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REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED

TECHNICAL ASSISTANCE GRANT

TO THE

INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE (IICA)

FOR THE

**RURAL MICROENTERPRISE SUPPORT PROGRAMME IN LATIN AMERICA AND
THE CARIBBEAN (PROMER) – PHASE II**



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ABBREVIATIONS AND ACRONYMS

CMI	Centre for Microenterprise Interaction
IICA	Inter-American Institute for Cooperation on Agriculture
PROMER	Rural Microenterprise Support Programme in Latin America and the Caribbean
RMSEs	Rural Micro and Small Enterprises
TA	Technical Assistance



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I submit the following Report and Recommendation on a proposed technical assistance (TA) grant to the Inter-American Institute for Cooperation on Agriculture (IICA) to support the Rural Microenterprise Support Programme in Latin America and the Caribbean (PROMER) – Phase II, in the amount of USD 587 000 for a two-year period.

I. BACKGROUND

1. At its Sixty-Second Session in December 1997, the Executive Board approved a TA grant (No. 389) to support the first phase of PROMER. The institution in charge of ongoing activities and administration of the funds was IICA.

2. IFAD has always acknowledged the important role played by those rural poor who earn their living from non farm economic activities. Some 35 million out of 80 million rural poor in the region are part-time or full-time microentrepreneurs.

3. Significant achievements by PROMER during its first phase (1999-2001) were: (i) building up a basic database on the number, location, size and nature of rural micro and small enterprises (RMSEs), with special emphasis on those within IFAD-funded projects; (ii) providing training in business management to more than 456 microentrepreneurs, and in basic principles and procedures of business administration and product marketing to 304 IFAD project staff; (iii) developing a number of tools aimed at responding more effectively to specific TA requests from IFAD project staff in the region. These tools addressed such issues as agricultural processing, rural manufacture, agrotourism, traditional craftsmanship, marketing and service provision to microenterprises in rural areas; (iv) responding to requests by small-scale producers and rural microentrepreneurs assisted by IFAD projects, quickly becoming the most important available source of systematic information on RMSE-related topics (technical, organizational, legal, economic and commercial). To provide fast, comprehensive and reliable information, PROMER created both a printed and an electronic technical bulletin, periodic electronic booklets on a variety of RMSE-related topics for use by micro-entrepreneurs, a website; and an interactive website called *PROMER answers* to respond to requests in real time; and (v) carrying out its first electronic conference on opportunities and challenges for RMSE development in Latin America and the Caribbean, with the collaboration of FIDAMERICA (the network of IFAD-supported projects in Latin America and the Caribbean).

II. RATIONALE AND RELEVANCE TO IFAD

4. The main justification for a second phase of PROMER is the increasing demand from IFAD's target population in the region for the type of services that PROMER provides. This very specific demand reflects the great heterogeneity of RMSEs in the region and the variety of skills they need to become more competitive in increasingly demanding markets. The greatest demands of

microentrepreneurs are for managerial and marketing training, business models that combine each enterprise's autonomy with a shared partnership strategy, and ways to improve the quality-to-cost ratio.

III. THE PROPOSED PROGRAMME

5. The proposed programme will support IFAD projects in improving their strategies, methodologies and specific instruments directed at strengthening existing RMSEs, and promote the creation of new RMSEs in the region. More specifically, it will improve the competitive capacity of RMSEs located in geographical areas covered by IFAD projects through an integrated set of services including training, information, specialized TA, knowledge-management efforts and the promotion of profitable microentrepreneurial organizations.

6. All PROMER activities will be guided by IFAD's Strategic Framework – 2002-2006, and the relevant thematic areas for poverty reduction addressed in the regional strategy paper for Latin America and the Caribbean, prepared by IFAD's Latin America and the Caribbean Division (PL). Table 1 shows the interface between IFAD's strategic objectives for 2002-2006 and the thematic areas most relevant for poverty reduction in the region. It highlights areas of concentration for PROMER's future activities and is the basis for its programme priorities.

Table 1. Priority areas of PROMER activities within the framework of IFAD's strategic objectives

Relevant Thematic Areas for Poverty Reduction for Latin America and the Caribbean	IFAD's Strategic Objectives 2002 – 2006		
	Strengthening the capacity of the rural poor and their organizations	Improving equitable access to productive natural resources and technology	Increasing access to financial assets and markets
<i>Strengthening the organizations of the most vulnerable rural groups (e.g. ethnic minorities, rural women).</i>	Promote and empower the rural poor by strengthening their organizations.	Support ethnic minorities, eliminate gender inequalities and support rural youth.	Support all types of rural poor organizations, including those specialized in financial services.
<i>Developing and transmitting new approaches, instruments and tools for business and marketing.</i>	Design and implement training activities for business administration and marketing.	Supply a differentiated set of training services to address the varying needs of the rural poor.	Coordinate business management training activities with access to financial services.
<i>Taking advantage of market opportunities in a changeable socio-economic environment.</i>	Design and implement new strategies and instruments to access new markets.	Supply a differentiated set of technical assistance, including for the poorest rural groups.	Promote interactions between technical and financial instruments to access new markets.
<i>Improving knowledge management efforts and the search for a broad range of partnerships.</i>	Create and implement innovative instruments to access knowledge and expand institutional networking.	Develop innovative instruments to help the most vulnerable rural poor gain access to new knowledge.	Strengthen innovative instruments that improve the rural poor's linkages with new knowledge, institutions and markets.

7. The programme will have five components:

- (i) **Training.** PROMER will train rural small-scale entrepreneurs and microentrepreneurs, and the professionals and technicians who work with them, in financial, commercial and technical matters aimed at making them more competitive and economically sustainable in new and expanding markets. The programme will give priority to capacity-building and the dissemination of tools to improve managerial and marketing skills.



- (ii) **Information.** The programme will provide IFAD project technicians and rural microentrepreneurs with access to the most advanced and cost-effective technical and economic information sources and tools. It will emphasize practical concepts, methods and tools that enable microentrepreneurs (both individuals and groups) to solve information issues autonomously.
- (iii) **Technical assistance.** Globalization is generating an increasing demand for highly specialized TA. In response, PROMER will give priority to frequently requested services and/or those with the greatest potential to improve the income of microentrepreneurs.
- (iv) **Organization of microentrepreneurs to promote businesses.** To strengthen existing small-scale farmer associations, PROMER will implement a special programme to reinforce centres for microenterprise interaction (CMIs) in IFAD project areas where RMSEs are heavily concentrated. CMIs are business centres located in municipalities, cooperatives and rural schools, among others, providing rural microentrepreneurs with a series of support services to facilitate buying and selling. In an advanced phase, CMIs will have interactive commercial websites, thus enabling microentrepreneurs to conduct business on line. This facility will not replace face-to-face transactions, but rather complement them.
- (v) **Marketing.** To respond to marketing and market limitations, PROMER will:
 - (a) provide financial and technical support to market studies;
 - (b) assist in preparing and implementing business plans;
 - (c) organize business roundtables or meetings among sellers and potential buyers;
 - (d) organize technical visits of microentrepreneurs to potential markets;
 - (e) organize national and international fairs (or exhibitions) to promote RMSE products;
 - (f) organize and monitor programmes on product quality control and on sales promotion; and
 - (g) develop electronic promotion campaigns, taking advantage of current opportunities to conduct business on line.

IV. EXPECTED OUTPUTS AND BENEFITS

8. Although the second three year-phase of PROMER is expected to achieve the outputs listed below, it cannot do so on its own. It will need to coordinate closely with IFAD projects and TA grants in the region and with local institutions, other multilateral organizations, bilateral organizations, non-governmental organizations (NGOs), community-based organizations (CBOs), local and national governments, and the private sector. The main outputs of the second phase of PROMER will be the following:

- (i) An updated website, providing access to extensive information on technical, economic, managerial and marketing concepts, experiences and tools. An average of 2 100 'hits' annually is expected. In addition, PROMER expects to hold two electronic conferences and produce 42 technical newsletters directed to microentrepreneurs, four technical bulletins (in both electronic and printed versions), ten handbooks on technical and economic topics and at least 12 RMSE case studies;
- (ii) Two international seminars to discuss and analyse training experiences and methodologies and about 20 demand-driven training workshops. In addition, it plans to establish and support a formal regional course to prepare specialists in RMSEs, with emphasis on business administration, marketing techniques and the identification of new markets;
- (iii) Twenty-four TA requests implemented from about 20 IFAD projects; at least six technical visits of IFAD professional project staff to microentrepreneurs organized and implemented; and approximately ten business plans requested by projects, designed and implemented.



- (iv) At least three CMIs established and in full operation in IFAD projects areas, with others in the process of being established or consolidated. It is proposed to establish, in a first stage, CMIs in: (a) Honduras, to serve the National Programme for Local Development (PRONADEL), the Rural Development Project in the Central Eastern Region (PRODERCO) and the Rural Development Project in the South-Western Region (PROSOC); (b) El Salvador, for IFAD's Rural Development Project for the Central Region (PRODAP); (c) Venezuela, for the Economic Development of Poor Rural Communities Project; and (d) Chile, for the Agricultural Development Project for Peasant Communities and Smallholders of the Fourth Region, with the participation of the Chilean Institute for Rural Development (INDAP), *El Servicio de Cooperación Técnica* (SERCOTEC) and municipalities of the project area.
- (v) Ten market studies implemented to identify new local, regional, national and international markets. The programme also expects to implement 12 quality control programmes; six roundtables among microentrepreneurs, potential buyers, and representatives of the private and the public sectors; three sales points installed in strategic market places to promote RMSE products and services; and six RMSEs connected to non-traditional marketing mechanisms. At least two national or regional networks of rural microentrepreneurs will be established to generate joint business ventures.

V. IMPLEMENTATION ARRANGEMENTS

9. PROMER will enter into an agreement with IICA to manage the IFAD grant and provide the programme with housing and contacts.

10. Programme management will be the responsibility of an executive committee, comprising an IFAD project manager, the IICA vice-director or alternate, and the director of PROMER. The executive committee will review and approve the annual workplan and the annual reports presented by PROMER.

11. PROMER will sign a cooperation agreement with the Programme for Strengthening the Regional Capacity for Monitoring and Evaluation of Rural Poverty-Alleviation Projects in Latin America and the Caribbean (PREVAL) to obtain its support in the design and implementation of a monitoring and evaluation system.

VI. INDICATIVE PROGRAMME COSTS AND FINANCING

12. The total cost of this programme will be USD 1 157 000. IFAD will contribute USD 587 000 (50.7%), IICA will contribute USD 240 000 (20.7%), and IFAD projects will finance USD 330 000 (28.6%). Most of IICA's contribution will be in kind: office space and services, office materials, and so forth. PROMER will actively look for opportunities to organize collaborative activities with other IFAD regional programmes, non-IFAD supported organizations and local institutions.

Table 2. Summary of Programme Costs

Item	IFAD	IICA	Projects	Total	%
PROMER technical staff	164 000		—	164 000	14.2
Information and publications	66 000	35 000	—	101 000	8.7
Training activities	51 000	60 000	100 000	211 000	18.2
Technical assistance to projects	57 000	45 000	50 000	152 000	13.2
Marketing programme	92 000	55 000	80 000	227 000	19.6
Centres for microenterprise interaction	114 000	45 000	100 000	259 000	22.4
Administration cost ^{1/}	43 000			43 000	3.7
Total	587 000	240 000	330 000	1 157 000	100.0

^{1/} Includes supervision and evaluation, and audit.



PART VII - RECOMMENDATION

13. I recommend that the Executive Board approve the proposed technical assistance grant in terms of the following resolution:

RESOLVED: that the Fund, in order to finance, in part, the Rural Microenterprise Support Programme in Latin America and the Caribbean (PROMER) – Phase II, for two years commencing in November 2002, shall make a grant not exceeding five hundred and eighty seven thousand United States dollars (USD 587 000) to the Inter-American Institute for Cooperation on Agriculture (IICA) upon which 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