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INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
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REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

EASTERN REPUBLIC OF URUGUAY

FOR THE

**NATIONAL SMALLHOLDER SUPPORT PROGRAMME – PHASE II
(PRONAPPA II)**



TABLE OF CONTENTS

CURRENCY EQUIVALENTS	iii
WEIGHTS AND MEASURES	iii
ABBREVIATIONS AND ACRONYMS	iii
MAP OF THE PROGRAMME AREA	iv
LOAN SUMMARY	v
PROGRAMME BRIEF	vi
PART I THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY	1
A. The Economy and the Agricultural Sector	1
B. Lessons Learned from Previous IFAD Experience	2
C. IFAD's Strategy for Collaboration with Uruguay	3
PART II THE PROGRAMME	5
A. Programme Area and Target Group	5
B. Objectives and Scope	6
C. Components	6
D. Costs and Financing	8
E. Procurement, Disbursement, Accounts and Audit	10
F. Organization and Management	10
G. Economic Justification	11
H. Risks	12
I. Environmental Impact	12
J. Innovative Features	13
PART III LEGAL INSTRUMENTS AND AUTHORITY	13
PART IV RECOMMENDATION	13
 ANNEX	
SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT	15



APPENDIXES

I.	COUNTRY DATA	1
II.	PREVIOUS IFAD LOANS TO URUGUAY	2
III.	COMPARACIÓN DEL PRONAPPA I Y PRONAPPA II (DIFFERENCES BETWEEN PRONAPPA I AND PRONAPPA II)	3
IV.	THE POVERTY ERADICATION ACTIVITIES OF OTHER MAJOR DONORS	5
V.	MARCO LÓGICO (LOGFRAME)	6
VI.	PROGRAMME COMPONENTS	10
VII.	ORGANIZATION AND MANAGEMENT	13



CURRENCY EQUIVALENTS

Currency Unit	=	Peso Uruguayo (UYU)
USD 1.00	=	UYU 11.75
UYU 1.00	=	USD 0.085

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

GTZ	German Agency for Technical Cooperation
IDB	Inter-American Development Bank
MGAP	Ministerio de Ganadería, Agricultura y Pesca (Ministry of Livestock, Agriculture and Fisheries)
M&E	Monitoring and Evaluation
MERCOSUR	Southern Cone Common Market
OEDR	Oficina Especializada de Desarrollo Rural (Specialized Rural Development Office)
OPYPA	Oficina de Planificación y Política Agropecuaria (Agricultural Planning and Policy Office)
PRONADEGA	Programa Nacional de Desarrollo Ganadero (National Livestock Development Programme)
PRONAPPA I	National Smallholder Support Project
PRONAPPA II	National Smallholder Support Programme – Phase II
TA	Technical Assistance
UPCT	Unidad de Proyectos y Cooperación Técnica (Projects and Technical Cooperation Unit)
UNOPS	United Nations Office for Project Services
USAID	United States Agency for International Development

GOVERNMENT OF THE EASTERN REPUBLIC OF URUGUAY

Fiscal Year

1 January - 31 December



MAP OF THE PROGRAMME AREA



IFAD Supported Project

 332-UR (Countrywide)

Source: Appraisal Mission

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.



EASTERN REPUBLIC OF URUGUAY

NATIONAL SMALLHOLDER SUPPORT PROGRAMME – PHASE II (PRONAPPA II)

LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	Eastern Republic of Uruguay
EXECUTING AGENCY:	Ministry of Livestock, Agriculture and Fisheries (MGAP)
TOTAL PROGRAMME COST:	USD 24.50 million
AMOUNT OF IFAD LOAN:	SDR 10.80 million (equivalent to approximately USD 14.00 million)
TERMS OF IFAD LOAN:	18 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
COFINANCIERS:	None
CONTRIBUTION OF BORROWER:	USD 8.00 million
CONTRIBUTION OF BENEFICIARIES:	USD 2.50 million
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	United Nations Office for Programme Services (UNOPS)



PROGRAMME BRIEF

Who are the beneficiaries? The proposed programme (PRONAPPA II) will directly benefit some 10 000 rural poor families (approximately 40 000 beneficiaries). In addition, 5 000 small producer families will benefit from financial services and other support activities. The targeted beneficiaries comprise: (a) rural marginal producer families for which agriculture represents only a part of their family income and in which one or more of the members are forced to work temporarily or permanently off-farm (4 500 families); (b) landless rural families, which constitute the group most vulnerable to urban migration, particularly young women and men (1 500 families); and (c) rural families that have commercial potential, who depend largely on farm income, whose agricultural activities rely on family labour and that generally have low levels of farm investment (4 000 families).

Why are they poor? Rural poverty, particularly for the landless rural workers, has been a persistent feature of Uruguay's agricultural sector, although the causes have varied over time depending on the social, economic and political context. In recent years, Uruguay's smallholders have been exposed to acute fluctuations on international markets for agricultural inputs and commodities, and they are presently losing their competitiveness within the context of the Southern Cone Common Market (MERCOSUR). This vulnerability is one of the main causes of rural poverty in the country, together with the fact that smallholder products are not linked to value-added marketing chains. Rural poverty in Uruguay is also associated with eroding employment opportunities and job security that fuels the exodus of rural youth (particularly women) to the cities.

What will the project do for them? The programme will support the creation of a sustainable institutional framework, including permanent operational mechanisms at the national and municipal levels to combat and prevent rural poverty. Specifically, the programme will: (i) strengthen beneficiary organizations and institutions at the municipal level in order to guarantee participation, ownership and the sustainability of agricultural policies and programme interventions; (ii) provide sustainable access to demand-driven production-support services for small-scale agricultural producers and small and medium-sized enterprises; (iii) improve the access of programme beneficiaries to financial resources to support productive investment and create rural microenterprises and small-scale enterprises; (iv) at the municipal level, strengthen institutional mechanisms for decentralized decision-making and for the coordination of rural development initiatives and investment projects (Rural Development Round Tables); and (v) institute a participatory monitoring and evaluation (M&E) system that will allow for close follow-up of processes, actions and field impact, while fostering learning processes and innovation in rural development and consolidating IFAD-financed subregional thematic networks in rural development and poverty eradication.

How will beneficiaries participate in the programme? Beneficiary organizations are expected to participate directly in all aspects of the programme's implementation and evaluation. Producer associations will play a key role in the Rural Development Round Tables, which will organize municipal service fairs. Representatives of beneficiary organizations will be involved in formulating annual workplans at the municipal level; they will also be consulted regarding the selection of service providers. Individual organizations will prepare their own financing proposals for small subprojects and will be directly responsible for their implementation.

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TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE
EASTERN REPUBLIC OF URUGUAY
FOR THE
NATIONAL SMALLHOLDER SUPPORT PROGRAMME – PHASE II
(PRONAPPA II)**

I submit the following Report and Recommendation on a proposed loan to the Eastern Republic of Uruguay for SDR 10.80 million (equivalent to approximately USD 14.00 million) on ordinary terms to help finance the National Smallholder Support Programme – Phase II (PRONAPPA II). The loan will have a term of 18 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 United Nations Office for Programme Services (UNOPS) as IFAD's cooperating institution.

PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. The Economy and the Agricultural Sector

1. The Eastern Republic of Uruguay is located on the Atlantic coast of South America. It borders with Argentina to the west and south, Brazil to the north, and the Atlantic Ocean to the east. It has a land area of 176 320 km² and an estimated population of 3 289 000 (1998). Uruguay's geographical economic structure can be divided into the capital city of Montevideo – the country's principal hub of industrial and financial services and government activity – and the rest of the country, where agriculture is the main activity.

2. Agriculture accounted for 12% of the gross domestic product (GDP) in 1996-98. As the following figures show, the national economy performed well in the 1990s: (i) sustained GDP growth of 3.6% on average for the period 1993-97; (ii) a marked drop in inflation from 129.8% in 1990 to 8.63% in 1998; and (iii) a substantial reduction in the public deficit from 6% of GDP in the late 1980s to 1.4% in 1997. In 1998, however, as a result of the severe economic crisis that hit Brazil (the largest member of MERCOSUR), Uruguay's economy entered into a period of recession, and growth in 1999 was estimated at -0.4%.

3. While one third of the country's soil is suitable for intensive agriculture, in the rest of the country the vocation of the soil limits the activities to livestock raising. Open-range grazing of cattle and sheep is characteristic of the latter area, with 85% of the farmland used for this purpose. In the areas capable of intensifying their production, recent years have seen significant diversification of agricultural output for the local and export markets.

4. Rural poverty has been a persistent feature of Uruguay's agricultural sector, although the causes have varied over time depending on the social, economic and political context. Between the end of the nineteenth century and the 1930s, the root causes of poverty were related to the existence of large groups of landless rural workers who received temporary employment on large ranches in the central, eastern and northern parts of the country. These workers usually lived in poor, small communities that held no other employment possibilities. From the 1940s to the 1970s, much of the rural population

¹ See Appendix I for additional information.



immigrated to Montevideo, where light industry had grown and diversified under the umbrella of rigid protectionist policies. This process coincided with the crisis that swept the livestock sector in the wake of increasing protectionism by the European Economic Community, whose members had been the traditional market for Uruguayan meat and wool for more than 80 years. The rural population dropped from 23% to 12% during this period.

5. Twelve of the country's 19 departments display over 40% incidence of rural poverty. In seven departments that figure rises to more than 50%, which demonstrates that rural poverty continues to be a persistent feature of the agricultural sector. Uruguay's smallholders are virtually defenceless against fluctuations on international markets for agricultural inputs and commodities, and this vulnerability is one of the main structural causes of rural poverty in the country. Apart from the progressive concentration of agrarian productive structures, the establishment of value-added chains (from production through marketing) and the appreciation of the real exchange rate have led to an extremely difficult situation for small farmers.

6. The survival strategy of critically poor rural families is built around the production of foodstuffs, seasonal migratory work (by males) in nearby towns and cities, and domestic work (by women), mainly in Montevideo. The end-result is a breakdown of the family unit, and families are often evicted from their property since they are unable to pay taxes or cover minimal costs for maintaining the home and feeding their farm animals (usually a cow or goat and chickens or other poultry).

7. The only small farms that are surviving – and moving forward along a path that will ultimately lead them out of poverty – are those that have received support from the Government and/or international donors. A main actor has been the IFAD-funded National Smallholder Support Project (PRONAPPA I), which enabled smallholders to improve fruit, vegetable and dairy production using health standards and modern packing technologies and thus establish links with marketing chains for domestic and international markets.

B. Lessons Learned from Previous IFAD Experience

8. The sole IFAD-financed project in Uruguay, PRONAPPA I, concentrated on creating an efficient technical assistance (TA) service with significant private participation and on establishing a financial system that would provide both credit and guarantees for financing business in the hands of the smallholder sector. In 1999, IFAD's Office of Evaluation and Studies conducted an interim evaluation of PRONAPPA I, the general findings of which were that the project had contributed substantially to promoting rural development and to introducing innovative elements and tools for rural development in the country. Private agricultural services hired by the Project Executing Unit were successful in improving agricultural technologies. The Guarantee Fund and the Credit Fund allowed small producers who lacked access to the formal banking system to borrow funds for investment and working capital. The Guarantee Fund played a fundamental role in attracting private financial institutions to the project and in encouraging them to provide loans to the beneficiaries. The project also enabled poor small producers to hire private extension services and to receive training.

9. The report of the interim evaluation recommended that PRONAPPA I should be consolidated through a follow-on phase to strengthen local producer organizations, promote the participation of financial intermediaries in the credit programme, and initiate a gradual process of transfer and privatization of services. The new programme should adopt a solid, demand-driven approach built around firm support for the diversification of production, marketing and microenterprise. The main conclusions of the interim evaluation were as follows:



- (i) **Targeting.** To allow for geographic prioritizing of interventions, the programme should adopt a targeting methodology that is based on a poverty map.
- (ii) **Role of producer organizations.** The users of PRONAPPA I services need to be better organized, and a methodology should be adopted to generate and formalize user demand. The implementation methodology should facilitate the gradual transfer of services, and their administration, to local organizations.
- (iii) **Credit and financial services.** The rural financing services that were offered through PRONAPPA I constituted an innovative step in the country. The new financial services would need to be even more flexible so as to include the poorest segments of the population.²
- (iv) **Agricultural technology.** The supply of technology for small producers needs to be broadened. Agricultural diversification, development of activities with greater added value, non-farm activities and microenterprises should be promoted. The State should limit itself to a subsidiary role vis-à-vis the cost of services for poor producers.
- (v) **Marketing and microenterprises.** Marketing for microenterprises requires strong support, which can be achieved by working with information systems and business opportunities and by strengthening systems for vertical integration and market access.
- (vi) **Gender issues** should figure more prominently in the new programme, which should apply a crosscutting gender approach.
- (vii) **Training.** The programme should consider training systems that are differentiated and clearly targeted to beneficiaries' real needs.
- (viii) **Monitoring and evaluation (M&E).** The new programme should have a participatory M&E system.

C. IFAD's Strategy for Collaboration with Uruguay

10. **Uruguay's policy for poverty eradication.** The strategy pursued by IFAD and the Government of Uruguay to combat poverty in the country is based on the characteristics and situation of the small producers and on an analysis of the regional market for agricultural commodities. Analysis has shown that there are economic 'niches' for poor, small farmers who could become part of the MERCOSUR framework if they modernized their farming operations. Vegetables, fruit and dairy products are the key commodities in which Uruguayan small farmers hold a comparative advantage vis-à-vis medium-sized and large producers in MERCOSUR countries. Consequently, IFAD's strategy should continue to focus on diversification to more competitive commodities and be directed towards small farmers located in areas with the highest concentrations of poverty, i.e. the north and south of the country.

11. An analysis of the causes and levels of poverty in Uruguay, the relative state of development of the country's agricultural and rural sectors, and the intervention proposed for the medium-to-long term (as outlined below) all point to the possibility of a strategic consolidation of IFAD-financed projects and programmes in Uruguay. A successful long-term consolidation programme would reduce the likelihood of Uruguay having to resort to additional external debt to uphold its poverty-eradication strategy, while maintaining continuous policy dialogue and other forms of collaboration with IFAD in pursuit of the common objective of combating and preventing rural poverty. Exceptions could be

² See Appendix III for additional information.



made in the event of natural disaster or severe economic crisis, in which case contingent support would be linked directly to crisis situations affecting the income levels of Uruguay's rural poor.

12. **The poverty eradication activities of other major donors**³. Several programmes or projects for technical cooperation or bilateral/multilateral financing are under way in Uruguay's agricultural sector. These programmes do not address the same target group as IFAD. Only with the National Livestock Development Programme (PRONADEGA) will concrete collaboration be possible, mainly relating to financial services. The main programmes are the following:

- **National Livestock Development Programme (PRONADEGA)**. This three-year programme was launched in June 1997 with matching contributions of USD 2.5 million from the German Agency for Technical Cooperation (GTZ) and the Government of Uruguay.
- **Farm Technology Validation Programme**, with support from the United States Agency for International Development (USAID).
- **Agricultural Services Programme**. A financing agreement was signed with the Inter-American Development Bank (IDB) in December 1998. The total programme cost of USD 50.3 million will be funded through non-reimbursable financing from IDB (USD 32.4 million) and the remainder through the local counterpart (USD 17.9 million).
- **Programme to Promote Small Farming Enterprises in the South**, with support from GTZ.

13. **IFAD's strategy in Uruguay**. The programme's strategy is based on the Uruguay Country Strategic Opportunities Paper, in which the following component strategies were identified: (a) institutional decentralization and sustainability of national policies and of the central and municipal institutions involved in rural development and poverty alleviation, as well as the strengthening of local organizations for participation in all aspects of programme investments and activities; (b) production and marketing, including sustainable production and marketing-support services; (c) targeting and gender relations, with a view to incorporating the programme area's poorest population while identifying beneficiary needs under a gender approach; (d) rural financial services, targeted at ensuring an efficient system for sustainable rural financing; and (e) a strategy for policy and programme coordination, to be implemented through the establishment of processes and mechanisms for coordination with other ongoing projects, with a view to achieving a more efficient use of resources.

14. The intervention strategy seeks to identify lessons learned from experience and relevant best practices that can be applied to the implementation of the strategy and to other countries of the region with similar socio-economic characteristics to those of the target groups. Moreover, the consolidation of IFAD-financed subregional thematic networks in rural development and poverty eradication is a core component of the Fund's intervention strategy in the Southern Cone. The direct partners in this strategy include IFAD's projects in the region and the various ongoing programmes funded with TA grants, for instance, that for the Institutional and Policy Support Programme to Alleviate Rural Poverty in the MERCOSUR Area and others in Latin America and the Caribbean.

15. **Programme rationale**. The programme's general strategy and rationale is framed within the policies and priorities of the Ministry of Livestock, Agriculture and Fisheries (MGAP) and is founded on IFAD's intervention strategy in Uruguay, which calls for the "institutionalization" and strategic consolidation of the country's rural development promotion structures at the central and local levels.

³ See Appendix IV for additional information.



This consolidation will need to be sought through: (a) support for more active participation by beneficiary organizations and individuals, particularly rural women; (b) greater involvement of the private sector and financial intermediaries in delivering specialized and demand-driven production services; and (c) institutional strengthening at the central level (MGAP) and the local level (Rural Development Round Tables). The intervention strategy should serve as a mechanism to provide a sustainable and flexible response to the recurring challenges of rural poverty eradication in the country.

PART II - THE PROGRAMME

A. Programme Area and Target Group

16. The programme will seek to support, throughout the country, poor smallholder families interested in diversifying and expanding their production while benefiting from a number of comparative advantages in subregional export markets. It will propose modular types of activities for dairy, market garden and fruit production, focusing on areas that have high concentrations of poverty and the proper factor endowment for such types of production. It will step up action in the south in the departments of Canelones and San José, which offer a good basis for market gardening, and in the departments of Colonia and Florida, which, together with San José, are promising dairy areas. In the north, activity will be concentrated in the departments of Artigas and Salto, which are areas of mixed vegetable, fruit and dairy production.

17. IFAD's target group is estimated at roughly 43 000 families, including some 33 000 small producers and 10 000 landless rural workers. These families represent approximately 45% of the rural population and are scattered across the country, with greater concentrations in the departments of Canelones, San José, Colonia, Florida, Artigas, Rivera, Salto, Cerro Largo, Lavalleja, Rocha and Tacuarembó. Over a proposed implementation period of six years, the programme will benefit directly some 10 000 families of small producers and rural poor whose family income levels are below the poverty line. An additional 5 000 families will benefit from financial services and other support activities; these families currently receive support from separate projects in other thematic areas.

18. The programme has three main types of target group families:

- (i) **Rural, marginal producer families.** Agriculture represents only a part of this group's source of family income; the percentage varies according to family composition and farm production. Since output is insufficient to meet family subsistence requirements, one or more family members must work either temporarily or permanently off-farm or undertake other income-generating activities; adult men and women both take part in the work. Families live in isolated conditions and rarely participate in producer organizations. Migration, particularly among youth, is worsening. At present this group has limited potential to improve and diversify farm production and is, for the most part, located on poor agricultural soils.
- (ii) **Landless rural families.** This group consists of families of formerly salaried agricultural workers and/or temporary salaried workers. Before MERCOSUR, these families received salaries from large-scale farming operations (mainly sugar cane). While many families subsequently emigrated to urban centres, those remaining survive on the basis of social subsidies and temporary and sporadic work done by family members. Many families live in extreme poverty, but some have found an alternative through PRONAPPA I. There is strong demand for accessible alternative sources of income. This group is still the one most vulnerable to urban migration, particularly young women and men.



- (iii) **Rural families with commercial potential.** These families depend largely on farm incomes, and their agricultural activity relies on family labour; a small percentage of them have limited capital for use in small-scale investments. The majority are landowners or settlers who engage in dairy production or vegetable farming; recently, there has been some interest in fruit and small livestock production. Levels of farm investment are generally low, owing to the lack of capital. This group holds potential to improve and diversify its farm production, and it represents the best opportunity for increasing production and intensifying markets that require high quality, quantity and reliability of production. The impact of technical, marketing and organizational improvements at the farm level could be high.

19. The first two categories include a large number of producers who *are not* part of agro-industrial or marketing chains, while the category of rural families with commercial potential is made up almost entirely of producers who *are* part of such chains. This differentiation is well suited for the allocation of production-support services under the programme, as will be explained below.

B. Objectives and Scope⁴

20. The main objective of the programme is to contribute to alleviating rural poverty by raising the income levels and living standards of the rural poor. It will strive to increase the value added to agricultural production through crop diversification, a boost in productivity and the creation of employment opportunities for landless male and female workers. Transferring responsibility for programme implementation to beneficiary organizations and through local capacity building will enhance beneficiary participation in implementation and decision-making. The programme will support the creation of a sustainable institutional framework and permanent operational mechanisms to combat and prevent rural poverty, while providing lessons from implementation experience and examples for possible replication in other projects and countries in Latin America. The programme will adopt a targeting approach that is based on poverty mapping.

21. The specific objectives of the programme include: (i) strengthening beneficiary organizations and sectoral institutions in order to foster participation, ownership, and the sustainability of policies and interventions; (ii) improving access of project beneficiaries to financial resources in order to support productive investment and create rural microenterprises; (iii) strengthening a central institutional mechanism to coordinate rural development initiatives and investment projects; (iv) providing sustainable access to production-support services for small-scale agricultural producers and small and medium-sized enterprises; and (v) instituting a participatory M&E system that will allow for close follow-up of processes, actions and field impact, while fostering learning processes and innovation in rural development.

C. Components⁵

22. The six-year programme will consist of the following components and activities: (a) organizational strengthening and participation; (b) smallholder support services; (c) rural financial services; and (d) programme management and M&E/learning.

Organizational Strengthening and Participation

23. The core objective is to create and build capacity in MGAP so that it can take part in designing and implementing sector policies to serve the most vulnerable rural sectors and ensure greater coordination with other MGAP projects and programmes. The programme will support the strengthening of: (i) managerial capacity of producer organizations at the national and local levels,

⁴ See Appendix V for additional information.

⁵ See Appendix VI for additional information.



revitalizing and modernizing the services offered to their associates; (ii) local capacity to coordinate the implementation of rural development actions; and (iii) MGAP, especially the Projects and Technical Cooperation Unit (UPCT) and the Agricultural Planning and Policy Office (OPYPA).

24. The **institutional and organizational strengthening subcomponent** will be responsible for:
- (i) **Strengthening of producer organizations.** The programme will strengthen producer organizations looking to enhancing their operation and broadening their membership, especially to include small producers and the rural poor and to increase substantially their backstopping capacity and their delivery of production-support services.
 - (ii) **Establishment of Rural Development Round Tables.** The Round Tables represent the local level of identification, prioritization and implementation of rural development actions, and will be made up of all interested stakeholders. They will be organized geographically in such a way as to give preference to areas with higher concentrations of rural poor and a greater presence of producer organizations that represent small producers and the rural poor.
 - (iii) **Institutional formalization within MGAP.** The programme will be implemented through a Specialized Rural Development Office (OEDR), ascribed to the UPCT, and will be responsible for the ministry's rural development and poverty reduction actions. The programme will strengthen the ministry's specialized offices, including OPYPA and UPCT.

25. The **targeting and prioritization strategy subcomponent** will be responsible for ensuring maximal programme coverage and incorporating the poorest segments of the rural population (with special focus on youth and women) on the basis of the poverty map and the poverty study to be conducted by OPYPA.

Smallholder Support Services

26. This component has four subcomponents: (i) agricultural production support for supporting farm diversification and improving health and packing technologies; (ii) expansion of the supply of services both for linking peasant economies to main market channels and for strengthening businesses linked to the smallholders farms; (iii) marketing and microenterprise support supplying services for improving the competitiveness of the smallholders sector; and (iv) a microcapitalization fund for providing financial services to the poorest rural sector.

Rural Financial Services

27. The primary objective of this component is to provide targeted small producers with sustainable access to financial services that meet their priority needs. It will support and strengthen the rural financial services provided under PRONAPPA I through three subcomponents: (i) institutional formalization of the Credit Fund and the Guarantee Fund; (ii) new financial product development; and (iii) a reserve fund. It is to be noted that at present the Credit Fund amounts to about USD 8.5 million and the Guarantee Fund to about USD 650 000. Financial service supply for the smallholder sector has reached a high degree of sustainability.

Programme Management and M&E/Learning

28. MGAP will be responsible for programme execution. Management, administration and coordination of the programme will be the responsibility of the Ministry's OEDR, which will be directly under the UPCT. The OEDR, initially financed by the programme, will be responsible for executing programme activities and for planning and administration functions; it will be located in

Montevideo. The programme will establish a comprehensive (internal and external) M&E system, while systematizing and disseminating lessons learned and implementing best practices. The new programme will also integrate these activities into existing regional and subregional thematic networks, for instance, the Institutional and Policy Support Programme to Alleviate Rural Poverty in the MERCOSUR Area and other TA grants in Latin America and the Caribbean.

D. Costs and Financing

29. Total programme costs, including physical and price contingencies, are estimated at USD 24.50 million, as summarized in Table 1. Of that total, IFAD will finance USD 14.00 million (57.1%); the Government, USD 8.00 million (32.7%); and the beneficiaries, USD 2.50 million (10.2%). The proposed financing plan is summarized in Table 2. The disbursement period is estimated at six years.

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

Components	Local	Foreign	Total	% of Foreign Exchange	% of Base Costs
A. Organizational strengthening and participation					
1. Institutional and organizational strengthening	1 810	281	2 092	13	9
2. Targeting and prioritization strategy	210	90	300	30	1
Subtotal	2 020	371	2 392	16	11
B. Smallholder support services					
1. Agricultural production support	6 748	132	6 880	2	31
2. Services supply strengthening	400	100	500	20	2
3. Marketing and microenterprises	1 730	320	2 050	16	9
4. Microcapitalization fund	2 235	–	2 235	–	10
Subtotal	11 113	552	11 665	5	52
C. Rural financial services					
1. Institutionalization of rural financial services	295	139	434	32	2
2. New financial outputs	336	144	480	30	2
3. Reserve fund	2 500	–	2 500	–	11
Subtotal	3 131	283	3 414	8	15
D. Programme management and M&E/learning					
1. OEDR					
2. M&E:	3 406	418	3 824	11	17
a. M&E	766	195	961	20	4
b. Baseline study	626	135	761	18	3
Subtotal	140	60	200	30	1
Total base costs	20 436	1 819	22 255	8	100
Physical contingencies	785	91	876	10	4
Price contingencies	1 250	119	1 369	9	6
Total programme costs	22 471	2 029	24 500	8	110

^a Discrepancies in totals are due to rounding up of figures.

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

	IFAD		Government		Beneficiaries		Total		For. Exch.	Local (Excl. Taxes)	Duties and Taxes
	Amount	%	Amount	%	Amount	%	Amount	%			
A. Organizational strengthening and participation											
1. Institutional and organizational strengthening	1 363	57.6	864	36.5	138	5.8	2 365	9.7	315	1 833	217
2. Targeting and prioritization strategy	200	60.0	133	40.0	-	-	333	1.4	100	171	62
Subtotal	1 562	57.9	997	37.0	138	5.1	2 697	11.0	415	2 003	279
B. Smallholder support services											
1. Agricultural production support	3 043	38.0	3 179	39.7	1 795	22.4	8 018	32.7	147	6 371	1 500
2. Services supply strengthening	251	45.0	167	30.0	139	25.0	557	2.3	111	342	104
3. Marketing and microenterprises	1 151	46.9	892	36.3	413	16.8	2 455	10.0	406	1 590	459
4. Microcapitalization fund	2 235	100.0	-	-	-	-	2 235	9.1	-	2 235	-
Subtotal	6 680	50.4	4 238	31.9	2 347	17.7	13 265	54.1	664	10 538	2 063
C. Rural financial services											
1. Institutionalization of rural financial services	297	61.5	186	38.5	-	-	483	2.0	154	238	91
2. New financial outputs	320	60.0	213	40.0	-	-	533	2.2	160	273	100
3. Reserve fund	2 500	100.0	-	-	-	-	2 500	10.2	-	2 500	-
Subtotal	3 117	88.6	399	11.4	-	-	3 516	14.3	314	3 011	190
D. Programme management and M&E/learning											
1. OEDR	2 049	51.9	1 891	47.9	10	0.3	3 950	16.1	509	3 180	262
2. M&E:											
a. M&E	464	54.0	390	45.4	5	0.6	859	3.5	151	630	78
b. Baseline study	128	60.0	85	40.0	-	-	213	0.9	64	109	40
Subtotal	592	55.2	475	44.3	5	0.5	1 072	4.4	215	740	117
Subtotal	2 641	52.6	2 366	47.1	15	0.3	5 022	20.5	724	3 920	379
Total disbursement	14 000	57.1	8 000	32.7	2 500	10.2	24 500	100.0	2 117	19 472	2 911

^a Discrepancies in totals are due to rounding up of figures.





E. Procurement, Disbursement, Accounts and Audit

30. **Procurement.** IFAD-financed goods and services will be procured in accordance with IFAD guidelines and the provisions of the loan agreement. Each contract for the supply of goods estimated to cost more than the equivalent of USD 30 000 will be awarded on the basis of local competitive bidding, in accordance with procedures approved by the cooperating institution. Each contract for the supply of goods estimated to cost the equivalent of USD 30 000 or less, up to an aggregate amount not exceeding USD 150 000 equivalent, may be awarded through direct contracting with the supplier, on terms and conditions approved by the cooperating institution. Procurement undertaken by the beneficiaries will take place through contracts for the supply of goods and services awarded in accordance with established commercial practices acceptable to IFAD and the cooperating institution and that ensure that goods and services are procured at a reasonable price, account being taken of other relevant factors such as delivery times, the quality and reliability of the goods, and availability of spare parts. The award of any contract for: (i) goods and services of consulting firms estimated to cost USD 100 000 equivalent or more; and (ii) services of individual consultants estimated to cost USD 40 000 equivalent or more, will be subject to prior review by the cooperating institution. OEDR will prepare an operations manual to IFAD's satisfaction, to include a breakdown of all procedures and documents to be used for the procurement of goods and services and the recruitment of consultants.

31. **Disbursement.** Loan proceeds will be disbursed in accordance with UNOPS procedures. To ensure an adequate flow of funds, the borrower will open and maintain a Special Account in a bank satisfactory to IFAD with an authorized allocation of USD 1.5 million. An initial deposit of up to USD 1 million will be made to cover expected expenses for IFAD-financed activities for the first six months. The Special Account will be replenished in accordance with the disbursement procedures of the cooperating institution, UNOPS.

32. **Accounting and audits.** Immediately upon loan effectiveness and prior to the initial deposit in the Special Account, the programme will set up – using loan proceeds – its accounting and internal control systems, which will be installed by a specialized accounting firm. An audit firm, acceptable to IFAD, will be selected to undertake annual financial and management audits, to be financed by the programme. Other agencies will keep separate accounts for programme-related expenditures. The audited programme accounts and audit report, including a separate opinion on statements of expenditures and the Special Account, will be submitted to IFAD no later than six months after the end of the fiscal year.

F. Organization and Management⁶

33. Responsibility for programme execution will be entrusted to MGAP. Management, administration and coordination of the programme will be the responsibility of OEDR, which will be directly under the UPCT. OEDR will have three sections: (i) Rural Development and Production Support, which will be responsible for implementing the components for institutional development, participation and production-support services, in order to ensure a global action strategy; (ii) Rural Financial Services, which will be responsible for all actions associated with the Credit and Guarantee Funds; and (iii) Programme Administration, which will be responsible for all administrative matters.

34. The programme will operate on the basis of demand from beneficiary organizations and implement its actions through two modalities: (i) subsidiary intervention, through direct action by OEDR; this format will be decreased over time; and (ii) fully decentralized intervention, through the operations of the Rural Development Round Tables.

⁶ See Appendix VII for additional information.



35. **Subsidiary intervention by OEDR** will consist of promoting and implementing programme actions identified and prioritized at the central level in areas where the Round Tables do not operate. This will include specific targeting, generation and intake of demand from nation-wide projects, as well as actions that entail coordination beyond the Round Tables' geographical areas and any action needed to implement the processes of transition, institutional formalization and decentralization.

36. **Decentralized interventions** will be implemented through the Rural Development Round Tables that will be formed locally by drawing on representatives of producer organizations and of the public sector. The Round Tables will include participation by local rural producer organizations that represent poor rural producers, representatives of the local public sector and of MGAP.

37. **Service fairs.** The Round Tables will organize service fairs that will bring demand for TA and training services into contact with supply from service providers and will disseminate information on opportunities offered by the programme.

38. **Gender considerations.** The programme will have a Gender Advisory Unit, which will be responsible for ensuring that the gender approach is part of all programme actions. It will be responsible for ongoing gender-approach training for OEDR and gender training programmes for the Round Tables, technical staff, beneficiary organizations, service providers and MGAP staff.

G. Economic Justification

39. **Production and marketing.** The incremental production will be channelled to existing and new market niches that will be identified and promoted. The programme will support agricultural producers and microenterprises in their efforts to: (i) improve dairy and vegetable product quality; (ii) diversify production; (iii) add value to production and rural processing of produce; (iv) reduce post-harvest losses; and (v) assess the commercial potential of new products and markets, etc.

40. In Uruguay, producer prices vary considerably as a result of international market fluctuations, and they are pushed down by strong competition from neighbouring markets. At the same time, the input prices faced by these same producers are normally high, owing to the lack of input price information and organized procurement mechanisms. The programme will strengthen the capacity of producer organizations to address the market in more favourable conditions.

41. **Technical improvement.** The programme's agricultural development strategy is built around activities and technologies that have been successfully tested during PRONAPPA I implementation to date. The follow-on initiatives will identify and develop new areas of technological improvement, both on-farm and off-farm (e.g. backward and forward linkages in agricultural production). These technologies will address expanded milk production, the needs of small-size family production, and perennial fruit and vegetable growing.

42. **Agricultural producers and small-scale rural enterprises.** The new programme will target a group that is more diversified socio-economically as well as in terms of production assets, land endowment and production vocation.

43. **Benefits and impact.** The programme will benefit 10 000 families – or approximately 40 000 beneficiaries – that are among the poorest of Uruguay's rural poor. The proposed initiative is expected to help them boost their incomes significantly and rise out of poverty. The programme is also expected to have a sustainable impact on the country's formal rural development structures, i.e. producer support services, TA for microenterprise, etc. The expected strengthening of MGAP's capacity for planning, programming, coordination and execution represents a tangible benefit for programme investments. The institutional sustainability that is sought will provide a practical response to the changing economic conditions in the country. Experience with this intervention will



be shared with neighbouring countries, and successful mechanisms will be adapted to and replicated in other contexts.

44. **Economic analysis and feasibility.** The economic analysis of the programme yielded an internal rate of return (IRR) of 27.8% and a net present value of USD 34.7 million, giving a cost-benefit ratio of 1.31. The sensitivity analysis indicated that a 10% reduction in benefits would bring the IRR down to 20%. With a 25% reduction in benefits, the IRR would go down to 6.4%, which is slightly below the opportunity cost of capital. The cost-benefit ratio would go down to 1.18 and 0.98, respectively. An increase in costs would have less of an impact. With a 25% increase in costs, the IRR would go down to 11.4%, which is still higher than the opportunity cost of capital.

H. Risks

45. Considering that this is the second stage of a project that has allowed for the accumulation of relevant experience by the Government and IFAD, the main risk facing the new programme has been classified as moderate.

46. The programme is not expected to face important technical risks, since the production technologies being proposed are available, known and validated in the country. Environmental risks are considered to be low, given that experience with the first phase did not show any significant problems in this connection, that the target population is located in an environment that displays a relatively low level of degradation, and no construction activity of any type of infrastructure is called for that could entail a risk to the environment. The institutional risks should have little impact, in view of the Government's expressed will to continue to pursue its economic stabilization policies and its growing awareness of the issue of rural poverty, as shown by the establishment of OEDR in August 2000.

47. The main risks are the market risks and have to do with possible reductions in farm exports owing to the loss of competitiveness within MERCOSUR. This is not a negligible risk considering that, given internal market constraints and the fact that much of the beneficiaries' production is exported to Argentina and Brazil, a change in conditions on these markets could trigger a crisis situation for producers in Uruguay. The programme includes actions and resources to support marketing and detect possible crises in advance, as well as resources for market information and intelligence and the search for new markets.

I. Environmental Impact

48. Activities supported by the programme will have a positive environmental impact, mainly through the sustainable agricultural and conservation management approach. Environmental training, adoption of natural conservation technologies, and the rational use of agrochemicals and integrated pest management techniques will facilitate and encourage environmental conservation activities.

49. Uruguay is a low-lying country (maximum elevation is 560 m above sea level) with no soil degradation problems. Experience gained during the first phase points to the unlikelihood of any environmental risk. Moreover, the rural environmental setting has not been degraded, and the investment programme does not call for any major infrastructure work.

50. No negative environmental impact was detected during PRONAPPA I. With the formulation of the second phase, the programme would continue to be classified as a Category B programme under IFAD's environmental guidelines and environmental impact assessment classification.



J. Innovative Features

51. While the programme is consistent in its intervention objectives at the target-group level, it seeks to consolidate a country-wide, decentralized institutional structure to address rural development and poverty-eradication policies and strategies in a sustainable manner: the Rural Development Round Tables, which will be responsible for analysing proposals and approving resources for technical assistance subprojects. Under the new programme phase, the Credit and Guarantee Funds will receive legal status under national legislation that will ensure their sustainability after the programme's investment phase. With programme support, MGAP will strengthen its analytical capacity to formulate relevant rural development and poverty eradication policies and intervention strategies.

PART III - LEGAL INSTRUMENTS AND AUTHORITY

52. A loan agreement between the Eastern Republic of Uruguay 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.

53. The Eastern Republic of Uruguay is empowered under its laws to borrow from IFAD.

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

PART IV - RECOMMENDATION

55. 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 Eastern Republic of Uruguay in various currencies in an amount equivalent to ten million eight hundred thousand Special Drawing Rights (SDR 10 800 000) to mature on and prior to 1 January 2019 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 12 October 2000)

1. As soon as possible after the signing of the loan agreement, but in no case later than sixty (60) days from the date of effectiveness, MGAP (the executing agency) will open and maintain in the Bank of the Eastern Republic of Uruguay: (i) an account in pesos *uruguayos*; and (ii) an account in United States dollars, both for programme implementation.
2. For the purpose of financing execution of the programme, the Government, through MGAP, will transfer loan funds to OEDR as non-reimbursable budget allocations.
3. (a) In addition to the loan proceeds, the Government will make available to MGAP, promptly as needed, funds, facilities, services and other resources as may be required to implement the programme in accordance with the loan agreement.

(b) Without limiting the generality of the aforesaid, the Government will deposit counterpart funds in the programme account as soon as possible but: (i) in no case later than sixty (60) days from the date of effectiveness, in an initial amount equivalent to USD 650 000, for the purpose of defraying programme implementation costs for the first half-year of the programme; (ii) in no case later than one hundred and eighty (180) days from the date of effectiveness, in an initial amount equivalent to USD 650 000, for the purpose of defraying programme implementation costs for the second half-year of the programme; and (iii) will replenish the programme account annually in advance by depositing the counterpart funds called for in the annual work plan and budget (AWP/B) for the respective programme year.
4. During programme implementation, MGAP will establish and maintain OEDR, with terms of reference, personnel and resources acceptable to IFAD, consisting of a suitable structure and staffed in the initial phase with a director, three area managers (rural financial services, rural development and agricultural production support, and programme management) and the specialists and support staff necessary. The Government will take appropriate measures to reduce the number of specialists and support staff at the national level, in accordance with the progress of the decentralization process and the transfer of functions.
5. The programme director will be appointed in the following manner: (i) MGAP and IFAD will agree on terms of reference and qualifications that will guide the selection; (ii) MGAP will propose a shortlist of three candidates, to be approved by IFAD; (iii) MGAP will appoint the director from the shortlisted candidates; and (iv) the same procedure will be used for the appointment of eventual future directors.
6. In order to ensure the active participation of beneficiaries, MGAP will establish cooperation agreements with local smallholder organizations, local technical rural development offices, non-governmental organizations and service providers.
7. (a) The OEDR will prepare:
 - (i) a programme implementation manual. To this end, OEDR will present a draft of the manual for review and approval by UPCT and MGAP. Once approved, MGAP will send the manual to IFAD and the cooperating institution for their prior non-objection;
 - (ii) credit by-laws as soon as possible, but in no case later than sixty (60) days from the date of effectiveness; in the interim, the credit-fund by-laws of PRONAPPA I will remain in force. The credit by-laws will be approved by UPCT with the agreement of IFAD and the cooperating institution.



- (iii) by-laws for the operation of and access to the Guarantee Fund as soon as possible, but in no case later than sixty (60) days from the date of effectiveness; in the interim, the guarantee-fund by-laws of PRONAPPA I will remain in force; and
- (iv) by-laws for the operation of and access to the Microcapitalization Fund as soon as possible, but in no case later than sixty (60) days from the date of effectiveness. These by-laws will be approved by UPCT with the agreement of IFAD and the cooperating institution.

(b) The technical representative of OEDR at the Round Tables will prepare a Round-Table operations manual according to the instructions of OEDR. The form and content of this manual will be in line with the programme implementation manual and other by-laws applicable to programme implementation. Operational by-laws for the Round Tables will also be prepared, to be approved by a Round-Table plenary session and forwarded to OEDR for its final approval. These by-laws must have the approval of OEDR so that the relevant round table may be recognized for all purposes as a legitimate representative of the decentralized implementation of the programme.

8. Beginning in the third year of the programme, the Credit Fund should have an institutional framework established initially with the remaining balance of the revolving-fund account of PRONAPPA I and then integrated into the recoveries of the current portfolio. The Guarantee Fund will be institutionalized at the latest during the third year of the programme, in accordance with studies realized by MGAP, with the agreement of IFAD and the cooperating institution.

9. The Guarantee Fund will continue to operate as it did under PRONAPPA I until such time as UPCT defines institutional and legal solutions that ensure its new operations. Beginning in the third programme year, an institutional structure will be defined for its administration.

10. With the constitution established by MGAP within the framework of UPCT, the programme will facilitate greater coordination with other rural development projects and programmes being implemented by MGAP with funds from the World Bank, IDB, GTZ and other donors and international financial institutions.

11. The programme's training, technical assistance, validation and dissemination of appropriate technologies will have a conservationist focus in the control of soil erosion, water pollution, waste disposal, the rational use of agrochemicals and integrated pest management. The conservationist approach and the technical supervision will be intensified in the design of projects as well as in their implementation.

12. 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 programme implementation manual, by-laws of the Credit or Guarantee Funds 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 a material adverse effect on programme implementation.

13. No disbursements will be made from the loan for expenditures relating to:

- (a) the category of the Reserve Fund until IFAD, subject to the agreement of the Government, has reassigned the initial amount assigned to the Reserve Fund to other categories, based on the results of the mid-term review specified in the loan agreement; and
- (b) the category of the Microcapitalization Fund until such time as IFAD shall have given its prior non-objection to the by-laws for the operation of and access to the Microcapitalization Fund and a copy has been delivered to IFAD of the version accepted by IFAD and certified as authentic and complete by a competent official of MGAP.

14. Effectiveness of the loan agreement will be subject to the following conditions precedent:



ANNEX

- (a) MGAP has effectively integrated OEDR into the organigramme of UCPT and MGAP, with prerogatives and functions acceptable to IFAD and in accordance with the provisions of the loan agreement;
- (b) MGAP has selected and appointed a project director acceptable to IFAD and in accordance with the provisions of the loan agreement;
- (c) the Government has transferred the assets, resources and funds for the Credit and Guarantee Funds to the programme;
- (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 by all necessary institutional, administrative and governmental action; and
- (e) the Government has presented IFAD with a favourable opinion regarding the points specified in the loan agreement, issued by the legal counsel designated by the Government and acceptable to IFAD, in form and substance acceptable to IFAD.

COUNTRY DATA

URUGUAY

Land area (km² thousand),1997 1/	175	GNP per capita (USD),1998 2/	6 070
Total population (million),1998 1/	3.3	Average annual real rate of growth of GNP per capita, 1990-98 2/	3.5
Population density (people per km²),1998 1/	19	Average annual rate of inflation, 1990-98 2/	40.5
Local currency	Peso Uruguayo (UYU)	Exchange rate: USD 1 =	UYU 11.75
Social Indicators		Economic Indicators	
Population (average annual population growth rate),1980-98 1/	0.7	GDP (USD million),1998 1/	20 578
Crude birth rate (per thousand people), 1998 1/	17	Average annual rate of growth of GDP 1/	
Crude death rate (per thousand people), 1998 1/	9	1980-90	0.4
Infant mortality rate (per thousand live births), 1998 1/	16	1990-98	4
Life expectancy at birth (years), 1998 1/	74	Sectoral distribution of GDP, 1998 1/	
Number of rural poor (million) (approximate) 1/	n.a.	% agriculture	8.5
Poor as % of total rural population 1/	n.a.	% industry	27.5
Total labour force (million), 1998 1/	1.5	% manufacturing	17.8
Female labour force as % of total, 1998 1/	41.3	% services	64
Education		Consumption, 1998 1/	
Primary school gross enrolment (% of relevant age group), 1997 1/	108.8	General government consumption (as % of GDP)	13.7
Adult literacy rate (% of total population), 1997 3/	97.5	Private consumption (as % of GDP)	71
Nutrition		Gross domestic savings (as % of GDP)	
Daily calorie supply per capita, 1996 3/	2 830	Balance of Payments (USD million)	
Prevalence of child malnutrition (height for age % of children under 5), 1992-98 1/	9.5	Merchandise exports, 1998 1/	2 832
Prevalence of child malnutrition (weight for age % of children under 5), 1992-98 1/	4.4	Merchandise imports, 1998 1/	3 594
Health		Balance of merchandise trade	
Health expenditure, total (as % of GDP), 1990-98 1/	8.4	Current account balances (USD million)	
Physicians (per thousand people), 1990-98 1/	3.7	before official transfers, 1998 1/	- 467
Percentage population without access to safe water, 1990-97 3/	5	after official transfers, 1998 1/	- 400
Percentage population without access to health services, 1981-92 3/	0	Foreign direct investment, 1998 1/	164
Percentage population without access to sanitation, 1990-97 3/	n.a.	Government Finance	
Agriculture and Food		Overall budget surplus/deficit (including grants) (as % of GDP), 1997 1/	
Food imports as percentage of total merchandise imports, 1998 1/	10.7	Total expenditure (% of GDP), 1997 1/	33
Fertilizer consumption (hundreds of grams per ha of arable land), 1995-97 1/	923	Total external debt (USD million), 1998 1/	7 600
Food production index (1989-91=100), 1996-98 1/	130.8	Present value of debt (as % of GNP), 1998 1/	36.9
Land Use		Total debt service (% of exports of goods and services), 1998 1/	
Arable land as % of land area, 1997 1/	7.2	Nominal lending rate of banks, 1998 1/	57.9
Forest area (km ² thousand), 1995 1/	8.1	Nominal deposit rate of banks, 1998 1/	15.1
Forest area as % of total land area, 1995 1/	4.7		
Irrigated land as % of cropland, 1995-97 1/	10.7		

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/ United Nations Development Programme (UNDP), *Human Development Report*, 1999

PREVIOUS IFAD LOANS TO URUGUAY

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)
National Smallholder Support Project	IFAD	UNOPS	O	07 Apr 93	15 Jul 93	31 Dec 00	L - I - 332 - UR	SDR	8 550 000	96.0%

O = ordinary terms



COMPARACIÓN DEL PRONAPPA I Y PRONAPPA II

Asuntos	PRONAPPA I	PRONAPPA II
Focalización	Las actividades del proyecto se orientaron a los grupos más organizados y los beneficiarios en el estrato superior del grupo objetivo.	Ampliación de las actividades para nuevos beneficiarios en los estratos intermedios y más pobres del grupo objetivo (familias rurales de producción marginal y familias rurales sin tierra).
Descentralización	Las principales decisiones sobre la financiación de subproyectos se toman en la UEP en Montevideo. Las sedes subregionales de la UEP no funcionaron y fueron suspendidas.	Se promoverá la creación de Mesas de Desarrollo Rural a nivel territorial para crear una capacidad institucional local para las acciones de desarrollo rural, ajustada a las realidades territoriales locales. En el ámbito local (municipal-territorial), donde se ejecutarán gran parte de las acciones, se buscará la máxima coordinación de los recursos y de la capacidad instalada del Estado, tanto de carácter nacional como local, para la utilización más eficiente de los recursos humanos y financieros disponibles para el apoyo a las iniciativas productivas y de lucha contra la pobreza rural..
Sostenibilidad financiera	Las actividades del proyecto se financian esencialmente con recursos del proyecto.	Las partes interesadas participarán de manera creciente en la financiación de las actividades: los beneficiarios y sus gremios asumirán crecientemente los costos de los servicios de asistencia técnica, los productores grandes pagarán los servicios que reciban de empresas que atiendan también a pequeños productores reduciendo los gastos generales de esas empresas (<i>overhead</i>), el MGAP y las Intendencias contribuirán con sus presupuestos a la financiación de las actividades.
Institucionalización de los Fondos de Crédito y Garantía	Los Fondos de Crédito y Garantía de propiedad del MGAP, son gestionados y controlados por la UEP y están depositados en el Banco Central que tiene la administración de los recursos.	El Programa se encargará de dar forma jurídica a esos Fondos para asegurar su independencia y perdurabilidad luego de la finalización del PRONAPPA II, en el marco de la legislación nacional.
Flexibilidad	La Misión de Revisión y Reorientación, sobre la base de las experiencias prácticas, recomendó la reasignación de los recursos presupuestarios del PRONAPPA.	Flexibilidad en la presupuestación de los recursos y Fondo de Reserva.
Servicios financieros rurales	El crédito se distribuye a través de intermediarios financieros formales con tasas de mercado a productores organizados y del estrato superior del grupo objetivo. El fondo de garantía asegura los préstamos otorgados por los intermediarios financieros. Los intermediarios no aportan fondos adicionales para prestar a los beneficiarios del grupo objetivo.	Utilización de los fondos de crédito y garantía para nuevos beneficiarios con dificultades de acceso al crédito. Utilización del crédito. Capacitación de intermediarios financieros para el empleo de tecnología de crédito y productos financieros innovativos. Fondos de capitalización para grupos que no puedan acceder al crédito. Movilización de fondos de apalancamiento de las instituciones financieras.
Servicios de Apoyo a la Producción	Se tercerizaron los servicios de asistencia técnica con la participación del sector privado (técnicos y firmas de consultores).	Continuar con la tercerización, mayor participación de los beneficiarios en los costos de los servicios y utilización de metodologías grupales de extensión.
Participación	El Comité de Coordinación previsto en el diseño del proyecto no funcionó.	Diseño de los POA en el Seminario Anual de Seguimiento, Evaluación y Planificación. Participación de los beneficiarios y sus organizaciones en las Mesas Departamentales. Fortalecimiento de las organizaciones locales para favorecer la participación.



APPENDIX III

Asuntos	PRONAPPA I	PRONAPPA II
Enfoque de Género	Se buscó incorporar el concepto de género en las distintas actividades.	Profundización del enfoque de género en todas las actividades del nuevo Programa.
Marco de políticas de desarrollo rural	El proyecto concientizó a los sectores políticos sobre la necesidad de promover una política de desarrollo rural y lucha contra la pobreza.	El MGAP, con el apoyo del Programa, fortalecerá su capacidad de análisis y formulación de políticas de desarrollo rural y lucha contra la pobreza.
Vinculación de la UEP al MGAP	La UEP depende del MGAP, sin coordinación formal con los otros proyectos y programas del Ministerio.	La OEDR integra el organigrama del MGAP. Se reforzarán los lazos de trabajo y coordinación de la OEDR con otros proyectos de desarrollo.



THE POVERTY ERADICATION ACTIVITIES OF OTHER MAJOR DONORS

1. Some 35 programmes or projects for technical cooperation or bilateral/multilateral financing are under way in Uruguay's agricultural sector. The following paragraphs outline the main ones in terms of their possible contribution to poverty reduction programmes.
2. **Farm Technology Validation Programme.** With support from USAID, channelled through UNDP, this three-year programme is aimed at re-engineering farming operations to make them more competitive on domestic and international markets against the backdrop of Uruguay's integration into MERCOSUR.
3. **Agricultural Services Programme.** This five-year programme is intended to enhance the productive efficiency and exports of the agricultural and agro-industry sectors by way of investments to bolster technical support services for farmers and agro-industrialists. There are two subprogrammes: generation and transfer of technology, executed by the National Institute for Agricultural Research and MGAP; and animal health and food protection, executed by the MGAP by way of its Office of Livestock Services. A financing agreement was signed with IDB in December 1998 for start-up in 1999. The total programme cost of USD 50.3 million will be funded through non-reimbursable financing from IDB (USD 32.4 million) and the remainder through the local counterpart (USD 17.9 million).
4. **Programme to Promote Small Farming Enterprises in the South.** With support from GTZ, this programme aims to bring about a sustainable increase in the income levels of small and medium-sized producers in southern Uruguay and to mitigate the growing risk of market exclusion posed by the structural changes under way in the sector; it will do so by helping to make the farmers' products competitive on the domestic market and by helping the farmers become part of MERCOSUR markets.
5. **National Livestock Development Programme.** This three-year programme was launched in June 1997 with matching contributions of USD 2.5 million from GTZ and the Government of Uruguay. Completion is scheduled for September 2000, although execution may be extended through the end of the year. The main objective is to help the livestock sector overcome its productive and technological stagnation by validating a strategy to promote family participation in small and medium-sized farms. There is no credit component, inasmuch as the emphasis is on TA and training. Producers receive subsidies and are encouraged to take part in decision-making. The need to train technical specialists in ways of communicating with farmers has been identified.

MARCO LÓGICO

RESUMEN NARRATIVO	Indicadores Generales (cuantitativos y de procesos)	Indicadores de Procesos			Fuentes de verificación
		Corto Plazo	Mediano Plazo	Largo Plazo	
Objetivo Marco					
1. Las lecciones y las “mejores prácticas” de la intervención de FIDA en el Uruguay han sido difundidas y aplicadas en otros países.	1.1 Indicadores de procesos: número y tipo de "mejores prácticas" aplicadas en otros países (desarrollo rural descentralizado, privatización de la oferta de servicios de extensión, sistemas de seguimiento y evaluación, etc.).				1. Seguimiento/supervisión e informes del sistema de S&E. 2. Talleres/encuentros regionales (por ej. En el contexto de iniciativas sectoriales del MERCOSUR)
Objetivos del Programa					
1. Se ha reducido la pobreza rural, se ha incrementado el ingreso de los pequeños productores y se han mejorado las condiciones de vida de la población objetivo en todo el país; consolidado una nueva institucionalidad nacional y descentralizada para direccionar el desarrollo rural y las políticas de erradicación de la pobreza en forma sostenible.	1.1 . Creada una Oficina Especializada de Desarrollo Rural en el MGAP. 1.2 El ingreso promedio de las familias se incrementa en 20%. 1.3 . El Índice de Desarrollo Humano en áreas rurales es próximo a 0,80. 1.4 . Se incrementa el acceso a oportunidades económicas de las mujeres rurales.	Oficina Especializada de Desarrollo Rural (OEDR) depende de la UPCT.	Oficina Especializada de Desarrollo Rural (OEDR) depende de las jerarquías del MGAP.		Estadísticas nacionales, informes de seguimiento y supervisión y estudios de impactos independientes.
Objetivos Específicos/Productos					
1. Actividades descentralizadas. Creado y consolidado un sistema nacional descentralizado (ámbito municipal) para promover el desarrollo rural y combatir la pobreza sobre bases sostenibles, con apoyo ministerial y presupuesto institucionalizado. Como parte del sistema son creadas Mesas para el Desarrollo Rural (MDR) allanando caminos para la oferta y demanda de otros servicios técnicos.	1.1. 5 mesas para el desarrollo rural que hayan sido creadas y estén operativas y el monto de fondos efectivos de su operación incluidos en el presupuesto nacional. 1.2. 50 proveedores privados de servicios de extensión u otros servicios técnicos estén operativos. 1.3. 20 organizaciones de pequeños productores y asalariados (hombres y mujeres) están efectivamente involucrados en las Mesas de Desarrollo Rural.	Es designado el Secretario Técnico por la OEDR/UPCT y la MDR define su presupuesto anual.	Productividad de las Mesas. Proyectos ejecutados/ Proyectos presentados	Es designado el Secretario Técnico por los integrantes de las MDR.	Misiones de supervisión; Informes de la Unidad de S&E.



RESUMEN NARRATIVO Objetivos Específicos/Productos	Indicadores Generales (cuantitativos y de procesos)	Indicadores de Procesos			Fuentes de verificación
		Corto Plazo	Mediano Plazo	Largo Plazo	
<p>2. Servicios de Extensión. Un sistema agrícola con servicios de extensión rural sensibles, volcados hacia la demanda y con conocimiento de género (servicios públicos, entidades de asistencia técnica privada y firmas consultoras locales) se expande y se hace operativo. Los servicios atenderán:</p> <p>i) producción agrícola, y ii) comercialización.</p>	<p>2.1. 20 entidades privadas (firmas consultoras, ONG especializadas, etc.) operativas y sensibles a los objetivos del programa.</p> <p>2.2. 60 Ferias de servicios organizadas.</p> <p>2.3. 130 actividades de grupos de extensión.</p> <p>2.4. 300 microempresas que reciben apoyo.</p>	<p>La metodología empleada por los proveedores de servicios es adecuada, lográndose impactos en la producción y en la gestión de la empresa familiar.</p>	<p>Mejora de los ingresos del productor.</p> <p>Técnicos asumen parte del riesgo del cambio técnico propuesto.</p>	<p>El aumento en la productividad permite el autofinanciamiento de la asistencia técnica.</p>	<p>Misiones de supervisión; Informes de la Unidad de S&E.</p>
<p>3. Organizaciones beneficiarias. Fortalecida la participación de los beneficiarios en asociaciones de productores y otros grupos económicos/sociales (cooperativas, ONG beneficiarias, etc.) y activamente involucradas en los procesos de decisión sectorial y territorial. El enfoque de género es utilizado en fortalecimiento institucional y el desarrollo rural a nivel del campo/actividades para la reducción de la pobreza.</p>	<p>3.1. 50 organizaciones de beneficiarias que reciben apoyo técnico y están activamente involucradas en el trabajo de las MDR.</p> <p>3.2. 2 500 mujeres y jóvenes que participan y/o lideran en las organizaciones y en las MDR.</p>	<p>Las actividades de focalización y priorización están incorporadas en los planes de trabajo de las organizaciones.</p> <p>Nuevos grupos constituidos con procesos de capacitación y de organización.</p> <p>Los planes y proyectos presentados son innovadores.</p>	<p>Las MDR presentes u con una amplia difusión en el país.</p>	<p>Las MDR actúan en forma autónoma.</p> <p>Las organizaciones participan activamente en la definición de las políticas de lucha contra la pobreza rural.</p>	<p>Misiones de supervisión; Informes de la Unidad de S&E.</p>
<p>4. Donantes/Coordinadores de Proyecto. La capacidad operacional de UPCT está consolidada; y la coordinación interinstitucional y entre proyectos de desarrollo rural está establecida y operativa, involucrando contribuyentes, gobierno central y municipal, sector privado y sociedad civil.</p>	<p>4.1. Encuentros de trabajo temáticos y reuniones de plenarios anuales entre donantes y organizaciones públicas.</p> <p>4.2. 5 iniciativas de planeamiento y programación/documentos producidos por UPCT.</p>	<p>Existe coordinación entre proyectos.</p>	<p>Los proyectos y programas en ejecución ofrecen productos diferenciados.</p>	<p>Programas y proyectos operan dentro de estructuras institucionales, con aportes del gobierno central, los gobiernos departamentales y el sector privado.</p>	<p>Misiones de supervisión; Informes de la Unidad de S&E.</p>



RESUMEN NARRATIVO Objetivos Específicos/Productos	Indicadores Generales (cuantitativos y de procesos)	Indicadores de Procesos			Fuentes de verificación
		Corto Plazo	Mediano Plazo	Largo Plazo	
<p>5. Asistencia Productiva. Proveer asistencia a los productores para una producción agropecuaria diversificada, intensificada, de alta productividad y con valor agregado. Proveer Fondos de microcapitalización para grupos sin acceso a crédito. Crear microempresas, capitalizadas y en producción efectiva, comerciando activamente y exportando. Facilitar y financiar iniciativas de producción para la juventud y mujeres rurales.</p>	<p>5.1. 300 empresas familiares que incorporan tecnología. 5.2. 1 500 microempresas creadas y capitalizadas. 5.3. 3 000 empresas con niveles de liquidez financiera inter-anual satisfactorio. 5.4. 1 000 microempresas creadas y capitalizadas dirigidas por mujeres y jóvenes. 5.5. 70% de desembolsos del fondo de microcapitalización. 5.6. Monto y N° de fondos revolventes creados con el repago del fondo de microcapitalización.</p>	<p>Las ferias de servicios cumplen con el objetivo de acercar la demanda de servicios técnicos con su oferta.</p>	<p>Las organizaciones de productores han creado sus propios fondos revolventes con recursos provenientes del repago del uso del fondo de microcapitalización.</p>	<p>Las organizaciones presentan autonomía financiera y gerencial para contratar la asistencia técnica, supervisarla y evaluarla.</p>	<p>Misiones de supervisión; Informes de la Unidad de S&E.</p>
<p>6. Servicios Financieros Rurales. Sistema financiero rural consolidado con: i) instituciones especializadas que administran el Fondo de Crédito y el Fondo de Garantía; ii) tecnología de crédito y productos financieros innovadores y iii) movilización de recursos de la plaza financiera.</p>	<p>6.1. Creada la institucionalidad del Fondo de Crédito y del Fondo de Garantía. 6.2. Volumen de recursos provenientes de la plaza financiera. 6.3. 5 intermediarios financieros participando activamente en el proyecto. 6.4. 500 nuevos clientes/año. 6.5. 1 000 préstamos para inversión y de corto plazo. 6.6. 2% de mora y 5% de atraso en repagos. 6.7. Cero solicitudes de uso del Fondo de Garantía por "clientes viejos".</p>	<p>El Fondo de Crédito es administrado por instituciones especializadas. El Fondo de Garantía es utilizado por los clientes más desfavorecidos. Las IFI participan en parte del riesgo del cliente.</p>	<p>El Fondo de Garantía es administrado por una institución <i>ad-hoc</i>. El Fondo de Garantía es utilizado exclusivamente para introducir al cliente al sistema bancario. Las IFI incorporan a los beneficiarios como clientes permanentes.</p>	<p>Existe un sistema de crédito nacional con recursos y metodologías adaptadas a la pequeña producción y microempresarios.</p>	<p>Misiones de supervisión; Informes de la Unidad de S&E.</p>
<p>7. Enfoque de Género. Son empleados en fortalecimiento institucional y desarrollo rural a nivel del campo/ actividades para la reducción de la pobreza.</p>	<p>7.1 Indicadores de proceso: efectivos mecanismos son implementados para la ejecución de iniciativas de género. Por ej., representación de la mujer rural en concilios claves y en actividades de programas de inversión. 7.2. Monto de recursos efectivos asignados a actividades de género.</p>	<p>Los integrantes de la OEDR, UPCT, y autoridades locales, recibieron capacitación en género.</p>	<p>Todas las actividades desarrolladas en el marco del programa utilizan el enfoque de género.</p>	<p>Todas las actividades desarrolladas en el marco del programa utilizan el enfoque de género.</p>	<p>Misiones de supervisión; Informes de la Unidad de S&E.</p>



RESUMEN NARRATIVO Objetivos Específicos/Productos	Indicadores Generales (cuantitativos y de procesos)	Indicadores de Procesos			Fuentes de verificación
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8. Seguimiento y Evaluación. El sistema de seguimiento y evaluación es establecido para apoyar a la Dirección y a las Mesas de Desarrollo Rural. Se compilan, sistematizan y difunden las lecciones aprendidas y las mejores prácticas emergentes del involucramiento de FIDA en el país.	8.1. i) Unidad y Sistema de S&E están establecidos y definidos indicadores cuantitativos y de procesos; y ii) compiladas las lecciones aprendidas y "mejores prácticas" logradas.	La Unidad de Seguimiento y Evaluación ofrece un asesoramiento eficiente a la Dirección y Gerencias del Programa. El sistema de seguimiento cuenta con una metodología ágil de recolección de información y difusión de resultados.	La Unidad de S&E acompaña, en tiempos y formas, el proceso de institucionalización de lucha contra la pobreza rural.	Existe una metodología común de seguimiento y evaluación al interno del MGAP para todos los proyectos y programas.	Misiones de supervisión; Informes de la Unidad de S&E.
Actividades	Insumos (USD '000)				
1) Desarrollo institucional y participación. a) Fortalecimiento institucional y organizacional. b) Focalización y estrategia de priorización.	USD 2 092 USD 300				
2) Servicios de apoyo a la producción. a) Apoyo a la producción agropecuaria. b) Fortalecimiento oferta de servicios c) Comercialización y microempresas. d) Fondo de microcapitalización.	USD 6 880 USD 500 USD 2 050 USD 2 235				
3) Servicios financieros rurales. a) Institucionalización de los SFR. b) Nuevos productos financieros. c) Fondo de reserva.	USD 434 USD 480 USD 2 500				
4) Coordinación y administración del Programa. a) Oficina Especializada de Desarrollo Rural. b) Unidad de Seguimiento y Evaluación. i) Seguimiento y Evaluación ii) Estudio línea de base	USD 3 824 USD 761 USD 200				

9





PROGRAMME COMPONENTS

Organizational Strengthening and Participation

1. The core objective is to create and build capacity in MGAP so that it can take part in designing and implementing sector policies to serve the most vulnerable rural sectors and ensure greater coordination with other MGAP projects and programmes. The programme will support the strengthening of (i) local capacity to coordinate the implementation of rural development actions; (ii) the managerial capacity of producer organizations at the national and local levels, revitalizing and modernizing the services offered to their associates; and (iii) MGAP, especially UPCT and OPYPA.
2. The **institutional and organizational strengthening subcomponent** will be responsible for:
 - (i) **Strengthening of producer organizations.** The programme will strengthen producer organizations looking to enhancing their operation and broadening their membership, especially to include small producers and the rural poor and to increase substantially their backstopping capacity and their delivery of production-support services.
 - (ii) **Establishment of Rural Development Round Tables.** The Round Tables represent the local level of identification, prioritization and implementation of rural development actions, and will be made up of all interested stakeholders. They will be organized geographically in such a way as to give preference to areas with higher concentrations of rural poor and a greater presence of producer organizations representing small producers and the rural poor.
 - (iii) **Institutional formalization within MGAP.** The programme will be implemented through OEDR, ascribed to the UPCT, and will be responsible for MGAP's rural development and poverty reduction actions. The programme will strengthen the latter's specialized offices, including OPYPA and UPCT.
3. The **targeting and prioritization strategy subcomponent** will be responsible for ensuring maximal programme coverage and incorporating the poorest segments of the rural population (with special focus on youth and women) on the basis of the poverty map and the poverty study to be conducted by OPYPA.

Smallholder Support Services

4. This component has four subcomponents: (i) agricultural production support; (ii) expansion of the supply of services; (iii) marketing and microenterprise support; and (iv) a microcapitalization fund. The programme will assist smallholder organizations in hiring TA services. Extension activities will use a flexible group approach that can be adjusted in accordance with local conditions and the number of targeted beneficiary groups. Direct contracting and supervision by smallholders and entrepreneurs will be promoted, applying cost-sharing mechanisms. The component will operate on the basis of demand for services identified and assigned priority by the Rural Development Round Tables and their respective technical secretariats, within the framework of the agricultural/rural development service fairs (see below).
 - (i) **Agricultural production support.** The specific objectives of this subcomponent are to foster the demand for, and supply of, services, primarily in support of poor smallholders; organize a transparent market for the delivery of technical support services (e.g. Round Tables, service fairs); and cofinance the costs of technical support services between the programme and beneficiary organizations, while assuring that disadvantaged smallholders and other target groups are not excluded from programme activities. The



intervention methodology will include (a) initial TA to strengthen beneficiary groups and producer associations among the poorest target groups; and (b) group training methods for agricultural and rural development and organizational expansion and maturity.

The programme will cofinance the costs of TA for producers who are part of agro-industrial or marketing chains, trade associations, development associations, or cooperatives, based on case-by-case studies of the amount to be contributed by users and the respective subsidies from the programme. For producers that are not part of such structures and are poorer than those who are members, the programme should probably maintain its subsidiary role beyond the programme's lifetime. The strategy will seek to integrate these producers into existing agro-industrial and marketing chains and organizations.

- (ii) **Expansion of the supply of services.** Activities will be aimed at supporting the development of private service enterprises and associations of specialists, seeking a broader presence of female extensionists and technicians.
- (iii) **Marketing and microenterprise support.** This subcomponent will provide support for the marketing of agricultural production and all post-harvest and processing operations, while increasing value-added to smallholder agriculture and generating employment and income among the target groups. The programme will also seek to expand and strengthen rural microenterprises. Innovative business-management concepts and methodologies will serve as guideposts for TA. Marketing support will be provided in the areas of market-information system development; market identification and studies; technical services; quality control; and credit and microcapitalization (in conjunction with the financial services component). Microenterprise support will involve enterprise promotion; TA to established enterprises; vertical and horizontal integration; development of gender-based managerial and entrepreneurial capacities; and credit and microcapitalization.
- (iv) **Microcapitalization Fund.** The Microcapitalization Fund is intended to facilitate access to investment resources for a clientele that lacks access to the formal cooperative and/or banking system. Local organizations or institutions will manage the Fund, which will be in a position to provide TA, training and follow-up on the use of these grant resources that are targeted to the most disadvantaged beneficiaries. Specific regulations will be adopted to govern access to and use of these resources.

Rural Financial Services

5. The primary objective of this component is to provide targeted small producers with sustainable access to financial services that meet their priority needs. It will support and strengthen the rural financial services provided under PRONAPPA I.

- (i) **Institutional formalization of the Credit Fund and the Guarantee Fund.** The PRONAPPA Credit Fund, which currently stands at USD 8.3 million, will be reinvested under the second-phase programme. The Guarantee Fund, which stood at USD 630 000 in early 2000, will also be transferred to the programme. As of PY3, the Credit Fund will be administered by a duly authorized legal entity or through such other arrangement as may be recommended by the respective studies. During the first two years of implementation, the Guarantee Fund may continue to operate under its current framework. Institutional formalization of the Guarantee Fund will hinge on the completion of studies to establish the viability of creating an *ad hoc* institution (consortium, foundation, or other legal entity) to manage and administer the fund.



- (ii) **New financial product development.** The objective of this subcomponent is to study, identify and pilot-test new financing solutions that may respond better to the close and real needs of the target groups. Brainstorming on these new intervention approaches and solutions may lead to: (a) machinery leasing within the framework of the agricultural service fairs; (b) stabilization funds to protect against price fluctuations, to be set up at the producer-association level; and (c) mechanisms to reduce the cost of production-insurance services. This subcomponent will provide seed capital for pilot initiatives, credit-related software development, financial risk-related studies, etc.
- (iii) **Reserve Fund.** A reserve fund of USD 2.5 million will be established by the programme, to be allocated based on the findings and recommendations of a mid-term review mission. These resources could be allocated to additional credit resources, if needed, or to the other components. It is expected that it will provide financial services to other projects under the UPCT scheme for poor smallholders.

Programme Management and M&E/Learning

6. MGAP will be responsible for programme execution. Management, administration and coordination of the programme will be the responsibility of the Ministry's OEDR which will be directly under the UPCT. The recently created OEDR (initially financed by the programme) will be responsible for executing programme activities and for planning and administration functions; it will be located in Montevideo. The programme will establish a comprehensive (internal and external) M&E system, while systematizing and disseminating lessons learned and implementing best practices. PRONAPPA II will also integrate these activities into existing regional and subregional thematic networks, TAG-MERCOSUR, and other TA grants in Latin America and the Caribbean.



ORGANIZATION AND MANAGEMENT

1. **Decentralized interventions** will be implemented through the Rural Development Round Tables formed locally by drawing on representatives of producer organizations and the public sector. The Round Tables will include participation by local rural producer organizations that represent poor rural producers, representatives of the local public sector and of MGAP. They will consist of a plenary committee, a project approval committee, and a technical secretariat. The technical secretaries of the Round Tables will be appointed by OEDR/UPCT.
2. **Service fairs.** The Round Tables will both organize service fairs that will bring demand for TA and training services into contact with supply from service providers and disseminate information on opportunities offered by the programme. The fairs will be organized either as special events or held in conjunction with agricultural fairs or other scheduled activities of the MGAP or municipalities; they will provide an opportunity for the initial gathering of ideas and project proposals. To the extent possible, the fairs will coincide with local or department-level events, such as livestock shows, farm shows, exhibits, cultural events, etc.
3. **Gender considerations.** The programme will have a Gender Advisory Unit, which will be responsible for ensuring that the gender approach is part of all programme actions. The unit may recommend to programme management that specific consulting services should be hired in order to ensure better gender targeting, to place the programme back on course, deepen actions and, if necessary, reallocate resources so as to enhance results in this area. It will be responsible for ongoing gender-approach training for OEDR and gender training programmes for the Round Tables, technical staff, beneficiary organizations, service providers and MGAP staff.
4. **The project cycle.**
 - (i) **Call for projects.** OEDR and the Round Tables will establish periods during which proposals for subprojects of the programme may be presented. At least two such periods will be organized each year. During these periods, OEDR and/or the Round Tables' technical secretaries will disseminate standard forms for the presentation of proposals, along with pertinent information on eligibility criteria.
 - (ii) **Presentation of ideas for subprojects.** Subproject ideas may be presented by representatives of formal or non-formal beneficiary organizations or by institutions that have been delegated for such purpose by beneficiary organizations, directly to OEDR staff or the Round Tables. The necessary resources may be allocated for preparation of the subproject profile.
 - (iii) **Presentation of fully formulated subprojects.** The final subproject documents are to be presented directly to the approval authorities of OEDR or the Round Tables. The documents should describe the issues being addressed, objectives, expected results, activities (work methodology) and subproject costs, as well as the planned modalities and sources of financing.
 - (iv) **Evaluation and certification of eligibility and viability of initiatives and subprogrammes.** In the event of direct interventions by OEDR, the technical staff of the Rural Development Section will evaluate and certify subprojects' technical and financial viability, forwarding their recommendations to OEDR's Technical Planning and Budget Committee. In the case of the Round Tables, the technical secretary will be responsible for defining the eligibility and viability of proposals (if necessary, by hiring specialized technical evaluation services) and forwarding recommendations to the Round Table's Project Approval Committee.



APPENDIX VII

- (v) **Approval.** The Project Approval Committee will approve subprojects up to the amounts and ceilings previously authorized by OEDR, which may change each year. Subprojects approved by the committee will be consolidated by the Technical Planning and Budget Committee for presentation at the annual workshop on M&E and planning; once the necessary adjustments are made, approval is given by UPCT/MGAP.
- (vi) **Financing of subprojects.** After approval and inclusion in the final, approved annual workplan, OEDR will take the necessary steps for the financing of the subprojects. Transfers of funds will be made directly by OEDR to the beneficiary organizations so that they may proceed to procure the goods or services called for in the subprojects as approved.



ORGANIGRAMME
Re-engineering of the Ministry of Livestock, Agriculture and Fisheries
Newly-created OEDR

