



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Seventy-Second Session
Rome, 25-26 April 2001

REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO

GRENADA

FOR THE

RURAL ENTERPRISE PROJECT



TABLE OF CONTENTS

CURRENCY EQUIVALENTS	iii
WEIGHTS AND MEASURES	iii
ABBREVIATIONS AND ACRONYMS	iii
MAP OF THE PROJECT AREA	iv
LOAN SUMMARY	v
PROJECT BRIEF	vi
PART I THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY	1
A. The Economy and Agricultural Sector	1
B. Lessons Learned from Previous IFAD Experience	2
C. IFAD's Strategy for Collaboration with Grenada	2
PART II THE PROJECT	3
A. Project Area and Target Group	3
B. Objectives and Scope	4
C. Components	5
D. Costs and Financing	6
E. Procurement, Disbursement, Accounts and Audit	8
F. Organization and Management	8
G. Economic Justification	9
H. Risks	10
I. Environmental Impact	10
J. Innovative Features	11
PART III LEGAL INSTRUMENTS AND AUTHORITY	11
PART IV RECOMMENDATION	11
ANNEX	
SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT	13



APPENDIXES

I.	COUNTRY DATA	1
II.	PREVIOUS IFAD LOAN TO GRENADA	2
III.	FIRST YEAR PROJECT IMPLEMENTATION PLAN	3
IV.	LOGICAL FRAMEWORK	5
V.	COST ESTIMATES AND FINANCING TABLES	8
VI.	ORGANIZATION AND MANAGEMENT	10
VII.	ECONOMIC AND FINANCIAL ANALYSIS	12



CURRENCY EQUIVALENTS

Currency Unit	=	East Caribbean dollar (XCD)
USD 1.00	=	XCD 2.7
XCD 1.00	=	USD 0.37

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

AWPB	Annual Work Plan and Budget
CBO	Community-Based Organization
CDB	Caribbean Development Bank
CDP	Community Development Plan
FI	Financial Intermediary
MOA	Ministry of Agriculture, Lands, Forestry and Fisheries
MOF	Ministry of Finance
NGO	Non-Governmental Organization
PCC	Project Coordinating Committee
PCT	Project Coordination Team
PCU	Project Coordinating Unit
PY	Project Year
RIF	Rural Investment Fund

GOVERNMENT OF GRENADA

Fiscal Year

1 January – 31 December



MAP OF THE PROJECT AREA

GRENADA RURAL ENTERPRISE PROJECT



Source: IFAD Appraisal Report.

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.



GRENADA
RURAL ENTERPRISE PROJECT
LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	Grenada
EXECUTING AGENCY:	Ministry of Finance (MOF)
TOTAL PROJECT COST:	USD 7.7 million
AMOUNT OF IFAD LOAN:	SDR 3.25 million (equivalent to approximately USD 4.2 million)
TERMS OF IFAD LOAN:	20 years, including a grace period of five years, with an interest rate of one half of the reference interest rate per annum as determined by the Fund annually
COFINANCIER:	Caribbean Development Bank (CDB)
AMOUNT OF COFINANCING:	USD 2.2 million
TERMS OF COFINANCING:	30 years, including a grace period of ten years, with an interest rate of 2.5% per annum
CONTRIBUTION OF BORROWER AND BENEFICIARIES:	USD 1.3 million
APPRAISING INSTITUTIONS:	IFAD – CDB
COOPERATING INSTITUTION:	CDB



PROJECT BRIEF

Who are the beneficiaries? There are areas of extreme poverty in Grenada and a wide disparity of living standards across the country. A recent national poverty assessment concluded that 32.1% of all individuals in Grenada were poor, in that their expenditure was unable to meet minimal food and other basic requirements. It also found 12.9% to be extremely poor or indigent. Women and children were the most seriously affected by poverty, with half of the poor under 20 years of age. There is a potential target population of 26 000 persons living below the poverty line in rural areas, but the project will assist a minimum of 3 000 households, or 12 000 persons within 41 poorer rural communities. Benefits are calculated for about 2 920 households operating smallholdings and 80 households with microenterprises. In addition to these direct beneficiaries, 120 artisan households will benefit from training in design and production techniques; 120 fishermen will be trained in safety, health and handling; and 150 banana growers will gain access to a market. A further 1 500 households are likely to benefit indirectly from project investments in the designated poor communities.

Why are they poor? The causes of poverty in Grenada are complex and related to historical and economic factors, not least the vulnerability of the economy due to the country's small size and its exposure to natural disaster. Tropical storms and hurricanes regularly cause serious damage to infrastructure and contribute to keeping the poor in a poverty trap. Grenada's mountainous, volcanic topography can lead to severe soil erosion, and its mountains create a physical barrier across the island. An underwater volcano is also active, and eruption would threaten the islands with tidal waves and ash outflow. At the rural household level, poverty is determined by a lack of: (i) access to productive resources including credit; (ii) social and/or productive organizations; (iii) literacy, technical and/or entrepreneurial skills; (iv) access to markets and/or information; and (v) access to technical and financial support services.

What will the project do for them? The proposed project will address the needs of at least 3 000 households in Grenada, adopting and adapting appropriate strategies already applied by poorer households, which include spreading risks and ensuring access to a range of food and income sources. The project will offer rural households the chance to enhance their income by helping them to recognize and realize economic opportunities. The aim is to provide an enabling environment for project clients by fostering efficient sector and market linkages; strengthening communities so that they can take responsibility for their own development; supporting rural service providers so that they can meet community needs; and encouraging a diverse range of income sources, sustainable in the longer term. The project should lead to greater employment opportunities and higher productivity in the agriculture sector, resulting in a greater proportion of production reaching the market, including items sold to tourists at source rather than through market intermediaries. The project will adopt a gender-equity approach throughout implementation and is expected to contribute to a country-wide decrease in gender inequities. The project will have a positive effect on household food security and improved processing technologies, in particular allowing families with small landholdings to use more food output. Through livestock development measures, it offers opportunities to the poor to generate income and improve the nutrition of their families. Benefits will be enhanced by the nutritional training and food promotional activities carried out under the project. The nutritional status of families, and particularly young children, is expected to improve as a result.

How will beneficiaries participate in the project? The project will be demand-driven by project clients, who will design their own community development plans, including activities suitable for financing and implementation under the project. Each community will also monitor its own plan, and the information will be shared with the project. Two democratically elected community members will represent project clients on the project coordinating committee.



**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO
GRENADA
FOR THE
RURAL ENTERPRISE PROJECT**

I submit the following Report and Recommendation on a proposed loan to Grenada for SDR 3.25 million (equivalent to approximately USD 4.2 million) on intermediate terms to help finance the Rural Enterprise Project. The loan will have a term of 20 years, including a grace period of five years, with an interest rate of one half of the reference interest rate per annum as determined by the Fund annually. It will be administered by the Caribbean Development Bank (CDB) as IFAD's cooperating institution.

PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. The Economy and Agricultural Sector

1. Grenada is an independent state in the Eastern Caribbean, with a total population of about 100 000 living in seven parishes, six on the main island and one the island of Carriacou. Grenada lies in the path of the north-east trade winds and is the southernmost of the four Windward Islands in the Eastern Caribbean region. Because of its geographic position, Grenada is vulnerable to the tropical storms and hurricanes that travel through the region from September to November every year, often causing serious infrastructural damage. The volcanic nature of the archipelago in which Grenada is located adds to its vulnerability, as an underwater volcano is active. Grenada is a member of the Caribbean Community (CARICOM), and also the Organization of Eastern Caribbean States (OECS), which includes the Windward and Leeward Islands in the Eastern Caribbean. These countries share a common currency and a central bank, and they also cooperate in several economic and social areas.

2. Grenada has one of the highest unemployment rates in the Caribbean, estimated at 15% in 1998 and particularly high among the young; it also has a high rate of underemployment in rural areas. The Government intends to implement policies aimed at reducing unemployment, which is a major issue in the country and a threat to social stability, particularly as the situation is likely to deteriorate with the impact of less restrictive global trade on the economy.

3. Agriculture accounted for 10.8% of the gross domestic product (GDP) and 17% of employment in 1998. It also accounted for an estimated 40% of domestic exports. The main crops are cocoa, nutmeg and bananas, but a large range of root crops and tree crops are also planted, often in mixed associations. Smallholders rely on livestock for subsistence, particularly small ruminants, which are largely produced for home consumption and are vital for many woman-headed households. Poultry, pigs and cattle are also produced, and plans are being made to encourage the production of poultry for sale in order to reduce the poultry import bill and provide organic manure. Larceny is a growing problem and a sign of the extent of poverty in rural areas.

4. Although the country provides some of its food requirements, food imports are a significant share (26%) of the total import bill. The Government is seeking to increase local production to close

¹ See Appendix I for additional information.



this gap. The agricultural sector has faced difficult problems over the last few years, including decreased productivity, inadequate inputs and infestation by pests and diseases. This situation has had a deleterious effect on agricultural exports. Banana exports, for instance, were blocked in 1996-98 because of poor produce quality. Over the last two decades, there has been a major shift away from agriculture towards tourism. It was initially believed that tourism could provide a sustainable basis for development, but there is now a growing realization that tourism can leave a country more vulnerable to external shocks and can have a damaging impact on the local environment.

5. Nonetheless, tourism does make a contribution to the economy, being the main source of foreign exchange earnings. According to the Economist Intelligence Unit, the hotel and restaurant sector contributed 10% to GDP in 1998, though the sector did not show much sign of growth over the early 1990s. Although the small enterprise sector is limited in Grenada, the Government, in recognition of its potential contribution to rural development, is promoting entrepreneurial training. Other problems faced by the sector are poor management, undercapitalization, little use of technology, and inadequate marketing.

6. One of the problems jeopardizing the performance of Grenada's economy in general is the lack of integration between economic sectors. For example, there is a high reliance on imported items to service the tourist sector, with little effort to develop a national capacity to supply these items. Certain sectors have job opportunities, but not enough people are being taught the skills required (service skills, computer literacy, marketing expertise). Two of Grenada's national development priorities are poverty eradication and rural development, both of which incorporate the need to address unemployment.

B. Lessons Learned from Previous IFAD Experience

7. IFAD has financed only one project in Grenada, the Artisanal Fisheries Development Project, a loan of USD 2.7 million, of which IFAD contributed USD 1.5 million. The project became effective in September 1982 and closed in October 1989. However, IFAD has supported projects in other Eastern Caribbean countries and can draw lessons from these projects and from other donors' experiences. The main lessons from IFAD projects include: (i) project participants, non-governmental organizations (NGOs) and community-based organizations (CBOs) should be involved in the planning and implementation of the project; project clients need to have a sense of ownership of projects intended for their benefit and not feel that the project is government-controlled; (ii) institutions need to be strengthened to enable successful project implementation; (iii) projects must be designed to incorporate flexibility, so as to allow response to a changing environment; (iv) a rural development strategy must diversify beyond agricultural production to help poor households spread risk and to benefit from linkages with other sectors; (v) technology must be appropriate to smallholders' needs and specific to the technical constraint; (vi) a range of markets for project clients need to be identified, ideally coordinating within the region; (vii) more innovative lending measures need to be introduced so that loans are accessible to IFAD clients; and (viii) measures must be taken to ensure that the project has control over the resources needed to achieve project impact, and that implementing institutions are held accountable for their inputs.

C. IFAD's Strategy for Collaboration with Grenada

8. The IFAD Regional Strategic Opportunities Paper (RESOP) for the Eastern Caribbean outlined elements of the Government's strategy that were important to IFAD and proposed that the future regional strategy incorporate elements of the rural enterprise projects being implemented in two other Windward Islands. Based on the current rural poverty situation in Grenada, and building on the more successful aspects of IFAD's previous projects, four main strategic thrusts have been identified for an IFAD intervention in Grenada. First, the project will build on efforts already made by the Government to adopt a more community-oriented rural development strategy involving NGOs. Second, the project



will strengthen the mainstreaming of gender in rural development projects. Third, it will involve sectors other than agriculture in rural development, helping to develop off-farm income-earning activities and exploiting intersectoral links between rural development and tourism. Fourth, it will investigate the prospects for development of an organic produce sector, not only for the potential benefits to IFAD clients, but also to help provide a focus for the sustainable use of natural resources in the region.

9. There is a sound rationale for IFAD to support a rural enterprise project in Grenada with a loan on intermediate terms. First, Grenada is a vulnerable small island state, unable to withstand too many external shocks to the economy. A high proportion of its population live in poverty and, cut off from the mainstream economy, show limited capacity to find new ways of earning income or to take full advantage of market openings, such as the obvious opportunities that exist to develop businesses servicing the tourist sector. Second, the project can replicate the successful aspects of similar projects in Dominica and Saint Lucia. Third, the project can build upon community mobilization work, so that community needs are identified and met. The project's participatory methodology and an approach promoting business in order to generate alternative income sources are innovative features that characterize IFAD's value-added to development activities in the Windward Islands.

PART II - THE PROJECT

A. Project Area and Target Group

10. The project will fund a number of institution-strengthening activities that will benefit all three islands of Grenada. However, it will primarily work with rural communities targeted as needing help to meet basic needs. Although each rural community faces different constraints, overall conditions for poor rural households in Grenada are generally precarious. Despite the reduced contribution agriculture makes to the national economy, it remains an important source of food or income for many poor and very poor rural households.

11. Farm size throughout Grenada is small, with half of the farmers estimated to have less than one acre and 90% less than five acres. The majority of farms are under private ownership, either individually or family-owned. A small proportion are rented, and squatting is less prevalent than in some of the islands. The mean farm size is approximately 2 ha. with little difference between farms run by men and those run by women. Depending on the climatic and ecological conditions, different crops are raised in different parishes, though bananas still predominate in most parishes. Corn, peas, roots and vegetables are important crops for poorer households; tree crops also have a central role, particularly in terms of fruit provision for household-level agro-processing.

12. The participation of specific rural communities in the project will be phased, with selected communities in the main island and Carriacou receiving support by the end of the fourth project year (PY). Each of the 41 communities expected to take part in the project's community participation component will receive technical support for three years. The criteria for selecting communities will be the number of households in each community (i) with income levels below the poverty line; (ii) with unemployed family members; (iii) with limited access to basic infrastructure such as piped water, sanitation, day-care facilities; (iv) with low education and skill levels; and (v) consisting of marginal farmers and fishermen facing production/marketing constraints. Prospective beneficiaries will also have to show interest in participating in the project. Ideally, the communities selected will have a local CBO and will already have had previous contact with a rural service provider.

13. The application of the above selection criteria will ensure that the poorest communities participate in the project. Within those communities, for specific activities, the project will target rural households falling below the poverty line. According to a recent national poverty assessment, 32.1% of



households fell below a poverty line set at XCD 3 262, with 12.9% falling below the indigent line. There are an estimated 2 000 indigent households, and these will represent the core target group. However, any family below the poverty line will also be included, giving a potential population of 26 000 persons qualifying for project assistance. The project will aim to improve the livelihoods of 3 000 households. Direct beneficiaries will be 2 920 smallholder farming families and 80 microentrepreneur families, representing about 50% of the total target population.

14. **Gender situation.** At present, the Government does not have a gender-equity policy or strategy, but the Department of Gender and Family Affairs has made plans to formulate a national policy on women and gender and to raise awareness of gender-specific roles and responsibilities. Over the last decade, women have filled more key positions in the private and public sectors. Nonetheless, at rural community level, although women participate as equal members in groups such as growers' associations, there is a tendency for men to make the decisions. There has also been a decline of male participation at the community level, with young men becoming disillusioned with their own lack of opportunities and the gap between their situation and the display of wealth in the tourist sector. Poverty affects men and women members of households in different ways. The project will have to cater to the differences within households and across communities, as gender roles also vary among communities.

B. Objectives and Scope

15. IFAD's regional strategy and operational guidelines, together with the Government's current policies and priorities, have guided the project's strategy and rationale. The project is designed to address rural poverty, and one of its key strategies is to adopt and adapt appropriate strategies already applied by target households. For example, these households tend to spread risk and have a range of food and income sources. The project will apply a similarly diversified strategy, helping communities to develop skills suitable for employment or enterprise establishment, as well as improve food production efficiency. The project will be demand-driven and its clients will have access to funds for socio-productive investments at community level. Taking a participatory approach, the project will aim to strengthen the community's capacity to identify problems and formulate workable solutions. It will encourage a commercially oriented approach and also aim for cost recovery so as to ensure that benefits derived from the project are sustainable. It will seek to improve the linkages between clients and rural service providers and coordination among those rural service providers. It will take a gender-equity approach at all levels of implementation, in order to reduce inequalities between men and women in the rural development context. The project will also make specific efforts to involve young persons in the development process.

16. The project's main goal is to reduce rural poverty in a sustainable and gender-equitable manner, offering rural households a chance to enhance their income by helping them to recognize and realize economic opportunities. This is in line with the Government's long-term goal to eradicate poverty. The project's objectives are to: (i) diversify, improve and sustain beneficiary income-earning activities; (ii) strengthen capacities and build confidence within the rural community; (iii) strengthen rural service providers so that they can meet community needs; (iv) promote efficient and environmentally sustainable production and processing activities; and (v) foster sector and market linkages. The project's logical framework (Appendix IV) details the project's objectives and expected outputs.



C. Components

17. The project will implement four components: community participation and support; enterprise development; rural financial services; and project coordination.

18. **Community participation and support.** The objectives of this component are to develop a strong community base, with the equitable involvement of both men and women; to encourage the participatory implementation and monitoring of activities to meet the needs of the community; and to strengthen rural service providers to act in tandem with the community to attain a positive impact on rural poverty. In consultation with the community, the project will appoint a co-implementing agency (preferably a CBO or NGO already working in the community) to help the community elaborate a community development plan (CDP). The CDP will identify community needs and define discrete activities to address those needs. The project will respond directly to requests for assistance related to small enterprise production and marketing, rural tourism promotion and rural financial services. When an activity requires specific financing, the community will have to present its CDP to the project for financing under a rural investment fund (RIF) to be established by the project. The RIF will partly finance proposals directly related to the provision of shared facilities or to the creation of an enabling environment for income-enhancing activities (e.g. through training). The aim will be to improve the capacity of persons within selected communities, particularly those from poorer households, to implement production, business or service-related activities.

19. Other needs identified by the community may require the input of other rural service providers, and the project will strengthen relevant organizations so that they can respond to community demands. Project assistance will be given to strengthen or expand a number of training programmes that are expected to have an impact on enhancing income-earning capacity in rural communities. These will include adult literacy, computer literacy, vocational training for young persons, community-based health and nutrition programmes, and primary education targeting issues of the environment, gender equity and children at risk.

20. **Enterprise development.** This component is divided into two sub-components: production and services; and processing and marketing. The production and services sub-component aims to (i) increase production in arable agriculture for targeted households; (ii) improve animal performance and off-take for targeted households; (iii) stimulate local enterprise development; and (iv) develop the support service sector for poorer smallholders by improving the capacity of the Ministry of Agriculture, Lands, Forestry and Fisheries (MOA) and other support organizations. The project, together with farmers in the target group, will set up on-farm crop demonstration plots within selected communities and pilot appropriate small-scale organic production, integrated pest management and microirrigation schemes. To upgrade livestock quality, it will also identify, through CDPs, potential beneficiaries to participate in sire loan or exchange schemes or female livestock exchange schemes. In addition, it will support demonstrations of improved livestock management systems, on farms also selected through the community-planning process. The project will finance the training of staff in participatory, gender-aware techniques and the provision of extension aids and livestock-handling and epidemiological equipment.

21. The main objective of the processing and marketing sub-component is to increase the output of goods and services from targeted households to the market, with initial emphasis given to the local and national tourist market. To increase throughput to the market, the project will invest in storage and handling facilities for produce. Specific investments identified are for a banana-ripening facility to meet unsatisfied demand on the local market and support for improving the nutmeg drying and sorting process. Funds will be available to improve the national market's information and promotion capacity, with a range of techniques used. The project will work with management in the hotel and restaurant sector to develop a strategy for building linkages between the agricultural and tourist



sectors. To help identify potential enterprise opportunities in rural areas in particular, the project will conduct an industry potential survey in the second project year. The survey will examine resource availability in targeted communities and will try to match market opportunities. The results of the survey will help define gaps in skills and will identify potentially viable enterprises. The project will finance assistance to the craft sector in order to improve product design, quality and presentation. It will carry out training in entrepreneurship, business, service and trade skills in rural communities. Once the value of training is recognized at the community level, it is expected that training will encompass a wide range of skills, reflecting the community's identified needs. Efforts will also be made to convey relevant information to young persons attending formal and non-formal education programmes.

22. **Rural financial services.** This component aims to increase targeted households' access to sustainable financial services. Through a package of measures, the component will strengthen the network of rural financial institutions to meet the credit needs of poor rural households. The project will train financial intermediaries (FIs) and potential borrowers; encourage rural savings schemes; allocate credit to provide additional lending funds to selected FIs; and make available a loan guarantee fund as a mechanism for leveraging funding from FIs to finance microenterprises in the targeted rural communities. In addition to training, the project will provide institutional support to FIs who specifically service targeted communities.

23. **Project coordination.** The main role of the project coordination component will be to ensure that project activities are an effective response to client needs, while also incorporating activities to help Grenada develop and implement a more cohesive national rural development strategy. The project coordination team (PCT) will be responsible for project management and organization, and it will also play a role at the national level by seeking to improve the efficiency and coordination of rural service providers contracted under the project. In addition, the project coordinator will be responsible for helping the Government to formulate rural development policies addressing poverty. The project will be implemented from a gender-equity perspective and provide specific training for institutions and at the field level. To further the understanding of the importance of poverty monitoring in rural development, the project will provide training and assist organizations with the collection and analysis of gender-disaggregated socio-economic data.

D. Costs and Financing

24. Total project costs are estimated at USD 7.7 million (XCD 20.7 million). The cost structure by component is presented in Table 1. The disbursement period is estimated at six years. The foreign exchange component, which includes both direct and indirect costs, is estimated to account for 12% of total project costs. The community participation and support component accounts for 46% of the baseline project cost. Included in this component is the RIF, which accounts for 22% of baseline project cost. The enterprise development component represents 25% of the baseline cost and is subdivided into production and services (11%), and marketing and processing (14%). The rural financial services component represents 6% of the total baseline cost. Project coordination, which includes institutional strengthening for rural development at the national level, represents 23% of baseline project cost. Table 2 shows the proposed financing plan.

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

Components	Local	Foreign	Total	% of Foreign Exchange	% Total Base Costs
A. Community participation and support					
1. Community strengthening	1 556	95	1 651	6	24
2. Rural investment fund	1 578	-	1 578	-	23
Subtotal	3 134	95	3 229	3	47
B. Enterprise development					
1. Production and services	543	176	719	25	10
2. Marketing and processing	885	82	967	8	14
Subtotal	1 428	258	1 686	15	25
C. Rural financial services	408	17	425	4	6
D. Project coordination	1 107	424	1 531	28	22
Total Baseline Costs	6 077	795	6 872	12	100
Physical contingencies	255	55	310	18	5
Price contingencies	430	51	481	11	7
Total project costs	6 761	901	7 662	12	112

^a Discrepancies in totals are due to rounding.

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

Components	IFAD		CDB		Beneficiaries		Government		Total		For. Exch.	Local (Excl. Taxes)	Duties and Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
A. Community participation and support													
1. Community strengthening	1 433	76.8	241	12.9	-	-	192	10.3	1 865	24.3	108	1 571	187
2. Rural investment fund	812	48.0	507	30.0	203	12.0	169	10.0	1 691	22.1	-	1 522	169
Subtotal	2 244	63.1	748	21.0	203	5.7	361	10.1	3 556	46.4	108	3 093	356
B. Enterprise development													
1. Production and services	572	68.3	154	18.4	-	-	112	13.4	838	10.9	209	545	84
2. Marketing and processing	386	35.5	543	49.9	40	3.7	119	10.9	1 089	14.2	93	887	109
Subtotal	958	49.7	697	36.2	40	2.1	231	12.0	1 927	25.1	302	1 432	193
C. Rural financial services	289	64.2	139	30.9	-	-	22	4.9	450	5.9	20	408	22
D. Project coordination	702	40.6	607	35.1	-	-	420	24.3	1 730	22.6	472	1 139	119
Total disbursement	4 194	54.7	2 191	28.6	243	3.1	1 034	13.5	7 662	100.0	901	6 072	689

Source: IFAD/CDB Post-appraisal and pre-implementation mission, November 2000.

^a Discrepancies in totals are due to rounding.





E. Procurement, Disbursement, Accounts and Audit

25. **Procurement.** Project activities will be carried out under contracts between the project and the concerned implementing agency, whether this be an NGO, a CBO or a private-sector or other rural service provider. The contracts between the project and the co-implementing agencies will be subject to 'no objection' by CDB on an annual basis when the project's annual workplan and budgets (AWPBs) are submitted for approval. The project's operational manual will stipulate agreed terms and conditions for the contracts of co-implementing agencies and the fund manager, and details relating to coverage will be amended on a case-by-case basis. The project will be authorized to procure goods, services and works for items below USD 10 000 without prior approval from CDB. For contracts above USD 7 500 but not exceeding USD 150 000, local shopping procedures will apply. Contracts for vehicles, equipment and works costing less than USD 7 500 (up to an aggregate amount of USD 100 000) may be procured off the shelf. For contracts above USD 150 000, local and regional competitive bidding procedures will apply, as outlined in CDB rules of procurement.

26. **Disbursements.** Disbursements for civil works, vehicles and equipment for more than USD 10 000 will require detailed documentation. Disbursements for contracts costing less than USD 10 000 will be made against statements of expenditure, the project retaining relevant documentation for inspection by supervision missions and external auditors. No taxes and duties will be financed from the proceeds of the CDB and IFAD loans.

27. **Accounts and audits.** To allow for efficient flow and management of funds, the Ministry of Finance (MOF) will open a Special Account denominated in United States dollars at an accredited commercial bank in Grenada, on terms and conditions acceptable to IFAD. The authorized allocation will be for an amount of USD 350 000. The Special Account will support the IFAD share of all project financing. The PCT will submit annual statements of project expenditure for each fiscal year within three months of year-end. An auditor acceptable to IFAD and CDB will audit project accounts on a yearly basis in accordance with international standards on audit (ISA). In addition to quarterly financial statements, the PCT will produce annual financial statements within two months from the end of the fiscal year and audited financial statements within six months of the end of the fiscal year.

F. Organization and Management

28. The project design is based on a demand-driven approach, and therefore the ultimate responsibility for implementation will rest with project clients, obviously with assistance from the project and the numerous organizations forming linkages with the project and its clients. MOF will be the executing agency for the project, but day-to-day responsibility for project implementation will rest with the PCT. MOA will be defined as one of the implementing agencies for the project, responsible for technical support in the agricultural, fisheries and forestry sectors. Project funds will be disbursed on an annual basis, subject to performance indicators set under the project. Other appropriate organizations will be subcontracted as necessary to carry out project implementation activities, again, subject to performance and with project funds allocated in line with client demand and merged into the annual work programmes of each of the organizations involved. Appendix VI includes a chart of the project's organizational structure and the implementation strategy for the project at community level.

29. To coordinate the project activities and recruit appropriate expertise, a project coordinating unit (PCU) will be established and based in the project area, run by a PCT. A project coordinator will head the PCT and will report to a project coordinating committee (PCC). The members of the PCC will comprise the following: representation from MOF and MOA; NGO representation nominated by the Inter-Agency Group of Development Organizations (IAGDO); a representative of the fund manager or one of the FIs; a representative of the Grenada Hotel Association; the project coordinator and two community representatives (one man and one woman), the selection of whom will be decided annually at community level. The chairperson of the PCC will report to the Minister of Finance. The PCC will



approve the project AWPB, which the project coordinator will have integrated and finalized after having received input from the PCT, communities and organizations involved in project execution.

30. The PCT, headed by the project coordinator, will be responsible for managing and coordinating project activities. The project coordinator will have the support of a project monitoring officer and a financial controller. In addition, a community development promoter, a business promoter and a project facilitator will provide technical support over the life of the project. A gender specialist will work with the PCT for the first two years, and further technical backstopping will be available to the project. Extension training, support on rural finance, training on identification of children at risk, and a product designer on crafts are all identified as technical assistance inputs, but the design of the project allows for experts with other skills to be recruited on an as-needed basis.

31. Project beneficiaries will participate in the project through the design of their CDPs, which will identify socio-productive investments needed by the community. The elements of the CDP to be funded by the project's RIF will be put forward to the PCT for approval. Discrete activities requiring funding of over USD 5 000 will be subject to PCC approval. Project clients will also participate in monitoring the impact of their implemented CDP, and annual community meetings will be held for this purpose.

32. **Gender considerations.** The project is expected to contribute to a decrease in gender inequities throughout the country, with particular impact in rural communities. The project will ensure that all rural service providers it contracts apply gender-equity strategies and that all training programmes include gender awareness. Project activities will target both men and women beneficiaries. Extension training will be conducted to encourage a more participative approach to extension work, involving men and women in demonstration activities. In particular, the project will enhance the role of women at the community level by encouraging women to play leadership roles and involving them in decision-making processes. The whole community will have ownership of the project, participating in planning, implementing and monitoring their own CDPs.

G. Economic Justification

33. A total of 2 920 smallholder farmers and 80 microentrepreneurs are expected to benefit directly from the project. These figures are extremely conservative and take no account of the likely demonstration effect in the country. Family income benefits, using the household models, are estimated to show an average annual income increment of USD 1 500, which represents a twofold increase in income for those living below the poverty line. The project will contribute to the creation of jobs: it is estimated that there will be a total rate of increase in labour of 1.48 for the on-farm models and that there will also be increased employment arising from off-farm enterprise developments. Environmental benefits will arise from the reduction of chemical fertilizer, pesticide and fungicide use.

34. Indirect benefits arising from the project will spread to a wider range of beneficiaries, as it is anticipated that 41 communities will work within the project's community participation and support component, and potentially benefit from literacy, life skills and other skills training. In addition to the direct beneficiaries, an estimated 1 500 households are likely to benefit indirectly from investments under the RIF, in terms of infrastructure, technical assistance and training. Some 1 000 additional rural households will access credit through the instruments provided by the rural financial services component. As a result of project investments, it is estimated that up to 150 additional farmers will have a local market for their bananas. At least 120 artisan families will be assisted in improving their products and expanding their market. An estimated 440 existing and new staff from the hotels and restaurants will gain from training in menu planning and local procurement, leading to more satisfied customers and more secure markets for local suppliers.

35. Rural communities will gain in self-confidence, particularly women and youth, enabling them to have more control over their own livelihoods. The project will train individuals at the community level



in leadership and management skills, which will help to ensure that benefits are sustainable. The market system should be more efficient and rural households better able to respond as a result of improved linkages between buyers and sellers and across sectors. The tourism sector will benefit from the improved quality of produce, the higher level of services available locally in the market, and the development of agro- and ecotourist trails. The tourism industry will gain at a national level, through the promotional materials being broadcast and published under the project. Further national benefits will emanate from having a more cohesive national framework for rural development, which will help to address rural poverty in a gender- and age-equitable manner.

36. The project will have a positive effect on household food security. The improved processing technologies, in particular, will allow families with small plots of land to use more food output. The livestock development measures will offer opportunities to the poor to generate income and improve the nutrition of their families. Benefits will be enhanced through the nutritional training and food promotional activities carried out under the project. Work on the organic produce sector will help further understanding of the risks to health of chemical residues on produce. The nutritional status of families, and particularly young children, is expected to improve as a result of the project. Nutritional and health training, including the impact of drug use and AIDS, will benefit the whole family in terms of improved family health.

H. Risks

37. The project design minimizes risks by allowing flexibility in implementation to accommodate change and to respond to client needs. One risk is environmental, in that every year tropical storms and hurricanes hit these small islands, increasing Grenada's vulnerability. However, the improvements of the market system and marketing strategy fostered under the project will allow rural households to cope more efficiently with these occurrences. Rural community control over project resources and the measures taken to involve the community, including young persons, address the risk that persons will fail to engage in economic development. The emphasis on building communities' confidence and ability to address needs counters the risk of creating dependency on the project and its implementing organizations. An attitude of dependency and poor participation in the project can arise if there is a perception of government control over a project. In addition, there is a risk of credit defaults. These risks are minimized by the involvement of NGOs, a commercial bank and credit unions in the project and by running the project as an autonomous entity, distinct from the Government, and with a rural base.

38. Should there be an inadequate level of support from relevant agencies, the project can address the problem at three levels: (i) the issue can be discussed at meetings of rural service providers held at the community level; (ii) problems can be raised at the level of the PCC; and (iii) the project can identify and in some cases contract, if necessary, alternative rural service providers. The risk that FIs continue to take a conservative attitude towards lending to the rural poor is countered by a package of measures, including innovative lending techniques and a loan guarantee fund, that minimizes the risk to FIs.

I. Environmental Impact

39. Classified as Category B, the project will have a positive impact on the environment. No incremental use of agrochemicals is planned and organic fertilizers and biological controls are to be promoted, as is the planting of permanent crops. Microirrigation schemes will be based on rainwater collection or surface run-off. The establishment of seed gardens and mother tree plots will help preserve biodiversity and genetic resources in Grenada. The project will support more-intensive livestock systems that remove animals from free-range grazing, a contributory factor in environmental degradation. Environmental issues are to be included in the training programme at community level and in schools. If new feeder roads are requested under the RIF, a comprehensive impact study



showing no adverse impact on the environment or on local residents will be a condition for approval of any investment.

J . Innovative Features

40. The participatory nature of the project, giving project clients control over investment planning, implementation and monitoring, goes a step further than other projects in the region and is expected to generate enthusiasm among rural communities. The initiatives being taken to develop an organic sector are innovative and could bring considerable benefits to IFAD clients and to the country. Furthermore, the efforts to improve linkages across sectors, agriculture and tourism in particular, could help provide a focus for the sustainable use of natural resources in Grenada and provide a blueprint for replication in other island states. A more coordinated thrust across sectors to reduce rural poverty, rather than a strictly sectoral approach within agriculture, is also an innovative feature to the project, which could provide an example for other countries to follow. The instruments proposed in the rural finance sector explore innovative ways of tackling the limited access of credit to the rural poor, and, if successful, could be replicated within the region where similar constraints apply.

PART III - LEGAL INSTRUMENTS AND AUTHORITY

41. A loan agreement between Grenada 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.

42. Grenada is empowered under its laws to borrow from IFAD.

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

PART IV – RECOMMENDATION

44. 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 Grenada in various currencies in an amount equivalent to three million two hundred and fifty thousand Special Drawing Rights (SDR 3 250 000) to mature on and prior to 1 June 2021 and to bear an interest rate of one half of the reference interest rate per annum as determined by the Fund annually, and to be upon such other terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Lennart Båge
President

SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT

(Loan negotiations concluded on 23 February 2001)

1. **Availability of loan proceeds.** The Government of Grenada will make the proceeds of the loan available to MOF (the lead project agency) in accordance with the AWPBs to carry out the project.
2. **Availability of counterpart funds.** The Government will make counterpart funds available from its own resources to the lead project agency during the project implementation period in an approximate aggregate amount of USD 1.03 million in accordance with its customary national procedures for development assistance. For this purpose, the Government will make budgetary allocations for each fiscal year equal to the counterpart funds called for in the AWPB for the relevant project year and will make these allocations available to the lead project agency annually in advance.
3. **Channelling of project resources.** The lead project agency, acting through the PCU, will transfer available funds and other resources called for in the AWPBs as follows:
 - (a) to MOA, in accordance with a memorandum to be entered into between the lead project agency and MOA, to finance the activities to be carried out by MOA;
 - (b) to New Life Organization (NEWLO), in accordance with a contract to be entered into between the lead project agency and NEWLO, to finance the activities to be carried out by NEWLO;
 - (c) to rural service providers selected by the PCU based on transparent procedures and technical criteria to be set forth in the project operational manual and subject to the prior approval of the PCC, in accordance with contracts to be entered into between the lead project agency and each rural service provider, to finance the activities to be carried out by them; and
 - (d) to a financial institution selected by the PCU with the prior approval of the PCC and IFAD based on transparent procedures and criteria agreed by the Government and IFAD (the fund manager), in accordance with a fund management agreement to be entered into between the lead project agency and the fund manager, to administer the credit fund and the loan guarantee scheme.
4. **Revolving fund.** The fund manager will redeposit all net revenues from credits extended to FIs in the credit fund. The fund manager will use these revenues to fund further credits to FIs in accordance with this agreement at least until the date specified in the fund management agreement or, if no date is specified, until all loan service payments have been made in full. For purposes of this paragraph, the term "net revenues" means all repayments of principal and all payments of interest, *less* reasonable operating and other costs.
5. **Environmental practices.** As part of maintaining sound environmental practices as required by the general conditions, the parties participating in project implementation will take the following measures throughout the project implementation period
 - (a) refrain from promoting the use of agrochemicals;
 - (b) investigate and, whenever appropriate, promote the use of organic fertilizers and biological controls;



- (c) take all reasonable measures to preserve the biodiversity and genetic resources of the project area;
- (d) maintain appropriate pest-management practices under the project and, to that end, the Government will ensure that pesticides procured under the project do not include any pesticide either proscribed by the International Code of Conduct on the Distribution and Use of Pesticides of the Food and Agriculture Organization of the United Nations (FAO), as amended from time to time, or listed in Tables 1 (Extremely Hazardous) and 2 (Highly Hazardous) of the World Health Organization (WHO) Recommended Classification of Pesticides by Hazard and Classification 1996-1997, as amended from time to time; and
- (e) support all feeder-road construction proposals for financing under the RIF by a comprehensive environmental impact study to ensure that neither the environment nor local residents are adversely affected.

6. **Gender focus.** The parties participating in project implementation will take all reasonable measures to ensure that gender inequities among the target group are decreased during the project implementation period, in particular among the communities participating in the community participation and support component. To that end, the Government will ensure that, among other things:

- (a) all rural service providers contracted under the project apply gender-equity strategies and all training programmes include gender awareness;
- (b) project activities target both men and women beneficiaries, with a view to achieving a 50:50 gender balance in client participation in such activities;
- (c) socio-economic data are collected, analysed and reported by all parties participating in project implementation on a gender-disaggregated basis; and
- (d) women are encouraged to play leadership roles in project implementation and are involved in the decision-making process, including (but not limited to) participation in the PCC, the PCU and the rural service providers contracts (RSPC).

7. **Youth.** The Government will ensure that young people, both boys and girls, are encouraged to participate actively in community decision-making and the implementation of economic development of their communities.

8. **Other donor-funded programmes.** The Government will ensure that other donor-funded projects and programmes do not make credit available to the target group on concessional terms.

9. **Tax exemption.** The Government will exempt from all taxation of any kind (i) the importation, procurement and supply of all goods, civil works and services financed by the loan and (ii) the fees of the PCT. The value of these exemptions will be credited against the obligation of the Government to provide counterpart funds for the project.

10. **Conditions precedent to effectiveness.** The effectiveness of the loan agreement is subject to the fulfilment of the following conditions:

- (a) the PCC has been duly established;
- (b) the PCU has been duly established;



- (c) a project coordinator has been duly appointed by the lead project agency and approved by the cooperating institution and IFAD;
- (d) the Government has duly opened the project account and deposited XCD 150 000 in counterpart funds;
- (e) the Government has duly opened the special account;
- (f) the loan agreement has been duly signed, and the signature and performance thereof by the Government have been duly authorized and ratified by all necessary administrative and governmental action; and
- (g) a favourable legal opinion, issued by the Attorney General or other legal counsel approved by IFAD, in form and substance acceptable to IFAD, has been delivered by the Government to IFAD.

11. Conditions precedent to withdrawals:

- (a) No withdrawals will be made in respect of expenditures under the credit fund or the loan guarantee scheme until:
 - (i) the project operational manual has been approved by IFAD in draft; and a copy of the project operational manual as adopted by the PCC, substantially in the form so approved and certified as true and complete by a competent officer of the lead project agency, has been delivered to IFAD; and
 - (ii) the fund management agreement has been approved by the Fund in draft; a copy of the agreement, as signed by the lead project agency and the fund manager, substantially in the form so approved and certified as true and complete by a competent officer of the lead project agency, has been delivered to IFAD; the signature and performance thereof by the lead project agency and the fund manager have been duly authorized or ratified by all necessary corporate, administrative and governmental action; and all conditions precedent to the effectiveness thereof have been fulfilled.
- (b) No withdrawals will be made in respect of expenditures under the RIF until:
 - (i) a copy of the signed loan agreement between the Government and CDB, in form and substance acceptable to IFAD, and certified as true and complete by a competent officer of the Government or CDB, has been delivered to IFAD; the signature and performance thereof by the Government and CDB has been duly authorized or ratified by all necessary corporate, administrative and governmental action; and all conditions precedent to the effectiveness thereof have been fulfilled; and
 - (ii) the condition precedent set forth in paragraph 11(a)(i) above has been fulfilled.

COUNTRY DATA

GRENADA

Land area (km² thousand) 1997 1/	0.34	GNP per capita (USD) 1998 2/	3 250
Total population (million) 1998 3/	0.1	Average annual real rate of growth of GNP per capita, 1990-98 2/	1.8
Population density (people per km²) 1998 3/	283	Average annual rate of inflation, 1990-98 2/	2.8
Local currency	East Caribbean dollar (XCD)	Exchange rate: USD 1 =	XCD 2.7
Social Indicators		Economic Indicators	
Population (average annual rate of growth) 1990-98 2/	0.4	GDP (USD million) 1998 1/	343
Crude birth rate (per thousand people) 1998 1/	25	Average annual rate of growth of GDP 1/ 1978-88	5
Crude death rate (per thousand people) 1998 1/	7	1988-98	2.4
Infant mortality rate (per thousand live births) 1998 1/	14	Sectoral distribution of GDP, 1998 1/	
Life expectancy at birth (years) 1998 3/	72	% agriculture	8.4
Number of rural poor (million) 3/	n.a.	% industry	22.2
Poor as % of total rural population 3/	n.a.	% manufacturing	7.1
Total labour force (million) 1998 1/	n.a.	% services	69.4
Female labour force as % of total, 1998 1/	n.a.	Consumption, 1998 1/	
Education		General government consumption (as % of GDP)	17.2
Primary school gross enrolment (% of relevant age group) 1997 1/	n.a.	Private consumption (as % of GDP)	65.7
Adult literacy rate (% of total population) 1997 4/	96	Gross domestic savings (as % of GDP)	17.1
Nutrition		Balance of Payments (USD million)	
Daily calorie supply per capita, 1996 4/	2 731	Merchandise exports, 1998 1/	25
Malnutrition prevalence, height for age (% of children under 5) 1997 1/	n.a.	Merchandise imports, 1998 1/	148
Malnutrition prevalence, weight for age (% of children under 5) 1997 1/	n.a.	Balance of merchandise trade	- 123
Health		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 1998 1/	5.4	before official transfers, 1998 1/	- 115
Physicians (per thousand people) 1997 1/	0.5	after official transfers, 1998 1/	- 95
Percentage population without access to safe water 1990-97 4/	n.a.	Foreign direct investment, 1998 1/	18
Percentage population without access to health services 1981-92 4/	n.a.	Government Finance	
Percentage population without access to sanitation 1990-97 4/	n.a.	Overall budget surplus/deficit (including grants) (as % of GDP) 1998 1/	2.3
Agriculture and Food		Total expenditure (% of GDP) 1998 1/	28
Food imports as percentage of total merchandise imports 1998 1/	23	Total external debt (USD million) 1998 1/	183
Fertilizer consumption (hundreds of grams per ha of arable land) 1997 1/	n.a.	Present value of debt (as % of GNP) 1998 1/	47.9
Food production index (1989-91=100) 1998 1/	109.3	Total debt service (% of exports of goods and services) 1998 1/	5
Land Use		Nominal lending rate of banks, 1998 1/	10.5
Arable land as % of land area, 1997 1/	5.9	Nominal deposit rate of banks, 1998 1/	4.6
Forest and woodland area (km ² thousand) 1995 1/	n.a.		
Forest and woodland area as % of total land area, 1995 1/	n.a.		
Irrigated land as % of cropland, 1997 1/	n.a.		

n.a. not available.

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

1/ World Bank, *The World Development Indicators CD-ROM*, 2000

2/ World Bank, *Atlas*, 2000

3/ World Bank, *World Development Report*, 2000

4/ UNDP, *Human Development Report*, 1999



PREVIOUS IFAD LOAN TO GRENADA

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)
Artisanal Fisheries Development Project	IFAD	CDB	I	08 Sep 81	24 Sep 82	31 Oct 89	L - I - 71 - GR	SDR	1 400 000	98.03%

I = Intermediate

FIRST YEAR PROJECT IMPLEMENTATION PLAN

No.	PRINCIPAL ACTIVITY	COMPLETED TASK	RESPONSIBLE INSTITUTION	Q1	Q2	Q3	Q4
	Recruitment of project coordinator	Project Coordinator	MOF, CDB/IFAD	X			
	Recruitment of staff PCT	Project personnel	PC	X			
	Constitution and first meeting PCC	PCC operational	MOF	X			
	Procurement of vehicles and equipment	Procurement done	PC, MOF/CDB	X			
	Installation office Grenville	Office	PCT	X			
	Development of project operational manual	Draft manual	PCT, consultant	X			
	Approval of rules and regulations RIF and loan guarantee fund: operational manual	Approved rules, manual	PCC	X			
	Promotion of project	Promotion programme	PCT	X			
	Project launch workshop	Workshop	PCT, IFAD/CDB		X		
	Development of AWPB	AWPB	PCT		X		
	Approval AWPB	AWPB	PCC		X		
	Development draft contracts FI, RSP, co-implementing agency	Draft contracts	PC	X			
	Terms of reference for baseline study	TOR	PC, PCT		X		
	Contract with fund manager	Contracts	PC, FC			X	
	Contracts with co-implementing agencies	Contracts	PC, CDP, FC	X			

No.	PRINCIPAL ACTIVITY	COMPLETED TASK	RESPONSIBLE INSTITUTION	Q1	Q2	Q3	Q4
	Training in participatory methodologies and gender analysis	Trained staff	Gender specialist, CDP	X	X		
	Implementation of baseline study	Baseline survey	Contractor		X		
	Approval of first CDPs (9)	CDPs	PCT, PCC	X	X		
	Contracts with rural service providers	Contracts	PC, CDP		X		
	Identification of CBOs and RSP as prospective co-implementing agency for PY2	Strengthened organization	PCT	X	X		
	Validation of baseline survey results	Baseline data	Co-implementing agency, PCT			X	
	Training needs assessment of FI and RSP	Training programme	PCT		X		
	Workshop on gender strategy with stakeholders	Grenada Rural Enterprise Project gender strategy	Gender specialist		X		
	Six-monthly project progress reports	Report	PCT			X	X
	Development monitoring and evaluation (M&E) system	M&E system	PMO, PCT, Gender			XXXX	XXXX
	Implementation CDPs	Response to needs	CBOs, Co-implementing agency		XXXX	XXXX	XXXX
	Implementation training programme for RSP and FI	Strengthened RSP, FI	PCT		XXXX	XXXX	XXXX
	Development of training and promotion materials	Training materials	PCT		XXXX	XXXX	
	Workshop for APWB 2002	APWB 2002	PCT, stakeholders			X	



LOGICAL FRAMEWORK

Description	Objectively verifiable indicators	Means of verification	Critical assumptions
Goal Reduce rural poverty in a sustainable and gender-equitable manner	<ul style="list-style-type: none"> • Indicators as agreed by the Government and international donors • Increase of viable rural enterprises operated by rural poor households • Decrease in unemployment among men and women • Decrease in gender inequities in project area 	<ul style="list-style-type: none"> • Government statistics • Special project studies • Project gender impact studies 	<ul style="list-style-type: none"> • Macroeconomic environment is stable. • Government and donor are committed to poverty eradication.
Objectives 1. Diversify, improve and sustain income-earning activities 2. Strengthen capacity and build confidence at the level of the rural community 3. Strengthen rural service providers to meet community needs 4. Promote efficient and environmentally sustainable production and processing activities 5. Foster sector and market linkages	<ul style="list-style-type: none"> • Income earned from rural enterprises established or from jobs by gender of beneficiary • Number of households, woman-headed households and youths having access to loans and savings accounts • Beneficiary satisfaction with the implementation of their CDP • Increase in crop and animal production • Increase in the proportion of on-farm produce sold • Degree of import substitution in project productive items 	<ul style="list-style-type: none"> • Government reports and national statistics • Project progress and M&E reports • Co-implementing agency reports • FI reports • Project (gender) impact studies • Hotel purchasing information 	<ul style="list-style-type: none"> • Information is shared. • Project coordination and management are in place. • Communities have some entrepreneurial interest. • Project stakeholders are committed to coordination and linkage. • Project stakeholders provide gender-disaggregated data.
Outputs 1.1 Poor farmers and rural entrepreneurs gain equitable access to financial resources for production support services to enable them to improve existing businesses and start new business ventures 1.2 Increased flow of funds from financial intermediaries for financing rural enterprises of project beneficiaries. 1.3 Levels of entrepreneurship in 41 participating communities increased 1.4 Levels of technical skills in 41 communities increased 1.5 Levels of business-managing skills among entrepreneurs in community improved 1.6 Agro- and ecotourism trails established	<u>Outputs 1.1-1.6</u> <ul style="list-style-type: none"> • 41 communities participated in their own development by PY6 • Increased numbers of men and women taking loans for small businesses (est. 1 000) • Equitable distribution of loans and loan size by gender and age • Funding requested for wider range of activities • Financial services provided by a wider range of institutions • A number of men and women farmers and rural entrepreneurs implementing new business ventures • Up to 3 000 persons trained in technical/financial/business/family skills by gender, age and type of activity • A number of agro- and ecotourism trails established/expanded • Amount of income derived from trails and distribution among beneficiaries • Increase in handicrafts sold to tourists at community level 	<ul style="list-style-type: none"> • Project progress 	<ul style="list-style-type: none"> • Rural organizations are able to identify and demand services. • Technical assistant service providers are competent. • Markets are available. • Community interest exists. • Young men become interested. • Methods are used to facilitate the participation of both men and women.



Description	Objectively verifiable indicators	Means of verification	Critical assumptions
<p>2.1 Rural communities (41) have the capacity to identify needs, to design and follow up action plans</p> <p>2.2 Improved access to day-care centres, particularly for children of woman-headed households</p> <p>2.3 Conditions created for equitable participation in project implementation and local decision-making</p> <p>2.4 Increased number of young men participating in project activities and services and local organizations</p> <p>2.5 Level of education and literacy of project beneficiaries raised</p> <p>2.6 Increased education and skill levels of young men and women</p> <p>2.7 Increased awareness among teachers with regard to children at risk</p>	<p><u>Outputs 2.1-2.6</u></p> <ul style="list-style-type: none"> • At least 41 detailed requests submitted by community for assistance through CDPs and analysed by activity, group, gender and approval of funding • Increased proportion of active men members in local organizations • Increased proportion of women at decision-making levels • Increased percentage of children attending day-care centres • Increased percentage of literate poor rural people • At least 10% of youth receiving skills training and getting employment • Up to 250 men and women beneficiaries participating in community exchange visits • A number of men and women participating in call-in radio programmes • At least 10% of rural schools participating in gender and environmental training and programme on children at risk 	<ul style="list-style-type: none"> • CDPs • Day-care centre records • Community organization records • Community literacy levels • Records at NEWLO, GRENCASE, private sector • CDP reports • Broadcasting records 	<ul style="list-style-type: none"> • Organizations keep satisfactory records. • Rural community is interested in participating.
<p>3.1 Co-implementing agencies have greater capability to support rural communities in CDPs in gender-equitable manner</p> <p>3.2 Communication programme institutionalized</p> <p>3.3 Extension services of MOA capable of servicing project beneficiaries</p> <p>3.4 Local financial institutions are involved in business lending on sustainable basis</p>	<p><u>Outputs 3.1-3.4</u></p> <ul style="list-style-type: none"> • 41 CDPs implemented as planned by the beneficiaries • Gender equity in the implementation of CDPs and co-implementing agency interventions • Up to 3 000 poor men and women farmers and rural entrepreneurs receiving technical assistance from MOA • Number of business loans per year • Number of business lending in total portfolio per year and institution • Proportion of arrears and defaults in business loans • Proportion of loans guaranteed by the loan guarantee scheme per year 	<ul style="list-style-type: none"> • CDPs and monitoring records • Co-implementing agency reports • MOA extension worker records • Financial institutions statement of accounts and records • Loan guarantee scheme records 	<ul style="list-style-type: none"> • Co-implementing agencies perform under contracts. • MOA performs satisfactorily. • MOA extension workers keep records. • Financial institutions are willing to engage in business lending and serve the rural poor.





Description	Objectively verifiable indicators	Means of verification	Critical assumptions
<p>4.1 Improved animal performance and quality of livestock off-take</p> <p>4.2 Reduction of pesticide and fungicide use through integrated pest management (IPM)</p> <p>4.3 Organic workshop held and pilot projects conducted to test organic production</p> <p>4.4 Fish storage facilities improved</p>	<p><u>Outputs 4.1-4.5</u></p> <ul style="list-style-type: none"> • Increased male and female labour productivity • Up to 500 woman-headed households with improved diet and income through backyard garden activities • Increased planting materials available • Decrease in mortality of small stock, pigs, poultry and cattle • Number of men and women farmers who have benefited from livestock-exchange schemes • Adoption rate of microirrigation schemes • Number of fish storage facilities new and improved requested and funded by RIF 	<ul style="list-style-type: none"> • MOA extension records • MOA records for Mirabeau, particularly plant and seedling distribution • Laura Breeding station records • CDP records • Sales of organics 	<ul style="list-style-type: none"> • MOA keep records.
<p>5.1 A larger percentage of local production reaches the market</p> <p>5.2 Increase in efficiency of industry handling of bananas, nutmeg and other produce</p> <p>5.3 More extensive market information at national level</p> <p>5.4 Local processing of raw materials enhanced</p> <p>5.5 More locally made goods sold to tourists</p>	<p><u>Outputs 5.1-5.4</u></p> <ul style="list-style-type: none"> • Increased quantity of local produce traded on local markets • Improved quality of produce and decrease of wastage in the market • Number of men and women trained in processing-related issues • Banana-ripening chamber installed • Increase in bananas locally marketed • Number of radio programmes with market information • Increased number of people involved in processing of raw materials (craft and agriculture) 	<ul style="list-style-type: none"> • Records of the Grenada Marketing and National Importing Board (GMNIB) • Business promoter (BP) and project facilitator (PF) records • Quality laboratory records • Contracts with hotels, cruise lines, tour guides • Broadcast records • Proportion of crafts imported 	<ul style="list-style-type: none"> • GMNIB keeps records. • Farmers maintain production levels.
<p>Inputs</p> <ul style="list-style-type: none"> • Financial services (guarantee scheme, credit funds, institutional strengthening) • Rural investment fund (RIF) • Technical assistance services • Market information and support • Training, counselling and advocacy services • Promotion, communication and information dissemination • Management M&E 	<ul style="list-style-type: none"> • Contracts with financial intermediaries and fund manager signed • Number of loans disbursed to FI • Contracts with co-implementing agencies and other rural service providers signed • Project operational manual (including RIF) elaborated • Gender-equity strategy incorporated in project components and activities • Number of market studies undertaken • Number of promotion and training materials produced and distributed • Number of training courses undertaken • At least five M&E reports/special studies 	<ul style="list-style-type: none"> • Annual independent audit reports • Project progress reports 	<ul style="list-style-type: none"> • Funds are provided in timely manner. • Proper accounting and auditing procedures are adhered to.

COST ESTIMATES AND FINANCING TABLES

Expenditure Accounts by Components - Totals Including Contingencies (USD '000)

	Community Participation And Support		Enterprise Development		Rural Financial Services	Project Coordination	Total
	Community Strengthening	Rural Investment Fund	Production and Services	Marketing and Processing			
I. Investment Costs							
A. Vehicles and Equipment							
1. Vehicles	-	-	-	-	-	111	111
2. Equipment/Inputs	18	-	449	94	32	29	621
Subtotal	18	-	449	94	32	139	732
B. Credit	-	-	-	-	228	-	228
C. Rural Investment Fund	-	1 691	-	-	-	-	1 691
D. Technical Assistance	-	-	-	-	-	310	310
E. Project Preparation and Start-Up	-	-	-	-	-	66	66
F. Consultants	218	-	-	389	149	413	1 169
G. Contracted Services							
1. Promotion	239	-	-	91	-	20	350
2. Co-Implementation	825	-	-	-	-	-	825
3. Training	502	-	147	275	35	96	1 056
Subtotal	1 567	-	147	366	35	116	2 232
H. Studies/Audits	50	-	171	215	5	194	635
Total Investment Costs	1 852	1 691	767	1 064	450	1 240	7 064
II. Recurrent Costs							
A. Incremental Staff	-	-	-	-	-	166	166
B. Operation/Maintenance	13	-	71	25	-	324	432
Total Recurrent Costs	13	-	71	25	-	490	599
Total PROJECT COSTS	1 865	1 691	838	1 089	450	1 730	7 662

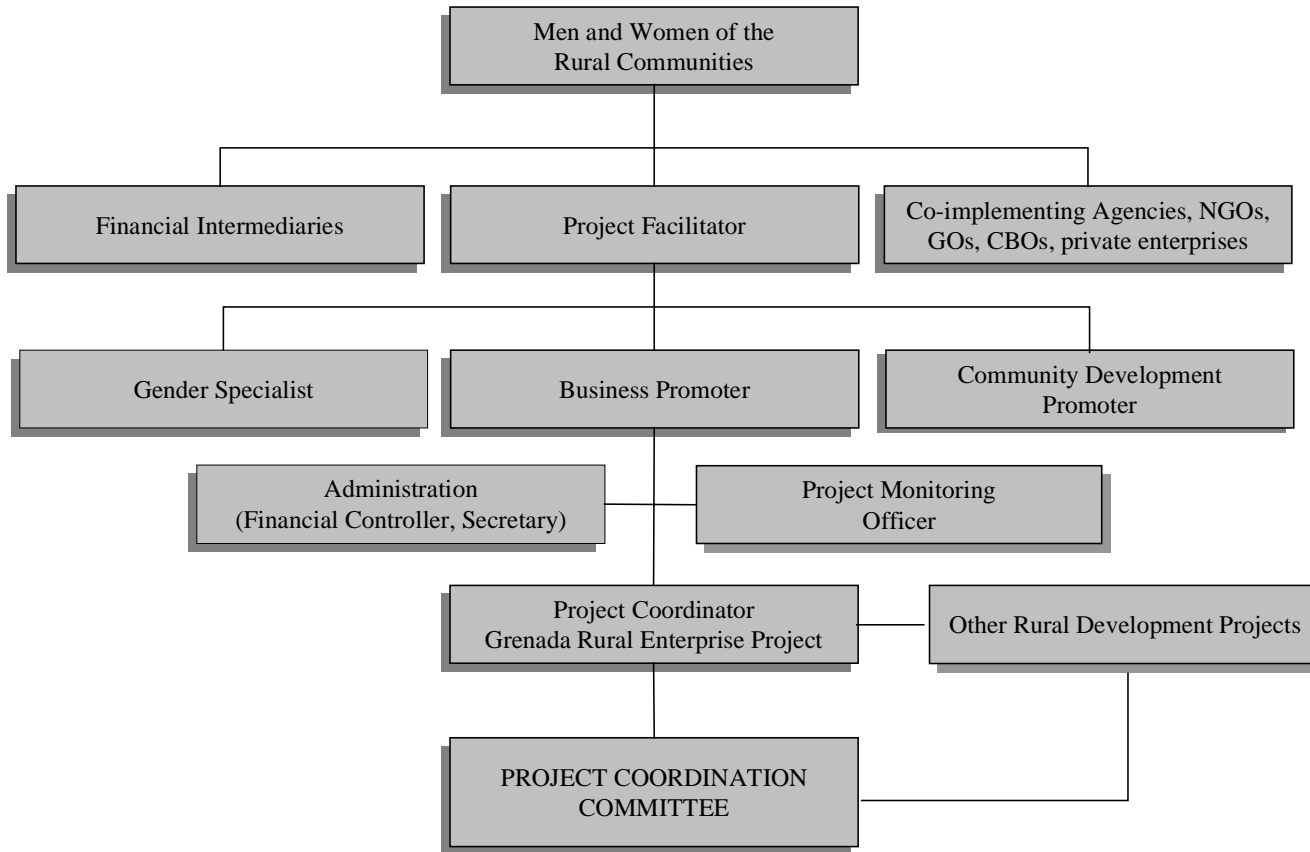


Disbursement Accounts by Financiers
(USD '000)

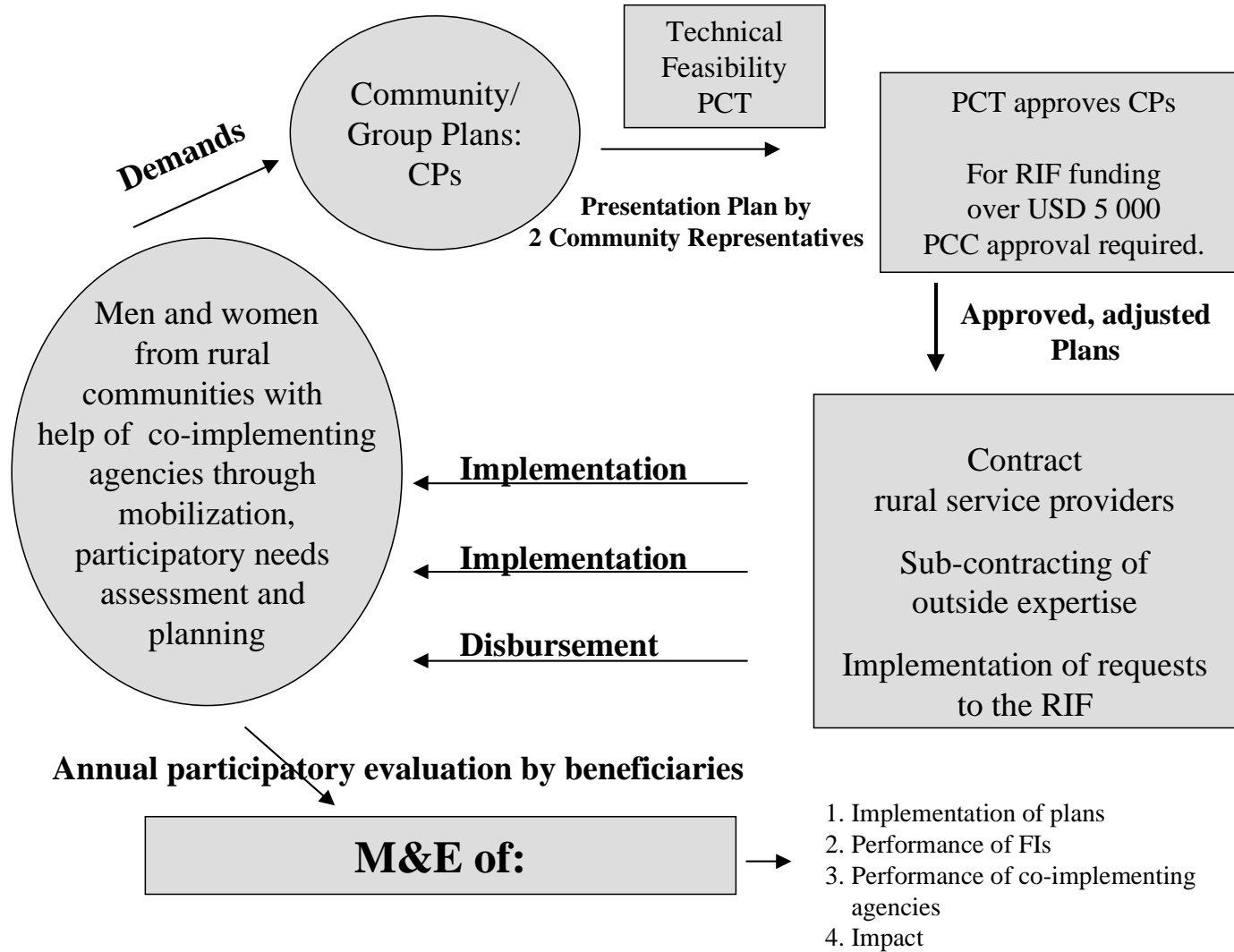
	IFAD		CDB		Beneficiaries		Government		Total		For. Exch.	Local (Excl. Taxes)	Duties and Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
1. Vehicles and Equipment													
(a) Vehicles	100	90.0	-	-	-	-	11	10.0	111	1.4	77	22	11
(b) Equipment, Material and Works	519	83.5	-	-	40	6.5	62	10.0	621	8.1	249	311	62
Subtotal	619	84.5	-	-	40	5.5	73	10.0	732	9.6	326	333	73
2. Credit	228	100.0	-	-	-	-	-	-	228	3.0	-	228	-
3. Rural Investment Fund	812	48.0	507	30.0	203	12.0	169	10.0	1 691	22.1	-	1 522	169
4. Technical Assistance	310	100.0	-	-	-	-	-	-	310	4.1	310	-	-
5. Project Preparation and Start-Up	-	-	61	91.3	-	-	6	8.7	66	0.9	53	13	-
6. Consultants	-	-	1 052	90.0	-	-	117	10.0	1 169	15.3	-	1 052	117
7. Contracted Services for Promotion Activities, Co-Implementation and Training	2 009	90.0	-	-	-	-	223	10.0	2 232	29.1	211	1 797	223
8. Studies/Audits	-	-	572	90.0	-	-	64	10.0	635	8.3	-	572	64
9. Incremental Staff	-	-	-	-	-	-	166	100.0	166	2.2	-	166	-
10. Operation/Maintenance	216	50.0	-	-	-	-	216	50.0	432	5.6	-	389	43
Total Disbursement	4 194	54.7	2 191	28.6	243	3.1	1 034	13.5	7 662	100.0	901	6 072	689

ORGANISATION AND MANAGEMENT

Project Organizational Structure



Implementation Strategy at Community Level





ECONOMIC AND FINANCIAL ANALYSIS

**Internal Rate of Return Calculation
(USD '000)**

Years	Incremental Benefits Value	Investment Value	Inputs Costs	Family Labour Cost	Project Total Cost	Project Operation Costs PY 7-20	Net Incremental Benefits
1	131	0	85	42	1 182	0	-1 179
2	422	49	219	82	1 425	0	-1 352
3	1 002	313	551	117	1 377	0	-1 356
4	1 960	485	1 051	155	1 200	0	-932
5	3 228	673	1 684	201	896	0	-226
6	4 715	872	2 433	250	622	0	538
7	4 800	0	2 444	252	0	187	1 918
8	4 866	0	2 457	251	0	187	1 971
9	4 907	0	2 466	252	0	187	2 002
10	4 928	0	2 469	253	0	187	2 020
11	4 938	0	2 470	252	0	187	2 029
12	4 939	0	2 470	252	0	187	2 030
13	4 939	0	2 470	252	0	187	2 030
14	4 939	0	2 470	252	0	187	2 030
15	4 939	0	2 470	252	0	187	2 030
16	4 939	0	2 470	252	0	187	2 030
17	4 939	0	2 470	252	0	187	2 030
18	4 939	0	2 470	252	0	187	2 030
19	4 939	0	2 470	252	0	187	2 030
20	4 939	0	2 470	252	0	187	2 030
Internal Rate of Return							20.1%
Actualization Rate							8.0%
Net Present Value							6 603
Cost/Benefits Relation							1.25
Critical Value Analysis							
	1	2	3	4	5	6	Total Costs
NPV	33 404	1 655	16 964	1 921	5 293	969	26 802
COEF	80.2%	499.0%	138.9%	443.8%	224.7%	781.4%	124.6%
C-V	-19.8%	399.0%	38.9%	343.8%	124.7%	681.4%	24.6%