

Document:	<u>EB 2007/91/R.26/Rev.1</u>
Agenda:	<u>10(d)(i)</u>
Date:	<u>12 September 2007</u>
Distribution:	<u>Public</u>
Original:	<u>English</u>

**E**



Enabling the rural poor  
to overcome poverty

## **President's report**

### **Proposed loan to the Republic of El Salvador for the**

### **Rural Development and Modernization Project for the Central and Paracentral Regions**

Executive Board — Ninety-first Session  
Rome, 11-12 September 2007

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For: **Approval**

## **Note to Executive Board Directors**

This document is submitted for approval by the Executive Board.

To make the best use of time available at Executive Board sessions, Directors are invited to contact the following focal point with any technical questions about this document before the session:

**Enrique Murguía Oropeza**

Country Programme Manager

telephone: +39 06 5459 2341

e-mail: [e.murguia@ifad.org](mailto:e.murguia@ifad.org)

Queries regarding the dispatch of documentation for this session should be addressed to:

**Deirdre McGrenra**

Governing Bodies Officer

telephone: +39 06 5459 2374

e-mail: [d.mcgrenra@ifad.org](mailto:d.mcgrenra@ifad.org)

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## **Recommendation for approval**

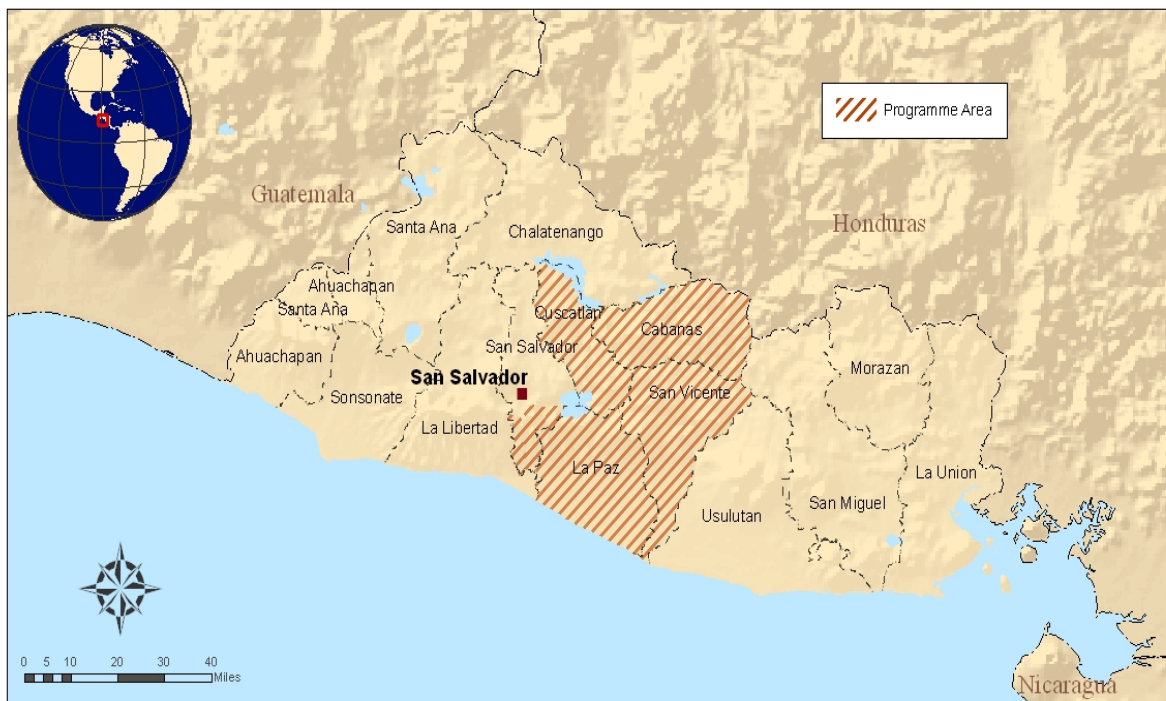
The Executive Board is invited to approve the recommendation for the proposed loan to the Republic of El Salvador for the Rural Development and Modernization Project for the Central and Paracentral Regions, as contained in paragraph 35.

## Map of the project area

### El Salvador

#### Rural Development and Modernisation Project for the Central and Paracentral Region

*President 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.

IFAD Map compiled by IFAD

Source: IFAD

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## Republic of El Salvador

### Rural Development and Modernization Project for the Central and Paracentral Regions

#### Loan summary

<b>Initiating institution:</b>	IFAD
<b>Borrower:</b>	Republic of El Salvador
<b>Executing agency:</b>	Ministry of Agriculture
<b>Total project cost:</b>	US\$20.07 million
<b>Amount of IFAD loan:</b>	Not to exceed SDR 9.50 million (equivalent to approximately US\$14.56 million)
<b>Terms of IFAD loan:</b>	18 years, including a grace period of 5 years, with an interest rate equal to the reference interest rate per annum as determined by the Fund annually
<b>Contribution of borrower:</b>	US\$4.47 million
<b>Contribution of beneficiaries:</b>	US\$1.04 million
<b>Appraising institution:</b>	IFAD
<b>Cooperating institution:</b>	United Nations Office for Project Services

# Proposed loan to the Republic of El Salvador for the Rural Development and Modernization Project for the Central and Paracentral Regions

## I. The project

### A. Main development opportunity addressed by the project

1. The project upgrades IFAD's presence from specific area development and reconstruction projects to a national rural development approach. It incorporates a dual intervention strategy: "inclusion in development" and "rural modernization", in accordance with the development level achieved in different zones of the Central and Paracentral Regions. The project focuses on human and social capital development, and on the strengthening of local planning and economic organizations of rural poor people. It supports the creation and consolidation of rural businesses and microenterprises (agricultural and non-agricultural) from a value chain perspective, and facilitates their access to financial services and markets.

### B. Proposed financing

#### Terms and conditions

2. It is proposed that IFAD provide a loan to the Republic of El Salvador in an amount not to exceed SDR 9.50 million (equivalent to approximately US\$14.56 million) on ordinary terms to help finance the Rural Development and Modernization Project for the Central and Paracentral Regions. In accordance with paragraph 32(f) of the Fund's Lending Policies and Criteria, which shall also govern repayment amounts, the term of the loan shall be a period of 18 years commencing on the date on which the loan is declared effective, and in any case shall mature by or before 15 November 2029. This period shall include a grace period of five years commencing on the effective date and shall carry an interest rate equal to the reference interest rate per annum as determined by the Fund annually.

#### Relationship to the IFAD performance-based allocation system (PBAS)

3. The allocation defined for El Salvador under the PBAS is US\$14.7 million over the 2007-2009 allocation cycle, based on consistently improving annual scores.

#### Country debt burden and absorptive capacity of the State

4. El Salvador's external debt is managed under a strict financial policy, thus the country has adequate capacity to absorb and service the proposed loan. While the Government's capacity to service the country's debt can be ranked as satisfactory, IFAD should also take into account the large volume and rapid increase in the external debt of El Salvador in the last five years. Furthermore, El Salvador's national laws prohibit commitment of funds until the loan has been approved, signed and ratified by the National Assembly. Given that the budgeting process begins one year in advance, a three-year grace period starting from Board approval may be insufficient to include necessary funds for loan repayment in the national budget. El Salvador has received seven IFAD loans, approved between 1984 and 2005, for a total of SDR 69.0 million (average loan size, SDR 9.50 million). Two loans are ongoing, while the most recent (loan 666-SV for the Rural Development and Modernization Project for the Eastern Region), approved in April 2005, was signed on 22 January 2007, and then submitted for National Assembly ratification. The country's repayment history is fully satisfactory.

#### Flow of funds

5. At the request of the executing agency, loan proceeds will be deposited in a special account at the central bank of El Salvador and will be channelled to a project

account for day-to-day activities, in accordance with the annual workplan and budget.

#### **Supervision arrangements**

6. The loan will be administered by the United Nations Office for Project Services as the cooperating institution.

#### **Exceptions to IFAD General Conditions for Agricultural Development Financing and operational policies**

7. No exceptions.

#### **Governance**

8. Governance of the IFAD loan will be enhanced through: (i) annual independent audits in accordance with international auditing standards and IFAD's audit guidelines; (ii) a service administration agreement between the Government and an international organization in El Salvador; and (iii) built-in social control of the use of funds allocated to beneficiary groups and direct involvement of their representatives in annual activity programming and decision-making committees.

### **C. Target group and participation**

#### **Target group**

9. The target group comprises: inhabitants of poor communities involved in small-scale family agriculture for consumption and/or local markets; landless farmers and agricultural labourers; owners of small businesses and microentrepreneurs (agricultural and non-agricultural); rural women and youth; and marginalized populations with pronounced indigenous cultural traditions. The project's direct beneficiaries have been estimated at 33,000 people; and indirect beneficiaries at 41,600 people.

#### **Targeting approach**

10. Direct beneficiaries will access the project through existing or project-promoted organizations. Project activities will take place in priority zones facing extreme poverty and severe soil erosion and in communities of marginalized populations with indigenous traditions (inclusion in development). Under the dual intervention strategy, project investments will also target more advanced areas that have benefited from previous IFAD projects and seek the consolidation of small businesses and microenterprises (rural modernization).

#### **Participation**

11. Beneficiaries will be involved in participatory diagnosis and strategic planning at local, municipal and microwatershed levels. The project aims to support communities and economic interest associations in strengthening their capacity to negotiate with the Government. Feedback mechanisms will be established with the organized target groups. Representatives of beneficiaries will participate in the project steering committee and project monitoring and evaluation system as part of a systematic social assessment.

### **D. Development objectives**

#### **Key project objectives**

12. The project includes three major thrusts: (i) development of the human- and social-capital resource base through strengthening the effective organizational, managerial and decision-making capacities of rural communities, producer associations, associations for community development, cooperatives and sectoral service providers; (ii) transformation of the subsistence agricultural and non-agricultural activities into profitable, market-oriented rural businesses and microenterprises for local and external markets, supported by specialized technical and business-related assistance, resources of key competitive co-investment funds and access to financial services; and (iii) rehabilitation of environmentally deteriorated areas through



rational management of natural resources and institutionalization of territorial planning in selected microwatersheds.

#### **Policy and institutional objectives**

13. From a country programme perspective, the project seeks to facilitate coordination of rural development projects and programmes and harmonization of poverty intervention strategies through: (i) consolidation of national structures for rural development, starting with the Project Coordination Office of the Ministry of Agriculture; and (ii) formulation of a national rural development programme in which IFAD is expected to play a role. Central to this strategy is the reactivation of the national Rural Development Forum, with the involvement of the Government, civil society and international cooperation agencies.

#### **IFAD policy and strategy alignment**

14. Through the project – and in line with the 2001 country strategic opportunities paper and the IFAD Strategic Framework 2007-2010 – target groups will gain wider access to, inter alia: (i) technologies for sustainable agriculture, through innovative production support services that link organized beneficiaries with technical service providers and land owners with renters in mutually beneficial land conservation agreements; and (ii) national and regional markets in the context of the opportunities and threats presented by trade liberalization.

### **E. Harmonization and alignment**

#### **Alignment with national priorities**

15. Rural development, poverty reduction and fulfilment of the Millennium Development Goals are stated priorities of the Government, as outlined in the country's National Government Plan 2004-2009. Major objectives are: (i) eradicating hunger and extreme poverty in rural areas; (ii) developing an export-oriented, diversified, competitive and profitable agricultural sector; and (iii) reversing the degradation of natural resources.

#### **Harmonization with development partners**

16. The principal parallel initiatives of development partners comprise: the World Bank's land administration, protected areas and environmental services projects; and the Inter-American Development Bank's Agroentrepreneurial Reconversion Programme. The Spanish Agency for International Cooperation, the European Union and the German Agency for Technical Cooperation all support innovative projects in selected areas of the country that can offer complementarities and exchange of experiences with the proposed project, including participatory microwatershed planning and business plan/microenterprise development support.

### **F. Components and expenditure categories**

#### **Main components**

17. The project has five components: (i) human and social capital development (10 per cent of the base cost); (ii) sustainable production and the rehabilitation and management of natural resources (23 per cent); (iii) business and rural microenterprise development (22 per cent); (iv) rural financial services (25 per cent); and (v) project coordination and institutional strengthening for rural development (20 per cent).

#### **Expenditure categories**

18. There are six expenditure categories: (i) equipment and vehicles (2 per cent of base costs); (ii) training (6 per cent); (iii) technical and other service contracts (21 per cent); (iv) rural development and modernization investment funds (28 per cent); (v) rural financial intermediation trust fund (17 per cent); and (vi) operating costs (26 per cent).

## **G. Management, implementation responsibilities and partnerships**

### **Key implementing partners**

19. Primary implementing partners comprise: municipalities involved in pilot local/microwatershed planning and development promotion; organizations of the target population, including those offering technical services in the field; banking and rural financial intermediaries as co-executing entities; and governmental institutions, private entities and NGOs participating in specific tasks, such as environmental education, export promotion, etc.

### **Implementation responsibilities**

20. Project implementation will be performed by a project management unit and by the Ministry's Project Coordination Office, which will receive the initial support to be transformed into a general directorate for rural development. A project steering committee will provide policy, strategy and management guidance.

### **Role of technical assistance**

21. Beneficiaries will acquire the organizational and implementation capacities needed to take effective advantage of the project's resources and opportunities, in the context of day-to-day learning-by-doing. The project will provide the necessary technical support towards this implementation and empowerment approach.

### **Status of key implementation agreements**

22. In addition to the loan agreement, the project will need to ensure the following implementation agreements: (i) a service administration agreement that has been negotiated with an international agency; (ii) operational by-laws of the investment funds for rural development and modernization; and (iii) an amendment to the agreement regulating the trust fund for the Rural Development Project for the Central Region (PRODAP II) to adapt it to the proposed project.

### **Key financing partners and amounts committed**

23. Total project cost is US\$20.07 million over six years. The sources of financing are IFAD (72.6 per cent), the Government (22.3 per cent), and beneficiaries (5.1 per cent). IFAD will make a loan of approximately US\$14.56 million, the Government will provide US\$4.47 million, including US\$3.50 million of the PRODAP II credit trust fund to be transferred to the new project; and the beneficiaries will make in-kind contributions estimated at US\$1.04 million, to be applied to their productive projects.

## **H. Benefits and economic and financial justification**

### **Main categories of benefits generated**

24. Principal benefits include: (i) transformation of traditional subsistence activities into sustainable commercial businesses with access to investment resources, credit and markets; (ii) increased employment and incomes and enhanced food security; (iii) reduced land degradation and environmental vulnerability to natural disasters; (iv) expanded infrastructure and markets for rural financial services; and (v) strengthened sectoral coordination and broader IFAD policy dialogue.

### **Economic and financial viability**

25. Most resources will be invested in productive projects, rehabilitated plots, rural businesses and relevant training, for the direct benefit of targeted beneficiaries. A systematic analysis was conducted that took into account the insertion of production units and model microenterprises into value chains (with and without project investments). These income-generating activity models demonstrate that the investments to be funded are profitable. The resulting net present value of the aggregated investments is positive, with an internal rate of return of 23.6 per cent.

## **I. Knowledge management, innovation and scaling up**

### **Knowledge management arrangements**

26. The project includes acquisition and dissemination of implementation experience and knowledge management by beneficiaries and the implementing entity. Training, communication and monitoring and evaluation materials and activities will be made available in printed and digital publications and dedicated Internet-based web pages. Institutional links will be established with ongoing IFAD projects and regional programmes and with the Salvadoran diaspora in the United States of America.

### **Development innovations that the project will promote**

27. The project introduces the following innovations: (i) a two-pronged strategy that fosters inclusion in development and rural modernization among communities and regions, using intervention approaches geared to their specific levels of development; (ii) formulation of pilot participatory municipal and microwatershed development plans; (iii) agreements between land owners and renters for mutually beneficial land rehabilitation investments at the farm level; and (iv) remittance-based savings and investment models.

### **Scaling-up approach**

28. The project's dual intervention strategy and new intervention modalities respond to the wider developmental constraints of other regions in the country. The knowledge gained through early project implementation, e.g. pilot microwatershed planning, will permit replication and scaling up elsewhere within El Salvador and in other countries of the Central American subregion.

## **J. Main risks**

### **Main risks and mitigation measures**

29. Although the project is a priority for the Government, it faces one main risk: loan effectiveness of previous projects has been hampered by delayed ratification of loans by the National Assembly. Mitigation of this primary risk requires that information on the project objectives and scope be directed continuously to key political and decision-making entities.

### **Environmental classification**

30. Pursuant to IFAD's environmental assessment procedures, the project has been classified as a Category B operation, in that it is not likely to have any significant negative environmental impact.

## **K. Sustainability**

31. The sustainability of the project's achievements and project-facilitated services will depend mainly on the capacity of beneficiaries' organizations and economic associations to manage their investment/commercialization initiatives and to link effectively with the public and private sectors. The institutionalization of participatory local planning will be a concrete mechanism through which to achieve the sustainability of public and project investments at the community level. Similarly, the focuses on sectoral coordination, institutional strengthening and the formulation of a national rural development programme are essential components in the sustainability of the activities after project completion.

## **II. Legal instruments and authority**

32. A project loan agreement between the Republic of El Salvador and IFAD will constitute the legal instrument for extending the proposed loan to the borrower. Important assurances included in the negotiated agreement are attached as an annex.
33. The Republic of El Salvador is empowered under its laws to borrow from IFAD.

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

### **III. Recommendation**

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

RESOLVED: that the Fund shall make a loan to the Republic of El Salvador in various currencies in an amount not to exceed nine million five hundred thousand special drawing rights (SDR 9,500,000) to mature on or prior to the eighteenth anniversary of the date on which the loan will be declared effective, rounded to the nearest semestral due date, but not later than 15 November 2029; to bear an interest rate equal to the reference interest rate per annum as determined by the Fund annually, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Lennart Båge  
President

## Important assurances included in the negotiated project loan agreement

(Negotiations concluded on 10 September 2007)

### **Pest management practices**

1. The Government will ensure that pesticides procured under the project do not include any pesticides banned by the Food and Agriculture Organization of the United Nations (FAO), or classified as extremely hazardous or highly hazardous by the World Health Organization (WHO).

### **Resource protection**

2. The Government will take all reasonable steps to ensure that the prevailing legal norms on the safeguarding of water, forests and wildlife are adhered to in the project area. The Government will further make every possible effort to ensure project sustainability without any adverse impact on the environment

### **Monitoring and evaluation**

3. A monitoring and evaluation (M&E) unit will be located within the project coordinating unit (PCU). The M&E unit will prepare the terms of reference to conduct a baseline study (including indicators from the Results and Impact Management System). To this end, an independent institution will be contracted and supervised by the PCU. The M&E unit will provide the project manager and the project steering committee with an annual evaluation, including an analysis of each one of the components and take the necessary corrective measures. The PCU will perform monitoring while evaluation will be contracted out. Social management oversight will be an integral part of the project's activities.

### **Gender**

4. The Government will ensure that the project contributes to reducing gender inequalities in the project area. The Government will ensure that gender operational activities are carried out under the project and that gender equity is maintained in all opportunities created by the project. The gender specialist will supervise gender training and/or awareness-raising imparted to community organizations and beneficiary families, as well as all project activities in which it is necessary to maintain clear gender equity. At least 20 per cent of the staff of institutions contracted for technical support will be women. Gender equity activities include: (a) gender equity in the process of developing human and social capital; (b) building the mainstreaming of rural men and women, under equal conditions, into economic initiatives; and (c) strengthening participation by rural men and women, under equal conditions, in natural resource management. During project implementation, each component will have a differentiated intervention strategy for traditional families and women heads of household. Also, the PCU will have an equitable composition and will have the capacity and experience needed to implement the project's gender equity strategies and methodologies.

### **Indigenous populations**

5. The Government undertakes to ensure that populations with strong indigenous cultural traditions fully participate in and benefit from all project activities, and that their interests are respected during project implementation. To this end, it will ensure that:
  - (a) The project is carried out in accordance with the provisions of national legislation relating to the indigenous populations benefiting from the project;
  - (b) Communities of indigenous descent are adequately represented in project activities;

- (c) Communities of indigenous descent benefiting from the project participate in policy dialogue and local governance.

#### **Tax waiver**

6. The Government will waive taxes on the importation, procurement and supply of all goods, civil engineering works and services financed with the loan proceeds. The amount of such waivers will be credited as part of the Government's obligation to furnish counterpart funds for the project.

#### **Counterpart funds**

7. The Government funds will cover all such contributions required by national legislation and all taxes and duties on the importation of goods, public works and services acquired with the loan proceeds.

#### **Insurance of personnel**

8. The Government will insure project personnel against health and accident risks, in keeping with good business practices.

#### **Fraud and corruption**

9. The Government will promptly bring to the attention of IFAD any allegations or concerns of fraud and/or corruption in relation to the project of which it may become aware.

#### **Procurement and contracting with community participation**

10. Associations or groups complying with the selection criteria laid down in the operating regulations of the co-investment funds may procure goods, carry out infrastructure works, contract services and execute project activities with the loan resources through agreements or contracts to be signed by said organizations and the PCU.

#### **Suspension**

11. (a) IFAD will suspend the right of the Government to request the withdrawal of funds from the loan account if the required audit has not been satisfactorily concluded within six months of the due date.
- (b) IFAD may suspend, in whole or in part, the right of the Government to request the withdrawal of funds from the loan account, upon the occurrence of any of the events set forth below:
- (i) The project manager has been removed from the project without the prior agreement of IFAD;
  - (ii) IFAD has determined that the material benefits of the project are not adequately reaching the target group;
  - (iii) Any of the provisions of the loan agreement setting up the project's trust fund has been waived, suspended, terminated, amended or otherwise modified without the prior consent of IFAD, and IFAD has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the project;
  - (iv) Any of the provisions of the co-investment funds regulations has been waived, suspended, terminated, amended or otherwise modified without the prior consent of IFAD, and IFAD has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the project;
  - (v) The project operating manual, or any provision thereof, has been waived, suspended, terminated, amended or otherwise modified without the prior consent of IFAD, and IFAD has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the project;

- (vi) Procurement and contracting are not being carried out in accordance with the project loan agreement;
- (vii) The Government has defaulted in the performance of any covenant set forth in the loan agreement, and IFAD has determined that such default has had, or is likely to have, a material adverse effect on the project;
- (viii) IFAD has knowledge, or has informed the Government, of any fraudulent or corrupt practice relating to the Government and the project.

#### **Conditions precedent to withdrawals**

12. (a) No withdrawals from the loan account will be made until: (i) the Ministry of Agriculture has duly opened the special account and the project account; and (ii) the budget allocation for year one of the project has been made and an initial amount of at least US\$13,000 has been deposited in the project account.
- (b) In addition to the conditions stipulated in paragraph (a) above, the withdrawals provided for in the loan agreement will not be made until (i) the approved operating manual has been delivered to IFAD; (ii) the annual workplan for year one has been approved by IFAD; and (iii) a service administration contract has been signed with an international organization.
- (c) With respect to the expenses connected with the co-investment funds for rural development and modernization, in addition to the conditions stipulated in paragraph (a) above, no withdrawals will be permitted until: (i) the co-investment fund regulations has been approved by IFAD; and (ii) the co-investment funds committee has been set up to the satisfaction of IFAD.

#### **Conditions for effectiveness**

13. The loan agreement will become effective subject to the fulfillment of the following conditions precedent:
  - (a) The PCU has been duly established;
  - (b) The Ministry of Agriculture has duly appointed the project manager with the prior consent of IFAD;
  - (c) The loan agreement has been duly signed, and the signature and performance thereof by the Government has been duly authorized and ratified by all necessary administrative and governmental action;
  - (d) A favourable legal opinion, issued by the legal counsel of the Investment and Public Credit Directorate or another legal counsel approved by IFAD has, in form and substance acceptable to IFAD, been delivered by the Government to IFAD.





## **Key reference documents**

### **Country reference documents**

Constitución de la República de El Salvador

Ley del Medio Ambiente (Decreto 233, mayo de 1998)

Plan de Gobierno 2004-2009: País Seguro

Documento de la Cuenta del Reto del Milenio – El Salvador. Desarrollo Sostenible para la Zona Norte

Encuesta de Hogares de Propósitos Múltiples, Dirección General de Estadísticas, Ministerio de Economía (2005)

Política de Endeudamiento Público, 2004-2009, Dirección General de Inversión y Crédito Público, Ministerio de Hacienda, San Salvador, septiembre de 2004.

Informe sobre Desarrollo Humano – El Salvador 2005. Una mirada al nuevo nosotros. El impacto de las migraciones. Programa de las Naciones Unidas para el Desarrollo

Indicadores Municipales sobre Desarrollo Humano y los Objetivos de Desarrollo del Milenio. Informe 262. Programa de las Naciones Unidas para el Desarrollo (2005)

Perfil de los Pueblos Indígenas de El Salvador (Banco Mundial-RUTA-CONCULTURA, 2000)

Informe de Resultados del Proyecto de Desarrollo Rural para la Región Central (PRODAP II) – 2001-2006

### **IFAD reference documents**

Project design document (PDD) and key files

Country Strategic Opportunities Paper

Administrative Procedures on Environmental Assessment

IFAD – Rural Finance Policy

IFAD – Rural Microenterprise Policy

IFAD – Targeting Policy

# Logical framework

OBJECTIVE HIERARCHY	KEY PERFORMANCE INDICATORS AND TARGETS	MONITORING MECHANISMS AND INFORMATION SOURCES	ASSUMPTIONS/ (RISKS)
<p><b>Goal</b> Poverty among the rural population in communities and municipalities of the Central and Paracentral Regions is significantly reduced</p>	<ul style="list-style-type: none"> <li>• <i>Percentage of households that increase their index of household assets ownership (RIMS anchor indicator)</i></li> <li>• <i>Percentage reduction of children malnutrition (RIMS anchor indicator)</i></li> </ul>	<ul style="list-style-type: none"> <li>• Baseline, midterm and completion surveys</li> <li>• El Salvador's Human Development Report (UNDP)</li> </ul>	
<p><b>Project Purpose</b> The rural poor in the Central and Paracentral Regions build their human and social capital and increase their production, employment and income, while rehabilitate and manage natural resources rationally, in the context of consolidated rural development implementation structures.</p>	<ul style="list-style-type: none"> <li>• <i>33 000 direct beneficiaries take part of project's integral development processes and investments, including at least 30% rural women;</i></li> <li>• <i>490 groups, organizations and association for community development (ADESCOs) improve their organizational and self-management capacities;</i></li> <li>• <i>200 women in management committees;</i></li> </ul>	<ul style="list-style-type: none"> <li>• RIMS impact survey implemented at 1<sup>st</sup> year, before mid-term and before completion</li> <li>• Mid-term and final evaluations</li> <li>• Regular M&amp;E reports</li> </ul>	<p>The Government's agenda for rural development/ poverty reduction maintains its stated high priority</p>
<p><b>Human and Social Capital Development</b> <b>Output 1</b> The participation, decision-making and managerial capacities of rural/indigenous communities, producer associations and service providers are all strengthened, triggering off an integral community-centred and self-managed development process aimed both at inclusive development and rural modernization.</p>	<ul style="list-style-type: none"> <li>• <i>50 community groups trained on integral community development management;</i></li> <li>• <i>100 organizations consolidated in community development and/ or economic-activities by type;</i></li> <li>• <i>50 cantones count with integral microwatershed development plans;</i></li> <li>• <i>2 000 rural women and youth trained in personal growth/ self esteem.</i></li> </ul>	<ul style="list-style-type: none"> <li>• Baseline study report</li> <li>• Regular M&amp;E reports</li> <li>• Social audit reports</li> <li>• Mid-term and final evaluations</li> <li>• Municipal records/ archives</li> <li>• Documents and records of organizations</li> </ul>	<p>Resources from central government are properly budgeted and channelled to municipalities. Resources allocated to development-triggering investments generate concurrent action</p>
<p><b>Sustainable Production and the Rehabilitation and Management of Natural Resources</b> <b>Output 2:</b> The sustainable and competitive production capacities of associations for community development (ADESCOs), family production units and producer organizations are effectively supported and enhanced.</p> <p><b>Output 3:</b> The beneficiary rural/indigenous populations take on improved sustainable production and rehabilitation technologies, contributing to reverse natural resource degradation at farm and micro-watershed levels.</p>	<ul style="list-style-type: none"> <li>• <i>9 000 beneficiaries access project-promoted technical assistance services;</i></li> <li>• <i>150 organised producer groups, ADESCOs, implementing projects under agro-ecologically and sound business plans;</i></li> <li>• <i>40 producer organizations involved as (co-implementing) technical service providers;</i></li> <li>• <i>120 community technical agents (Productores inductores comunitarios – PICs) providing assistance to organised groups.</i></li> <li>• <i>4 000 beneficiaries access technical assistance on sustainable production and NR rehabilitation (at least 1300 women);</i></li> <li>• <i>50 land rehabilitation agreements between sharecroppers/renters and landowners;</i></li> <li>• <i>10 microenterprises producing/ commercialising planting material/ seedlings;</i></li> <li>• <i>3 000 hectares of rehabilitated land through soil and water conservation.</i></li> </ul>	<ul style="list-style-type: none"> <li>• Baseline study report</li> <li>• Regular M&amp;E reports</li> <li>• Social audit reports</li> <li>• Mid-term and final evaluations</li> <li>• Documents and records of organizations / service providers</li> <li>• Municipal records/ archives</li> <li>• GIS mapping</li> </ul>	<p>Prolonged adverse climatic conditions, i.e., erratic and/or heavy rainfall or extended dry season do not harm extensively project results</p>
<p><b>Business and Rural Micro-Enterprise Development</b> <b>Output 4:</b> Organized beneficiaries develop and strengthen their entrepreneurial capacities, establishing and modernizing competitive rural businesses and microenterprises (agricultural and otherwise) both for local and external markets, from a value chain perspective.</p>	<ul style="list-style-type: none"> <li>• <i>490 rural microenterprises (agricultural and otherwise) created and operating through business plans, (at least 30% by women/ youth);</i></li> <li>• <i>5,600 beneficiaries trained on production/ transformation-related abilities;</i></li> <li>• <i>25 rural enterprises created by rural women and youth, consolidated.</i></li> </ul>	<ul style="list-style-type: none"> <li>• Baseline study report</li> <li>• Regular M&amp;E reports</li> <li>• Mid-term and final evaluations</li> <li>• Business plans documents</li> <li>• Documents and records of microenterprises</li> </ul>	<p>Comparative advantage for selected export products, maintained</p>
<p><b>Rural Financial Services</b> <b>Output 5:</b> Access to credit and financial services by project beneficiaries is facilitated for production, transformation, commercialization and export.</p>	<ul style="list-style-type: none"> <li>• <i>US\$3.5 million channelled through the Rural Financial Intermediation Trust Fund;</i></li> <li>• <i>10 financial intermediaries with 20 new local branches, expanding financial services to 20 thousand people from 33 municipalities;</i></li> <li>• <i>5 000 active savers at project completion;</i></li> <li>• <i>5 000 active credits at project completion. At least 45% to women, and 10% to youth;</i></li> </ul>	<ul style="list-style-type: none"> <li>• Baseline study report</li> <li>• Regular M&amp;E reports</li> <li>• Mid-term and final evaluations</li> <li>• Trust Fund documents</li> </ul>	<p>Rural financial intermediaries, committed to rural poor development, exist in the project area</p>
<p><b>Project Coordination and Institutional Strengthening for Rural Development</b> <b>Output 6:</b> The technical, operational and inter-institutional coordination capacities of the Project Coordination Office (PCO), are strengthened and consolidated.</p>	<ul style="list-style-type: none"> <li>• <i>The national rural development forum facilitates the constitution of a Salvadoran council for rural development, with the participation of government institutions, civil society representatives (at least 30%) and development agencies (at least 20%).</i></li> <li>• <i>By end of third year, national programme for rural development and modernization, formulated.</i></li> <li>• <i>90 technical and management staff sensitised and trained on key rural development-related themes (from IFAD-financed and other projects).</i></li> </ul>	<ul style="list-style-type: none"> <li>• Baseline study report</li> <li>• Regular M&amp;E reports</li> <li>• Social audit reports</li> <li>• Mid-term and final evaluations</li> <li>• Minutes of Rural Development Forum meetings.</li> </ul>	<p>Ministry of Agriculture implements organizational changes to adapt to new project requirements</p>

