with responsibility for approval and supervision of the AWP/B, supervision of general administrative management and coordination of the project with sectoral plans and programmes.
5. During project implementation, MPC will establish and maintain an Inter-Institutional Committee for Methodological Coordination, with terms of reference acceptable to IFAD, with the objective of systematizing the application of rural-development and poverty-alleviation methodologies.
6. CIARA will take all necessary measures to ensure the adoption, not later than ninety (90) days from the date of effectiveness, of a project implementation manual acceptable to IFAD in form and content.
7. The project will be administered by a Project Management Unit (PMU) located in the city of Caucagua in the Barlovento region, which CIARA will establish and maintain at its headquarters throughout the project implementation period, ensuring that the PMU maintains a structure and terms of reference acceptable to IFAD and that it be equipped with the human and financial resources, including resources for specialized gender studies, necessary to the full performance of its duties. The PMU will report directly to CIARA and will be responsible for management of day-to-day operations and monitoring of project activities, quality control of the application of methodologies with a gender focus by contracted implementing agencies, and handling of resources to finance national and international technical assistance to the project. The PMU will contract public and private institutions for the services needed to implement promotion of rural development and sustainable development of agro-productive chains under the project. To ensure the efficient selection and involvement of those implementing agencies offering services, CIARA will adopt administrative services regulations acceptable to IFAD in form and content not later than ninety (90) days from the date of effectiveness.



8. To implement promotion of rural development under the project, the PMU will contract second-tier specialized institutions and, more specifically: (a) the Polar Foundation, not later than ninety (90) days from the date of effectiveness, to ensure its involvement in the training of technical assistants, men and women rural leaders and economic organizations in the areas of processing and marketing; (b) national and state universities; and (c) foundations, NGOs and other national agencies to provide support on specific requested topics.
9. To implement the sustainable development of agro-productive chains under the project, the PMU will contract the services of: (a) first-tier implementing agencies, consisting of firms, professional groups and/or organizations, NGOs, foundations and other relevant agencies that will provide direct support services to beneficiaries, acting as implementing agencies in the field; and (b) second-tier implementing agencies, consisting of specialized institutions and national universities that will provide services in training and quality control to the implementing agencies in the field and, specifically, will ensure, not later than ninety (90) days from the date of effectiveness, the services of FONAIAP regarding generation and validation of the best technologies, training of extension agents and beneficiaries and quality control of agricultural extension services within the framework of the technical cooperation agreement of 17 December 1996 between CIARA and FONAIAP.
10. To accomplish the objectives of rural capitalization under the project, the Government will take all measures conducive to the application of those methodologies and instruments validated as useful by the IFAD-financed project PRODECOP, gradually incorporating the PRODECOP instruments (credit and guarantee funds) until they have been fully inserted in the project's formal system of rural financing and, specifically, will adopt, no later than ninety (90) day from the date of effectiveness, financing regulations acceptable to IFAD in form and content.
11. IFAD may suspend, in whole or in part, the right of the Government to request withdrawals from the loan account upon the occurrence of any of the events listed in the General Conditions, or if the project implementation manual, financing regulations, administrative services regulations or any provisions thereof have been suspended, revoked, waived, amended or modified without the prior consent of IFAD and IFAD has determined that this suspension, revocation, waiver, amendment or modification has had or is likely to have material adverse effect on project implementation.
12. Effectiveness of the loan agreement will be subject to the following conditions precedent:
  - (a) MPC has confirmed the composition and establishment of a project Directive Committee acceptable to IFAD and in accordance with the provisions of the loan agreement;
  - (b) MPC has established the PMU and has selected and appointed a project director acceptable to IFAD and in accordance with the provisions of the loan agreement;
  - (c) the Government has delivered to IFAD a copy of the signed project implementation and loan administration agreement, in form and substance acceptable to IFAD, certified as authentic and complete by a competent official of the Government, and the Government's and CIARA's signatures and performance of their obligations thereunder have been duly authorized and ratified through all the institutional, administrative and governmental procedures required;
  - (d) the loan agreement has been duly signed, and the Government's signature and performance of its obligations thereunder have been duly authorized and ratified through all the institutional, administrative and governmental procedures required; and
  - (e) the Government has presented IFAD with a favourable opinion, issued by the legal counsel designated by the Government and approved by IFAD, in form and substance acceptable to IFAD.

## COUNTRY DATA

## VENEZUELA

<b>Land area (km<sup>2</sup> thousand) 1997 1/</b>	<b>882</b>	<b>GNP per capita (USD) 1998 2/</b>	<b>3 530</b>
<b>Total population (million) 1998 1/</b>	<b>23.2</b>	<b>Average annual real rate of growth of GNP per capita, 1990-98 2/</b>	<b>-0.1</b>
<b>Population density (people per km<sup>2</sup>) 1998 1/</b>	<b>26</b>	<b>Average annual rate of inflation, 1990-98 2/</b>	<b>49.2</b>
<b>Local currency</b>	<b>Bolivar (VEB)</b>	<b>Exchange rate: USD 1.00 =</b>	<b>VEB 660</b>
<b>Social Indicators</b>		<b>Economic Indicators</b>	
Population (average annual population growth rate) 1980-98 1/	2.4	GDP (USD million) 1998 1/	95 023
Crude birth rate (per thousand people) 1998 1/	25	Average annual rate of growth of GDP 1/	
Crude death rate (per thousand people) 1998 1/	4	1980-90	1.1
Infant mortality rate (per thousand live births) 1998 1/	21	1990-98	2.2
Life expectancy at birth (years) 1998 1/	73	Sectoral distribution of GDP, 1998 1/	
Number of rural poor (million) (approximate) 1/	n.a.	% agriculture	5
Poor as % of total rural population 1/	n.a.	% industry	34
Total labour force (million) 1998 1/	9.3	% manufacturing	14.9
Female labour force as % of total, 1998 1/	34.1	% services	61
<b>Education</b>		Consumption, 1998 1/	
Primary school gross enrolment (% of relevant age group) 1997 1/	91.3	General government consumption (as % of GDP)	7.5
Adult literacy rate (% of total population) 1997 3/	92	Private consumption (as % of GDP)	72.9
<b>Nutrition</b>		Gross domestic savings (as % of GDP)	
Daily calorie supply per capita, 1996 3/	2 398	<b>Balance of Payments (USD million)</b>	
Prevalence of child malnutrition (height for age % of children under 5) 1992-98 1/	14.9	Merchandise exports, 1998 1/	17 564
Prevalence of child malnutrition (weight for age % of children under 5) 1992-98 1/	5.1	Merchandise imports, 1998 1/	14 816
<b>Health</b>		Balance of merchandise trade	
Health expenditure, total (as % of GDP) 1990-98 1/	7.5	2 748	
Physicians (per thousand people) 1990-98 1/	2.4	Current account balances (USD million)	
Percentage population without access to safe water 1990-97 3/	21	before official transfers, 1998 1/	-2 408
Percentage population without access to health services 1981-92 3/	n.a.	after official transfers, 1998 1/	-2 562
Percentage population without access to sanitation 1990-97 3/	42	Foreign direct investment, 1998 1/	
<b>Agriculture and Food</b>		4 435	
		<b>Government Finance</b>	
Food imports as percentage of total merchandise imports 1998 1/	12.2	Overall budget surplus/deficit (including grants) (as % of GDP) 1997 1/	2.2
Fertilizer consumption (hundreds of grams per ha of arable land) 1995-97 1/	1 116	Total expenditure (% of GDP) 1997 1/	21
Food production index (1989-91=100) 1996-98 1/	114.4	Total external debt (USD million) 1998 1/	37 003
<b>Land Use</b>		Present value of debt (as % of GNP) 1998 1/	40.4
Arable land as % of land area, 1997 1/	3	Total debt service (% of exports of goods and services) 1998 1/	27.4
Forest area (km <sup>2</sup> thousand) 1995 1/	440	Nominal lending rate of banks, 1998 1/	
Forest area as % of total land area, 1995 1/	49.9	34.8	
Irrigated land as % of cropland, 1995-97 1/	5.7		

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*, 2000

2/ World Bank, *Atlas*, 2000

3/ UNDP, *Human Development Report*, 1999

## PREVIOUS IFAD LOANS TO VENEZUELA

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)
Sucre Support Project for Small Producers	IFAD	CAF	O	28 Apr 88	22 Feb 89	31 Dec 98	L - I - 222 - VE	SDR	7 800 00	99.9%
Support Project for Small Producers in the Semi-Arid Zones of Falcon and Lara States	IFAD	CAF	O	04 Apr 91	25 May 93	30 Jun 02	L - I - 279 - VE	SDR	11 350 000	55.6%
Economic Development of Poor Rural Communities Project	IFAD	CAF	O	11 Sep 96	25 Jun 98	31 Dec 04	L - I - 427 - VE	SDR	8 250 00	15.3%



## LOGICAL FRAMEWORK

Narrative Summary	Gender-Specific Indicators <sup>1</sup>	Means of Verification	Assumptions and External Risks
<p><b>Development Objective</b></p> <p>Sustainable improvement of poor small farmers' social and economic conditions in the Barlovento region in northern Venezuela</p>	<ul style="list-style-type: none"> <li>- Increased monetary income (women, men)</li> <li>- Degree of capitalization of family farm enterprise or microenterprise</li> <li>- Increased food security within the family</li> <li>- Better nutritional status</li> <li>- Decrease in percentage of families below the poverty line</li> <li>- Fewer unmet basic needs</li> </ul>	<ul style="list-style-type: none"> <li>- Mid-term, final and ex-post evaluations</li> </ul>	
<p><b>Project Objective</b></p> <p>Beneficiary poor families participating in the project manage productive and non-productive activities in an efficient and sustainable manner because of improved productive social and organizational capabilities.</p>	<ul style="list-style-type: none"> <li>- No. of beneficiaries with improved production and productivity for new cash crops and traditional, local permanent crops (men and women)</li> <li>- Improvement of rational use and conservation of local natural resources</li> <li>- Degree of diversification of the production system</li> <li>- No. of grass-roots organizations conducting profitable activities of production, transformation and marketing</li> <li>- No. of female household heads with increased income facilities</li> <li>- No. of organizations with higher volume and margins of directly commercialized products</li> <li>- Increased microenterprise profits</li> <li>- Percentage of beneficiaries in new economic pursuits (men and women)</li> <li>- Degree of productive investment (men and women)</li> <li>- Relationship between projects presented and approved for funding</li> <li>- Number and amount of financing activities by third partners</li> <li>- Degree of women's participation in positions of responsibility in beneficiary and municipal organizations, development councils, unions or associations</li> <li>- No. of organizations with directly contracted extension services</li> <li>- No. of organizations with a functional management</li> <li>- No. of men and women farmers with land titles</li> </ul>	<ul style="list-style-type: none"> <li>- Mid-term, final and ex-post evaluations</li> <li>- Participatory rural appraisal</li> <li>- Process documentation by the Planning and Monitoring Unit</li> <li>- Specific studies</li> <li>- Specific, annual report in land titling indicating sex of beneficiaries completed with project support.</li> </ul>	<p>New political and institutional setting of the government rural development policy positively acknowledges the institutional and administrative setting of the project. The Government of Venezuela assures budget allocations for counterpart resources.</p>

<sup>1</sup> All indicators should be differentiated by gender. Some indicators are specified by women and men.



Narrative Summary	Gender-Specific Indicators	Means of Verification	Assumptions and External Risks
<p><b>Outputs</b></p> <p>1. The promotion of rural-development component has developed and strengthened entrepreneurial and organizational management skills and the capacity for participation in local rural-development actions and productive projects of beneficiaries.</p>	<ul style="list-style-type: none"> <li>- No. of groups trained in formulation, management and administration of projects</li> <li>- No. of beneficiaries assisted in building up economic and civil organizations (men and women)</li> <li>- No. of beneficiaries (men and women) trained in entrepreneurial and organizational management skills.</li> <li>- No. of leaders (men and women) trained in management of farmer organizations</li> <li>- No. of staff of rural-development agencies trained in rural-development promotion services</li> <li>- No. of staff of rural-development agencies trained in aspects of management</li> <li>- No. of development agents and beneficiaries trained in gender issues</li> <li>- Degree of capacity of beneficiary groups to participate in local rural-development actions</li> <li>- Availability to rural organizations of instruments, materials and mechanisms for the promotion of gender issues</li> <li>- No. of social and productive projects approved on the basis of participatory appraisals</li> </ul>	<ul style="list-style-type: none"> <li>- Information systems of the Planning and Monitoring Unit</li> <li>- Database of promotion of rural development</li> </ul>	<p>1. Political interference by unsupportive leaders and local authorities can be contained by community initiatives (“bottom-up pressure”)</p> <p>2. Political change does not negatively impact the PMU</p> <p>3. Private support agencies identify themselves with project philosophy and development strategy</p>
<p>2. Innovative, efficient and participatory demand-driven extension and technical assistance services are providing environmentally sound techniques, market information and knowledge systems for the full agro-productive development chain and diversified non-agricultural income-generating activities.</p>	<ul style="list-style-type: none"> <li>- No. and quality of on-farm test/validation trials</li> <li>- Degree of availability and quality of information on technologies and management techniques for agricultural products and non-agricultural activities</li> <li>- No. of families familiarized with new technical agricultural innovations for the local farming system</li> <li>- No. of beneficiaries trained in productive, processing and marketing activities</li> <li>- No. of women with knowledge of high-nutritional-value crops</li> <li>- No. of beneficiaries (men and women) trained in aspects of nutrition</li> <li>- Degree of awareness of the messages disseminated by the extension and technical assistance service</li> <li>- No., type and quality of rural development services</li> <li>- Degree of integration of gender-related activities and socio-cultural issues into these services</li> <li>- No. of extension agents with specialized skills and knowledge in marketing</li> <li>- No. of farmer groups and leaders with specialized skills and knowledge in marketing</li> <li>- No. of organizations with x type of products involved in trade negotiations</li> <li>- No. of microenterprises created and functioning after a certain period</li> <li>- Availability of a market information system for agricultural and non-agricultural production</li> </ul>	<ul style="list-style-type: none"> <li>- Information systems of the Planning and Monitoring Unit</li> <li>- Information and documentation by extension and support services</li> </ul>	<p>.</p>



Narrative Summary	Gender-Specific Indicators	Means of Verification	Assumptions and External Risks
<p>3. Local investment fund is functioning for production, marketing, microenterprise development and social investments.</p>	<ul style="list-style-type: none"> <li>- Volume of social investments by x groups with y members (men and women)</li> <li>- Volume and type of productive investments (repayable and non-repayable)</li> <li>- Proportion of investments foreseen for conservation measures</li> <li>- No. and type of activities for marketing and microenterprise</li> <li>- % of contribution of the beneficiaries to the fund</li> <li>- % of beneficiaries familiar with key aspects of access to the LIF and operational rules and regulations</li> </ul>	<ul style="list-style-type: none"> <li>- Information systems of the Planning and Monitoring Unit</li> <li>- Data of the LIF</li> </ul>	
<p>4. Small-scale self-governing financial organizations created by the beneficiaries are strengthened or consolidated.</p>	<ul style="list-style-type: none"> <li>- No. of small-scale self-governing financial organizations consolidated</li> <li>- No. of groups with skills in creating a local financial institution</li> <li>- No. of local financial organizations supported by credit for training</li> <li>- % repayment rate and % of written-off/bad loans</li> <li>- Rate of interest (active and passive) in relation to market rates</li> <li>- No. and kind of disbursements (men/women)</li> <li>- Credit-portfolio growth rate and performance</li> </ul>	<ul style="list-style-type: none"> <li>- Information systems of the Planning and Monitoring Unit</li> <li>- Data of financial organizations</li> </ul>	
<p>5. Management support system for the project led by the Ministry of Production and Commerce (MPC) is functioning and integrating beneficiaries, their organizations and private training and technical-support organizations.</p>	<ul style="list-style-type: none"> <li>- The forthcoming annual work plan agreed by consensus at the end of each year</li> <li>- Planning and implementation gap decreased 10% annually</li> <li>- Turn-over strategy accepted by all partners in PY 3</li> <li>- No. of agreements signed with executing institutions</li> <li>- Those governmental institutions and NGOs involved in planning, implementation and evaluation of project activities complete 90% of the signed contracts</li> <li>- No. of staff trained in gender issues</li> <li>- Degree of gender-orientation of project services</li> <li>- Baseline study and evaluations successfully realized</li> </ul>	<ul style="list-style-type: none"> <li>- Monitoring and evaluation formats</li> <li>- Agreements</li> <li>- Minutes of meetings</li> <li>- Documentation of the Planning and Monitoring Unit</li> </ul>	

Principal activities	Principal activities	Principal activities
<p><b>Output 1: Promotion of Rural Development</b></p> <p>1.1 Elaborate and provide techniques, modalities and methodological instruments for rural promotion activities and training</p> <p>1.2 Incorporate existing experience in rural promotion</p> <p>1.3 Train PMU and contracted-institutions staff in carrying out their activities related to organizational development</p> <p>1.4 Train beneficiaries in formulation and management of projects</p> <p>1.5 Promote the creation and consolidation of organizations based on common economic activities</p> <p>1.6 Organize and conduct leadership training courses</p> <p>1.7 Provide technical assistance in land-tenure problems and legalization issues</p> <p>1.8 Transfer negotiation and empowerment techniques and knowledge</p> <p>1.9 Support development of the capability of self-expression to aid active participation in the rural-development process of municipalities and other state organizations</p> <p>1.10 Provide training programmes for all involved parties to incorporate gender issues</p> <p>1.11 Provide training in gender and equity in local schools</p>	<p><b>Output 3: Local Investment Fund (LIF)</b></p> <p>3.1 Design, create and operate a social fund</p> <p>3.2 Design, create and operate a productive investment fund</p> <p>3.3 Design, create and operate a fund for marketing and microenterprise</p> <p>3.4 Establish the relationship between the investment fund and rural financial services</p> <p>3.5 Set up a participatory performance-monitoring system for LIF</p> <p><b>Output 4: Local Rural Financial Services</b></p> <p>4.1 Provide in-service training for financial agents</p> <p>4.2 Provide training and technical assistance to beneficiaries to create a local financial institution</p> <p>4.3 Provide financial assistance for training and equipment</p> <p>4.4 Operate the financial services</p> <p>4.5 Hold coordination meetings with PRODECOP and FONDAPFA</p>	<p><b>Output 5: Component Project Management</b></p> <p>5.1 Establish administrative-procedures agreements with MPC</p> <p>5.2 Select and contract public and private agencies to support communities and beneficiary groups in developing their own initiatives and carrying out needed services</p> <p>5.3 Prepare the annual work plan</p> <p>5.4 Implement an evaluation and monitoring system</p> <p>5.5 Implement an administrative and financial system for the different components of the project</p> <p>5.6 Establish coordination and cooperation mechanisms with public and private agencies</p> <p>5.7 Hold coordination meetings and establish procedures with the public and private agencies participating in the project</p> <p>5.8 Design and implement project coordination with municipal and state government organizations</p> <p>5.9 Build capacity in technical and methodological skills for all parties to the project</p> <p>5.10 Provide technical and methodological instruments to all parties to address gender issues</p> <p>5.11 Provide favourable conditions for the integration of women into project activities</p> <p>5.12 Extensively document and publish project development, at appropriate levels, through an interactive process documentation service</p>
<p><b>Output 2: Sustainable Development of Agro-Productive Chains and of Non-Agricultural Activities</b></p> <p>2.1 Strengthen extension agencies and other services</p> <p>2.2 Test and validate marketable products with beneficiary participation</p> <p>2.3 Provide systematic information on technologies for selected marketable agricultural products and non-agricultural activities</p> <p>2.4 Support second-tier organizations for production, processing and/or marketing initiatives</p> <p>2.5 Carry out a marketing study</p> <p>2.6 Provide technical assistance, through private agencies, for the improvement of the whole farm system and microenterprise development</p> <p>2.7 Train rural women in the production and use of high-nutritional-value crops</p> <p>2.8 Provide training in aspects of marketing for beneficiaries showing a vocation to focus on marketing and the related skills</p> <p>2.9 Provide technical assistance in marketing</p> <p>2.10 Train extension agent in marketing issues</p> <p>2.11 Provide technical assistance and training in technical and management aspects of microenterprise</p> <p>2.12 Set up and outsource a market information system</p>		

6





## REPORT ON THE CONSTRUCTION OF A PARTICIPATIVE LOGICAL FRAME

### PARTICIPATIVE LOGFRAME PLANNING WITH BENEFICIARIES AND IMPLEMENTING AGENCIES: THE BARLOVENTO LEARNING EXPERIENCE: A SINGULAR EVENT OR STEPPING STONE TO INSTITUTIONALIZATION WITHIN IFAD? <sup>1</sup>

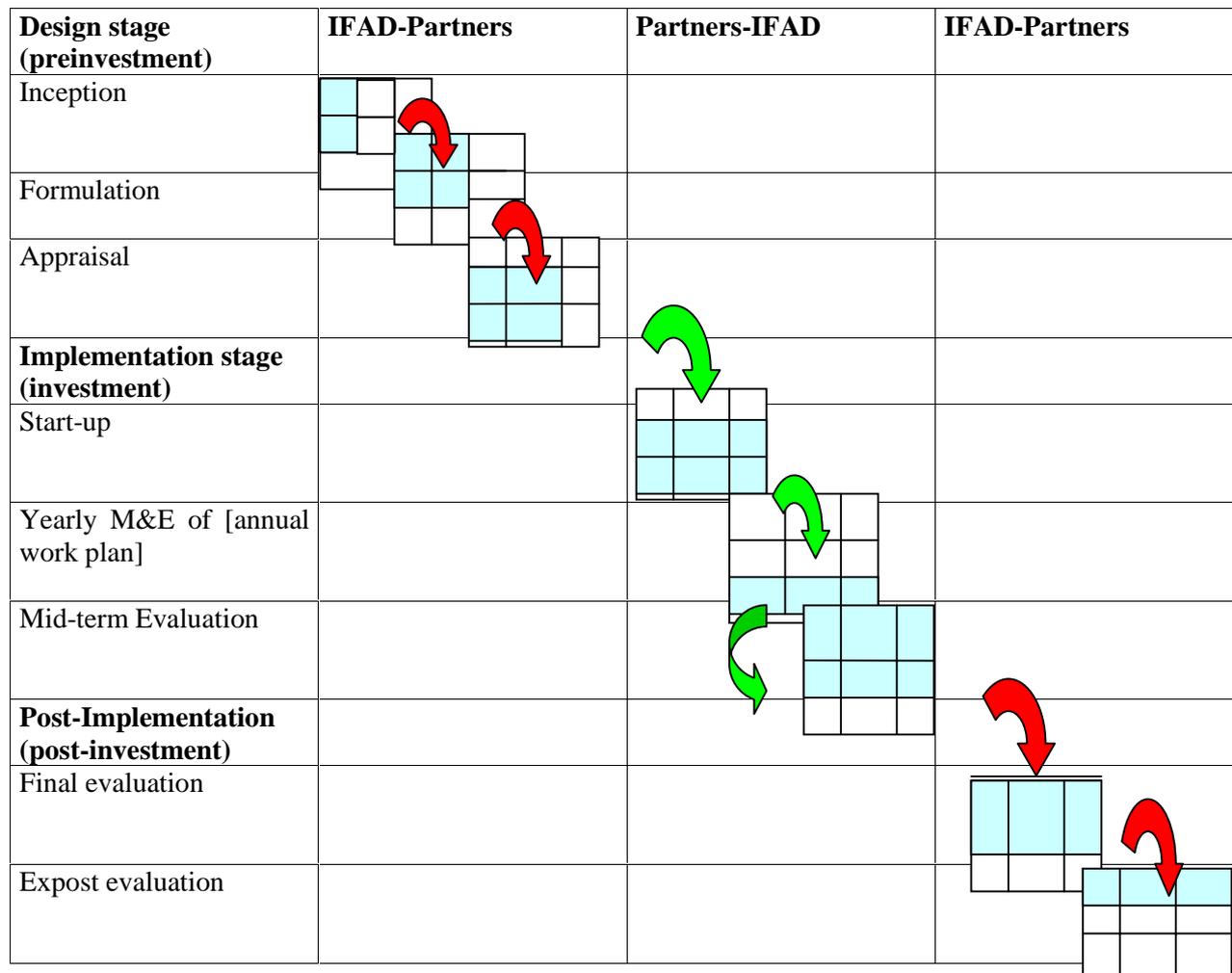
#### INTRODUCTION

1. A notable process of change in the planning and implementation of IFAD projects can be observed of [late] when referring to the participation of local implementing institutions and Civil Society beneficiaries. This change refers to the shift in approach to participation and joint construction of a new [*paradigm*] in relations: away from passive inclusion of recipient objects of projects (farmers [involved] in IFAD project[s], target groups) to proactive and equitable partners of negotiated change (IFAD participates in local initiatives with empowered self determining actors).
2. Participation in all - especially in the earliest - stages of project design and implementation is now commonly acknowledged as the most prominent factor for sustainable and successful project performance. It is within this context that the participative application of LogFrame merits due attention as one of the most important elements in project planning.
3. However, LogFrame is still widely considered in IFAD to be a mere single sheet format required to [be] fill[ed] in as yet another page in the bulky project planning documents. Often LogFrame is judged...as an annoying, time-consuming desk exercise to fulfil planning requirements in HQ. This has led to the formulation of objectives and goal hierarchies in LogFrames that numerous times do not correspond with the respective planning documents like Formulation and Appraisal Mission Reports or even strategic documents like President's Reports.
4. It is of utmost importance to point out that LogFrame should not be considered as a singular event in just any one particular planning stage, rather [it should] be looked upon as an iterative and sequential approach to the adjustment of project planning at different levels of objectives, results, and activities in different stages of project management as illustrated overleaf.
5. LogFrame: steps in the iterative and sequential approach of project planning and implementation

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<sup>1</sup> Report produced by Mrs Barbara Massler, Senior Consultant in Organization Development and Project Management with AGEK Consultants, Kirchheim, Germany, May 2000. Mrs Massler participated in the Appraisal Mission to Barlovento, Venezuela.

**APPENDIX IV**



N.B. The shaded areas in the three different hierarchical levels of the LogFrame cubicle (objectives, outputs, main activities) represent areas of major interest.

6. During Inception (step 1) the TOR of the Formulation Mission should be defined by IFAD and the recipient country in a LogFrame format (major overall goals, risk analysis, alternatives, possible institutional scenarios).

7. The joint Formulation Mission using participatory appraisal techniques then produces a LogFrame (step 2) with an approximate structure (first draft and alternative options) of the goals, outputs, qualitative indicators and major assumptions (levels 1 and mainly 2 of shaded areas).

8. After IFAD clearance and structural (re)orientation by [the Technical Review Committee (TRC)], this comprehensive planning document is presented to the recipient Government and upon acceptance is then locally discussed, enriched and adjusted in a participative planning workshop during Appraisal (step 3). It is during this workshop that more operational issues are addressed by the local actors, the prospective management team and identified implementing agencies. They should especially treat the character of mutual commitments should the project proposal be approved by IFAD and the involved Government (levels 2, 3 and mainly 4 of shaded areas).

9. Once the Loan is approved and effective..., it is during the Start-up Workshop (step 4) that the initial or core management team, the local actors and accredited implementing agencies modify the



Participatory Appraisal Logframe to account for the changes in the local and institutional setting that frequently occur during the transitional period between Appraisal and [effectiveness] of the Loan. Based upon these modifications in the Participatory Appraisal Logframe, the first year's LogFrame is defined operationally in the Annual Plan of Work (shaded area level 4).

### **THE BARLOVENTO (VENEZUELA) SHOWCASE**

10. In order to be able to create valuable learning experiences for further institutionalisation within the LAC Division, its management has initiated an explicit and highly innovative sequence of participative project planning exercises. The newly identified "Agro-Productive-Chains Development Project in the Barlovento Region Venezuela" was chosen as a first stepping stone towards this goal.

11. A Consultants' Mission was then fielded for Formulation (early 2000) and a first comprehensive LogFrame containing the general strategy of the project and its components was constructed with local partners of the Ministry of Production and Commerce (step 2). During field trips to the Barlovento region the general needs of the beneficiary population could be corroborated but little direct involvement of the local actors was called for at this particular stage.

12. After receiving valuable comments from TRC, the Appraisal Mission then went back [in] mid-2000 and, in order to be able to address TRC and other pending issues, undertook a workshop called "Logical Framework, a participatory model of planning".

13. This participatory (re)planning workshop was planned and conducted by the mission on the 17<sup>th</sup> and 18<sup>th</sup> of May 2000 [so] as to enable the local actors and future implementing agencies to revise and improve the comprehensive LogFrame elaborated by the Formulation Mission.

14. Combined with the workshop a Participatory Rapid Analysis was undertaken by the Appraisal Mission. Due to the altogether new situation of a participatory planning process, serious time limitations, and logistical constraints it was impossible to feed the results of the PRA into the Workshop as would have corresponded to a logical sequence of events, however, the PRA corroborated the general conclusions and recommendations made by the participatory planning workshop .

15. The objectives of the workshop were defined as follows:

- The workshop participants have discussed and revised the Logical Framework established by the formulation mission, especially the objectives and outputs
- Major activities, including gender issues for the respective outputs have been elaborated and institutional responsibilities have been discussed.

16. Representatives of the Ministry of Production and Commerce, the National Investigation and Technical Assistance Fund, the National Institute of Vocational Training-INCE, the [Polar Foundation], the other major NGOs, farmers' co-operatives and (second tier) organisations, and individual producers were present during the two day workshop. A highly representative number of women participated under equal conditions and made full use of the opportunities to let their points of view be known.

17. The methodological approach of the workshop was characterised by a very concise and easily understandable introduction by the moderator to the logical sequence of goals, purposes and outputs using day-to-day examples from the region, a strongly visualised presentation of the LogFrame, and explanatory short statements by members of the Mission.



18. Group discussions and plenary sessions allowed for a high degree of genuine participation where results were made known using visualisation techniques such as pinboards and coloured cards with statements to document the actors' contributions. The workshop was facilitated by the author-moderator to provide for a maximum of opportunities of participation for all participants.
19. The discussions resolved many open questions and pending issues both for the actors, the (prospective) implementing agencies as well as the Appraisal Mission.
20. The most salient features of the workshop are that implementing agencies and their client-actors got together under equitable terms at one and the same negotiation table prior to project implementation, clarified respective roles and responsibilities (and hence dampened expectations back to a more realistic level) and that a consensus was reached about the future implementation of the project.
21. This way important steps are made towards local commitment, a sense of ownership and the groundwork is laid to a promising extent for future social accountability issues.
22. In particular, the following results have been achieved:
  - The participants have understood the Logical Framework as a major planning tool for all involved within the Project Development Cycle (PDC).
  - The participants have shown a comprehensive understanding of the project components and their interrelationships ("synergy effects").
  - The drafted outputs have been revised and adapted in the Logical Framework and are hence fully compatible with the Main Report of the Appraisal Mission.
  - The participants have formulated the major activities corresponding to the respective outputs and their statements and opinions have been taken into account [in] the reformulation of the Logical Framework ("sense of ownership").
  - The strengths, potentials, weaknesses and deficiencies of the major executing agencies have been discussed publicly and remedies have been proposed to overcome those weaknesses ("social accountability").
23. All actors, including the Ministry of Production and Commerce and National Investigation and Technical Assistance Fund, showed a high degree of participation during the workshop, demonstrated great interest and voiced their demands for future participative planning and monitoring ("social accountability") [so] as to be able to tailor the offer of development services facilitated by the project to their needs and potentials for their full use and benefit.

### **LESSONS LEARN[ED] OR SINGULAR EVENT?**

24. It was the very first time that the participants of the Barlovento Region were involved in a rural development project planning process, let alone one of IFAD's planning processes. As expressed by the participants, their early involvement will contribute significantly to the local development of a binding sense of ownership, the best security for sustainable results and impacts.
25. It is highly recommended that their expectations be fulfilled, which can be reached through continuing the sequence of participative planning and monitoring (LogFrame approach) reaching full maturity in all planning and replanning stages of the project right from the start to its very end.



APPENDIX IV

26. It is also highly recommended that this sequence be utilised for complementing LogFrame planning with setting up a participative M&E system that should contain strong elements of social accountability.
27. A screening and qualifying procedure can be thought of that would enable the LAC Division to ensure that its consultants are familiar with LogFrame sequences and can apply the essential elements in Formulation, Appraisal and further steps.
28. The major findings of the workshop are documented in the corresponding appendices.

## BENEFICIARY VIEWS OF THE PRESENT AND FUTURE OF THEIR COMMUNITIES

CUPIRA, COMUNIDAD DE PRODUCTORES DE YUCA – CASABE



Mujeres trabajando. Las condiciones actuales de la comunidad.

MANGO DE OCOITA, COMUNIDAD DE PRODUCTORES DE CACAO



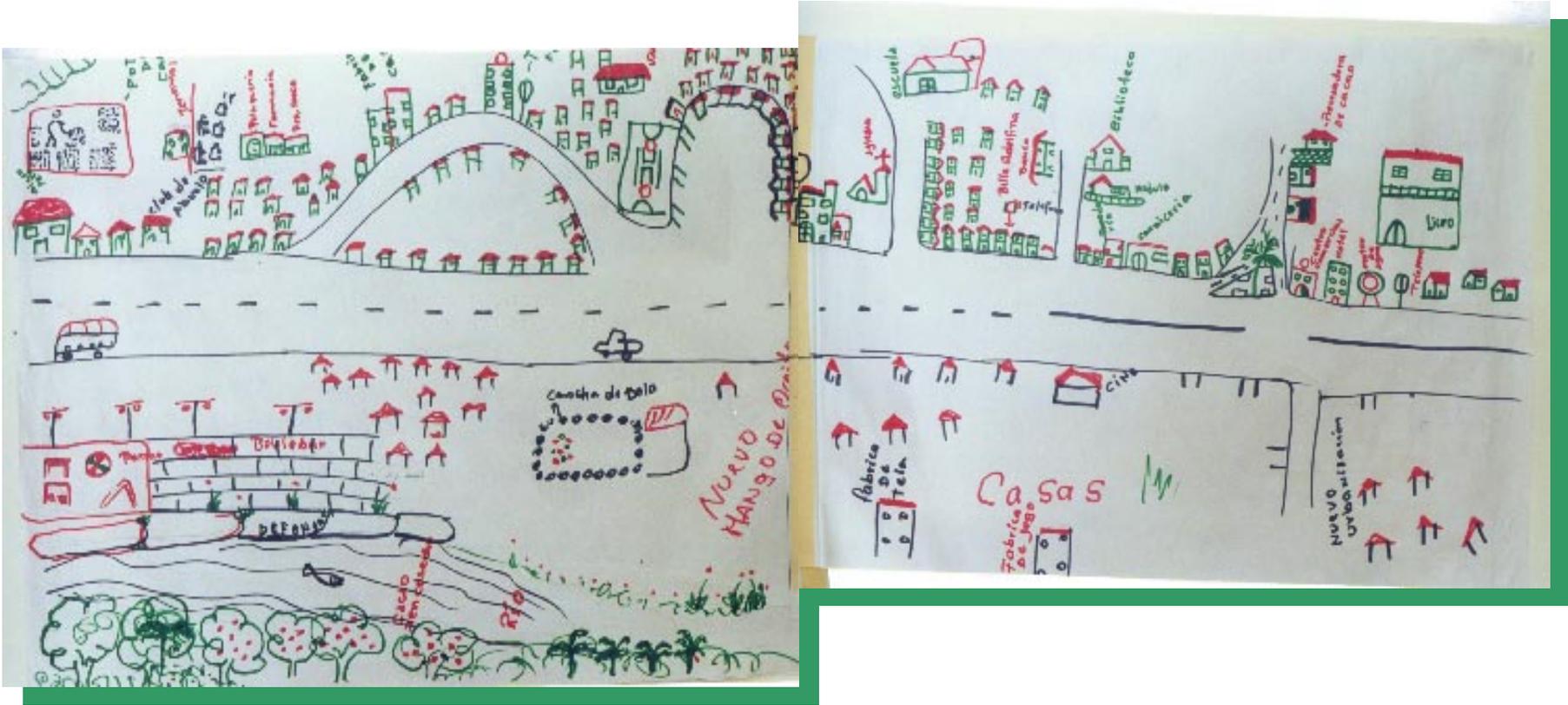
Condiciones actuales de la comunidad vista por los hombres

MANGO DE OCOITA, COMUNIDAD DE PRODUCTORES DE CACAO



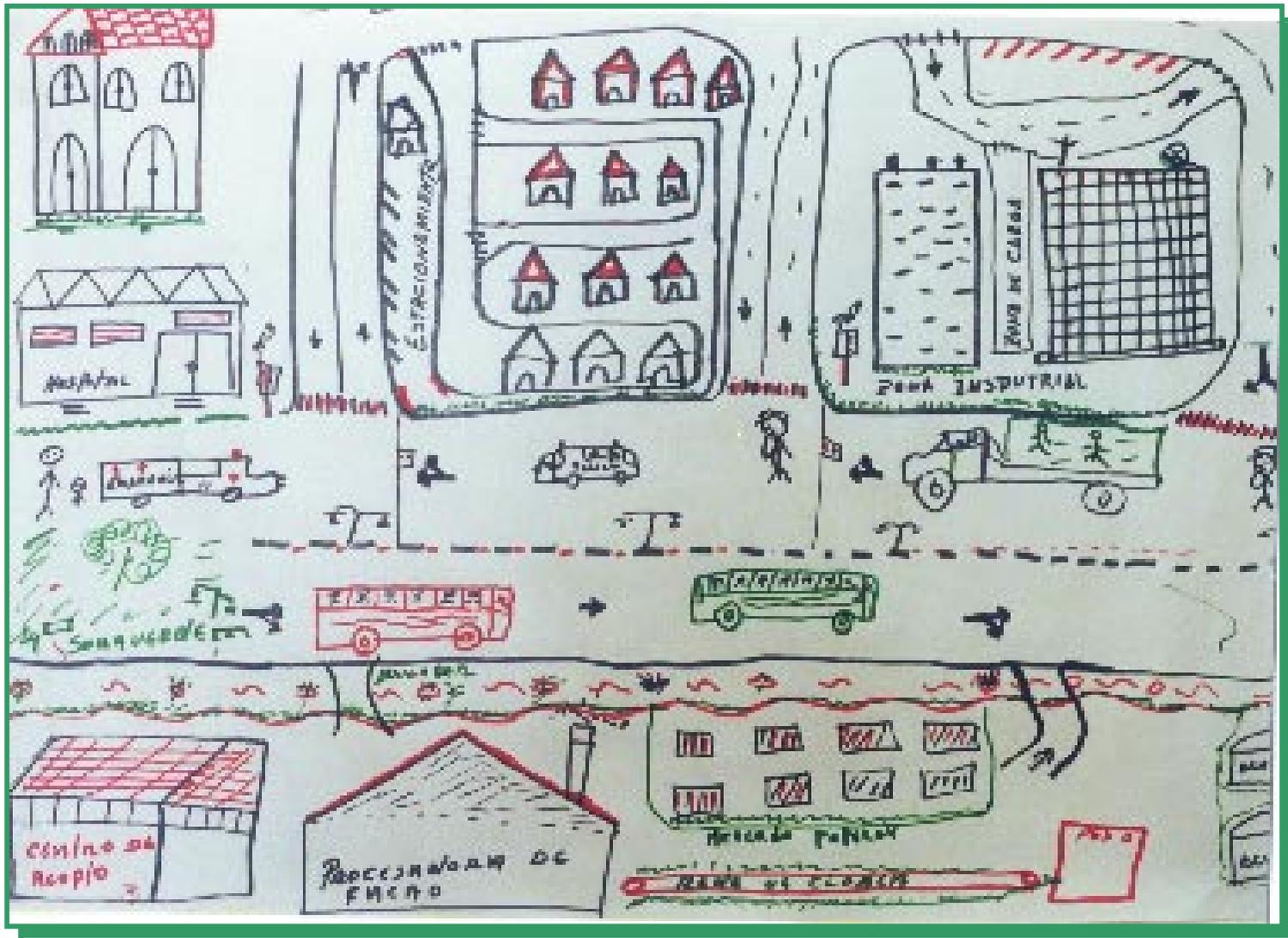
Condiciones actuales de la comunidad vista por las mujeres.

MANGO DE OCOITA, COMUNIDAD DE PRODUCTORES DE CACAO



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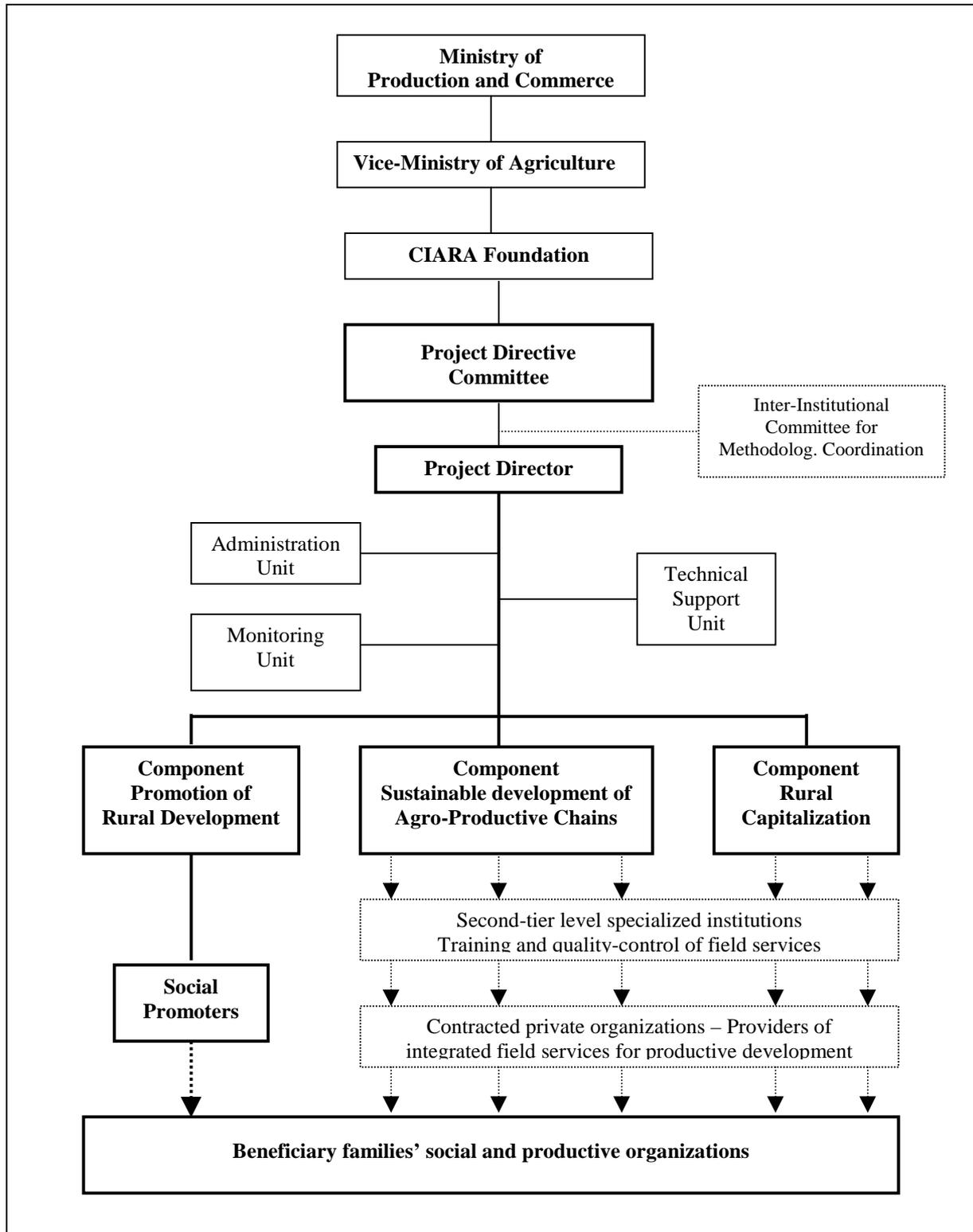
Futuro de la comunidad propuesto por las mujeres



Futuro de la comunidad propuesto por los hombres.



### ORGANIZATION AND MANAGEMENT



**ECONOMIC AND FINANCIAL ANALYSIS**

		<b>ERR*</b> <b>%</b>	<b>NPV**</b> <b>USD '000</b>	<b>Cost/Benefit</b>
1. Full project		19	38 466	1.42
2. Benefit reductions of	10%	16	25 455	1.28
	20%	12	12 444	1.14
3. Cost increments of	10%	16	29 301	1.29
	20%	13	20 137	1.18
4. Project delays	1 year	18	32 853	1.40
	2 years	18	27 513	1.37
	3 years	17	22 465	1.33

\* ERR = economic rate of return.

\*\* NPV = net present value.

