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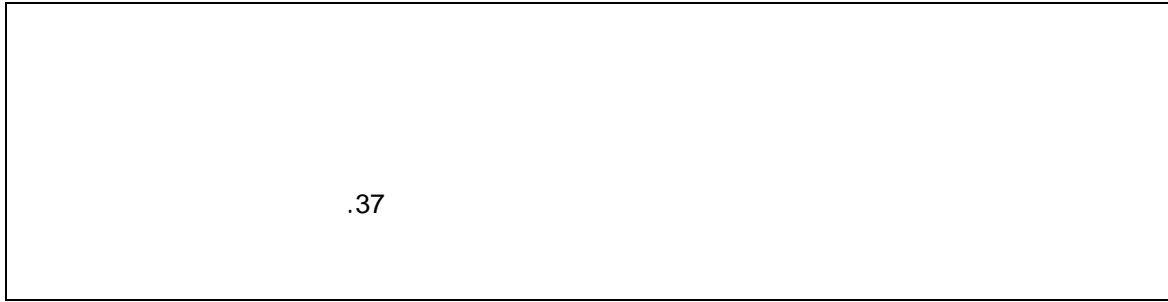
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Negotiated financing agreement: "Market Access and Rural Enterprise Development Programme"

(Negotiations concluded on 3 November 2010)

Loan Number: _____

Programme Title: Market Access and Rural Enterprise Development Programme ("the Programme")

The International Fund for Agricultural Development (the "Fund" or "IFAD")

and

Grenada (the "Borrower")

(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

Preamble

The Borrower intends to obtain co-financing funds for the implementation of the Programme from the Caribbean Development Bank (CDB).

Section A

1. The following documents collectively form this Agreement: this document, the Programme Description and Implementation Arrangements (Schedule 1) and the Allocation Table (Schedule 2).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as may be amended from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.
3. The Fund shall provide a Loan to the Borrower (the "Financing"), which the Borrower shall use to implement the Programme in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the Loan is SDR 1 930 000.
2. The Loan is granted on ordinary terms and shall have a maturity period of eighteen (18) years, including a grace period of three (3) years.
3. The Loan Service Payment Currency shall be United States Dollar (USD).
4. The first day of the applicable Fiscal Year shall be 1st of January.
5. Payments of principal and interest shall be payable on each 1st of February and 1st of August.

6. There shall be two Programme Accounts for the benefit of the Programme Management Unit in commercial banks acceptable to the Fund.
7. The Borrower shall provide counterpart financing for the Programme in the amount of approximately USD 2.22 million.

Section C

1. The Lead Programme Agency shall be the Ministry of Finance (MoF).
2. The following are designated as additional Programme Parties: the Ministry of Agriculture (MoA) and the Grenada Co Operative Bank.
3. The Programme Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement.

Section D

The Loan will be administered and the Programme supervised by IFAD.

Section E

1. The following is designated as additional ground for suspension of this Agreement:

The right of the Borrower to withdraw the proceeds from the Co-Financing Agreement with CDB has been suspended, cancelled or terminated, in whole or in part.

2. The following are designated as additional general conditions precedent to withdrawal:
 - (a) The draft Programme Operations Manual shall have been approved by the Fund.
 - (b) The Programme Manager and the Programme Accountant shall have been selected with IFAD's prior non objection.
 - (c) The Programme Accounts shall have been opened.
3. This Agreement is subject to ratification by the Borrower.
4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Fund:

The President
International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

For the Borrower:

Minister for Finance

This agreement, dated [click and type], has been prepared in the English language in six (6) original copies, three (3) for the Fund and three (3) for the Borrower.

For the Fund

For the Borrower

Schedule 1

Programme Description and Implementation Arrangements

I. Programme Description

1. *Target Population.* The Programme shall benefit rural men and women, including young people and female headed households, involved in part-time or full-time: (a) small scale farming either of subsistence or market-oriented production; (b) artisanal fishing; (c) micro/small-scale rural businesses and enterprises (agricultural and non-agricultural); and (d) unskilled labor provision in the parishes of the main islands of Grenada and the Carriacou (the "Programme Area").
2. *Goal.* The goal of the Programme is to contribute to the reduction of rural poverty and vulnerability of rural young unemployed or self-employed men and women in the Programme Area.
3. *Objectives.* The Programme Development Objective is to increase the income of rural young unemployed or self-employed men and women through reaching four different outcomes: i) increased level of empowerment of rural communities and the male and female members of social and economic rural organizations and their capacity to participate in development opportunities; ii) employment opportunities created, particularly for young rural men and women; iii) rural businesses and microenterprises established and strengthened; and, iv) improved sustainable agriculture, linkages to production chains, access to markets, and financial services.
4. *Components.* The Programme shall consist of the following Components:
 - (a) Human and Social Capital Building and Inclusion of Vulnerable Groups. Activities under this component will orient the development process towards empowerment of rural organizations and its male and female members, aiming towards a progressive process of participation that will enable stakeholders to take initiative and become actively involved in community development and/or economic activities. The main activities under this component will include:
 - a.1) Training of community and youth officers.
 - a.2) Life-skills and personal development training.
 - a.3) Support to skills and vocational training.
 - a.4) Strengthening of community based organizations.
 - a.5) Strengthening of community based producers groups.
 - a.6) Strengthening of Producers Associations and/or Cooperatives.
 - a.7) Social Window of the Rural Investment Fund (RIF).
 - a.8) National Advocacy campaign addressing gender, youth and poverty.
 - (b) Market Access and Enterprise Development. The activities carried out under this component will aim to enhance and increase the incomes of the target group, through the strengthening and establishment of competitive, profitable and sustainable rural businesses and employment opportunities, creating better linkages to production chains and greater access to markets. This component will be implemented through the following activities:
 - b.1) Training of MoA extension staff and other service providers.

- b.2) Technical Assistance Services, including Market Access, Extension and Business Development Services (business plan formulation and hand-holding support; promotion of best agricultural practices through farmer-to-farmer technical services; market research and database development and operations; specialised marketing support; linkage of diverse local economic/commercial actors within the identified value chains to rural financial services).
 - b.3) An Enterprise and a Productive Window in the Rural Investment Fund.
 - b.4) Rural Financial Services, comprising a Credit Line and a Rural Finance Innovation Fund.
- (c) Programme Management. This component will facilitate the implementation of the Programme through results-based management. The Programme management will have a two-tiered management structure comprising: a Programme Steering Committee, as a policy-making and guidance supervision body and a Programme Management Unit, principal responsible for the overall Programme management. Monitoring and evaluation and learning and knowledge management and policy dialogue are important tasks of Programme management.

II. Implementation Arrangements

1. Lead Programme Agency.

1.1. Designation. The Ministry of Finance (MoF) is designated as the Lead Programme Agency.

1.2. Responsibilities. The MoF shall provide overall strategic and policy direction for Programme implementation.

2. Programme Steering Committee.

2.1. Establishment. The Borrower shall establish a Programme Steering Committee (PSC) by conclusion of Cabinet upon recommendation of the MoF. The PSC shall be the Programme's highest authority.

2.2. Composition. The PSC shall be composed of nine (9) members, including Government ministries, financial sector, private sector, cooperatives and community based organization representatives. The exact composition shall be defined in the Programme Operations Manual. The PSC will be chaired by the representative from MoF. A Deputy Chairperson shall also be elected to assume the responsibilities of the chair when he/she is not available. The Programme Manager will attend all PSC meetings and serve as the Recording Secretary. Other Programme Stakeholders may also participate in the PSC meetings, subject to the approval of the Chair on a meeting-by meeting basis but only those named as representatives would be authorized to vote.

2.3. Responsibilities. The PSC shall be responsible for the overall coordination and guidance of the Programme, including: (i) providing overall operational guidance for Programme implementation; (ii) approving the AWPB submitted by the Programme Manager; (iii) approving all implementation and financial reports required by the Financing Agreement prior to their submission to the MoF and IFAD; (iv) providing assistance and guidance to the PMU in handling implementation and coordination problems brought to its attention by them.

3. Programme Management Unit.

3.1. Establishment. The MoF shall establish a Programme Management Unit (PMU), which shall be located in a town to be determined in the Programme Operations Manual. The location will seek to allow easy access by Programme beneficiaries and to attract the most competent persons to fill the positions to be created in the PMU.

3.2. Composition. The PMU shall be headed by a Programme Manager and shall include a Programme Accountant, a Planning Monitoring and Knowledge Management Specialist, a Gender, Equity and Youth Specialist and the technical and administrative staff required for the correct implementation of Programme activities. PMU staff shall be recruited based on a competitive process and with the prior non objection of the Fund.

3.3. Responsibilities. The PMU's responsibilities include: (a) management and coordination of Programme activities on a day to day basis; (b) negotiation and signature of contracts with services providers and other Programme Parties; (c) preparation of annual work plan and budgets (AWPBs) and submission to the PSC for approval and to IFAD for non objection; (d) preparation and submission of required technical and financial reports as outlined in the Programme Operations Manual and Monitoring and Evaluation Plan; recruitment of external auditors and submission of annual Audit Report.

4. Support Services.

4.1. The overall support services will be implemented through specialized entities (government or non-governmental organizations or private sector). The Programme shall enter into a Memorandum of Understanding (MoU), a performance based contract or a similar arrangement with each, stating the responsibilities of each party.

4.2. The implementation of the Extension Services shall be carried out through two different modalities: the traditional approach through the MoA and the direct implementation by beneficiaries approach.

4.3. Under the traditional approach, the MoF shall enter into a MoU with the MoA for providing the core services to the target beneficiaries through Extension Officers.

4.4. Under the direct implementation by beneficiaries approach, the PMU, the MoA and an eligible beneficiary organization shall enter into a Letter of Agreement or similar arrangement to establish the purpose, mechanisms and conditions for the transfer funds to the organization. The Extension Officers shall be contracted by the beneficiary organization and shall be directly responsible to this organization for the implementation of activities, under the technical guidance and supervision of the MoA.

4.5. The business development and access to market support services shall be carried out by a specialized entity with the capacity to undertake such responsibility. The preferred candidate is the Grenada Industrial Development Corporation, but other services providers may prove to be more qualified. The selected service provider shall be chosen after an assessment at the beginning of Programme implementation.

4.6. The selected service provider shall enter into a contractual arrangement, either MoU or performance based contract, with the PMU for the implementation of business development, specialized training and hand holding (coaching) support. The service provider shall appoint the Business Development Officers to be allocated on a full time basis to the Programme.

5. The Rural Investment Fund (RIF).

5.1. The RIF shall be financed with CDB funds and shall implement three windows directly related to strengthening and facilitating income earning projects: (a) the Social Window targeting legally constituted organizations supported by the Human and Social Capital Building and Inclusion of Vulnerable Groups component, to finance shared infrastructure that is critical for production, marketing and processing and for ensuring equitable access to the opportunities of the Programme; (b) the Enterprise Window targeting legally constituted organizations to finance business planning, production, processing and marketing leading to the consolidation of sustainable and competitive business supported by the Market Access and Enterprise Development component and (c) the Productive Window focused on vulnerable groups providing financing for small scale sustainable revenue generating initiatives supported by the same component.

5.2. The criteria and methodology for identifying, preparing, selecting and approving applications shall be established in the Programme Operations Manual. The Programme shall coordinate the implantation of these activities with financial services providers, particularly the Grenada Cooperative Bank (GCB) and rural credit unions, developing partnerships and focusing RIF on existing gaps for long term investment financing.

6. The Rural Financial Services.

6.1. A credit line shall be set up for facilitating access to suitable (commercial) financial services.

6.2. The credit line shall be financed with CDB funds and shall be set up through a commercial bank and on-lending. Credit shall be made available for farm development, storage, processing and marketing of agricultural produce. Medium and long term credit will be used for activities such as the establishment and revitalisation of tree crops, civil works in support of farm building, aquaculture, farm equipment, etc. Short term loans will finance working capital, the purchase of inputs, small equipment, agrochemicals and services.

7. The Rural Finance Innovation Fund (RFIF).

7.1. The objective of the RFIF is to contribute to explore innovative financial schemes that could leverage the allocation of the Programme to the RIF or could increase access to financial services in rural areas.

7.2. The RFIF will finance the preparation of proposals for schemes promoting the use of remittances in development initiatives, linking rural development initiatives in Grenada with the fundraising capacity of organizations of Grenadian nationals living abroad, thus providing a channel for direct investment of remittances in development projects for the rural poor. The methodology and criteria for preparing and approving proposals shall be defined in the Programme Operations Manual.

Schedule 2*Allocation Table*

1. *Allocation of Loan Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the allocation of the amounts of the Loan to each Category and the percentages of expenditures for items to be financed in each Category:

Category	Loan Amount Allocated (expressed in SDR)	Percentage of IFAD financing
I. Technical Assistance, Training, Studies and Audit		
a) Technical Assistance and Training	1 335 000	75% of total expenditures
b) Studies and Audit	45 000	65% of total expenditures
II. Rural Finance Services – Innovation Fund	60 000	100% net of taxes
III. Operating Costs	300 000	30% of total expenditures
IV. Unallocated	190 000	
TOTAL	1 930 000	

(b) The terms “Technical Assistance, Training and Studies” used in the Table above excludes the cost of salaries for the Business specialist financed by CDB.

2. *Start-up Costs.* Withdrawals in respect of expenditures for start-up costs in Categories I and III incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of USD 25 000.

Key Reference Documents

A.- Programme Design Cycle Documents

- 1.- Programme Concept Note
- 2.- Aide-Memoire Concept Note Mission
- 3.- OSC Issues Paper
- 4.- Aide-Memoire Programme Design Mission
- 5.- QE Panel Report
- 6.- Aide-Memoire Programme Final Design Mission
- 7.- QA Panel Report

B.- Working Papers

- WP 1: The country, Programme area and target group
- WP 2: Human and social capital building and inclusion of vulnerable groups
- WP 3: Sustainable agricultural production, market access and enterprise development
- WP 4: Rural investment fund
- WP 5: Environmental and Social review note
- WP 6: Programme management, M&E and knowledge management
- WP 7: Financial and economic analysis of the Programme
- WP 8: Programme operations manual
- WP 9: Implementation and Supervision Plan
- WP 10: Rural financial services

C.- Programme Formulation activities

- Concept Note Formulation Mission, Market Access and Rural Enterprise Development Programme, Grenada, August 2009
- Grenada Rural Enterprise Project (GREP)– Systematization Workshop of GREP best practices in Community work, St. Georges, August 2009
- Project Completion Report (PCR) Mission, Grenada Rural Enterprise Project (GREP), Grenada, November 2009
- Operational and Strategy Committee (OSC) Meeting, 25 November 2009
- Programme Design Mission (Formulation), Grenada, 30 November-12 December 2009
- Presentation of the preliminary Programme profile and signing of Aide-Memoire, St. Georges, 10 December 2009
- Quality Enhancement Panel, Rome, June 23 2010
- Programme Final Design Mission (Appraisal), Grenada, 15-25 July 2010
- Signing of Aide-Memoire, St. Georges, July 23th 2010
- Quality Assurance Meetings, Rome, 5 October 2010

▪ Logical Framework

RESULTS HIERARCHY	KEY PERFORMANCE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Goal: To contribute to the reduction of rural poverty and vulnerability of rural young unemployed or self-employed men and women in 50 rural communities in Grenada and Carriacou.	Percentage of households that increase their index of household assets ownership (RIMS anchor indicator)	-RIMS study. -Government Poverty and MDG reports.	
Programme Development Objective: To increase the income of rural young unemployed or self-employed men and women.	By the end of Programme implementation 4 250 poor and vulnerable rural beneficiaries (56% male and 44% female) in the priority areas will rise above the poverty line set at EC\$ 5,842/ per capita per annum, and the vulnerability line EC\$ 7,302/per capita per annum.	-Baseline study; mid-term and final evaluations -RIMS surveys.	Grenada Tourism industry recovers growth rates prior to 2008
HUMAN AND SOCIAL CAPITAL BUILDING COMPONENT			
Outcome 1: Increased level of empowerment of rural communities and the male and female members of social and economic rural organizations and their capacity to participate in development opportunities.	<ul style="list-style-type: none"> - 60% of 210 attended rural organizations¹ have increased both their strategic alliances and their active membership with 30%; by year 6. - 20% increase of both young men/women in membership and of female leadership in rural org.; by year 4. - 5 coops / assoc have increased membership as well as the services they provide to the Programme target population; by year 5. - 40% of attended rural organizations have capacity to administer RIF funds, and contract directly services, goods, and technical assistance directly; by year 5. - 30% of rural organizations present proposals to RIF for labour saving technologies linked to income generation for women; by year 4. - 100% of infrastructure (re)constructed under RIF is handed over as property of the rural organization, and are properly maintained; by year 6. - At least 500 young rural men/women have become motivated and interested in vocational training, agriculture, business and/or community development; by year 4. 	<ul style="list-style-type: none"> -Programme M&E and Case studies. -Programme rural organizations empowerment surveys. -Rural Org. reports. -Service providers MoU or contracts and records. 	<p>GOG will support Direct Implementation by Beneficiaries as empowerment tool.</p> <p>Infrastructure constructed under RIF windows will be handed over in property to beneficiaries by Line Ministries.</p>
Outcome 2: Employment opportunities created, particularly for young rural men and women.	-80% of the 1,500 beneficiaries (60% male/40% female: especially young single mothers) of skills/vocational training have become employed in jobs or have become self employed by starting a business; by year 6.	<ul style="list-style-type: none"> -Employment and Service providers records. - Programme M&E. 	No major changes in the labour market affecting job placement.
MARKET ACCESS AND ENTERPRISE DEVELOPMENT COMPONENT			
Outcome 3: Rural businesses and microenterprises established and strengthened.	<ul style="list-style-type: none"> - 250 microenterprises increase assets and 80% of them experienced additional increases in assets; by year 5. - 80% of new micro-enterprises are active after 1-2 years of activity; by year 6. - 60% of attendants of Entrepreneurial Skills Training prepare a business plan to start a business; by year 5. - 50 enterprises created and legalized for agro-processing and tourism services; by year 4. - 200 existing microenterprises increase production / sales; by year 6. - 550 new jobs created in non-agricultural businesses, by year 5. - 50% of investments of the RIF are co-financed with FIs providing working capital (short term); by year 6. 	<ul style="list-style-type: none"> -Accounting records of businesses. -Programme M&E. -GNMIB records. - Registry of businesses. -VAT Unit records. 	Appropriate and less expensive technology will be identified for productive investments.
Outcome 4: Improved sustainable agriculture, linkages to production chains, access to markets, and financial services.	<ul style="list-style-type: none"> - Skills of 10 Extension officers from MoA refreshed annually to provide TA to target group; by year 4. - 50 new enterprises linked to the value chains and 200 existing subsistence microenterprises have prepared and implemented business plans increasing production, sales and employment on sustainable basis; by year 5. - 1,000 farmers with contracts with GNMIB; by year 5. - 480 livestock (small ruminants/egg/poultry) farms upgraded, production and income increased; by year 5. - 30 enterprises/groups selling to supermarkets, increasing by 20% volume and total sales and 50 enterprises/groups selling to hotels & restaurants, volume and total sales and; by year 5. - 240 agriculture crop farms modernized and production and farmer's income increased; by year 4. - Approximately 150 agro-processing and crafts and 100 service enterprise production business plan investments financed; by year 5. - Approximately 80 non agricultural micro-enterprises and 60 farmer/fishermen and groups access financial services (credit) for the first time and 30% of borrowers become recurrent clients of FIs; by year 5. -RIF will support at least 4 proposals to the FFR. 	<ul style="list-style-type: none"> -GIDC and MoA annual reports. -Programme M&E. -FIs records. 	<p>There are no major natural hazards affecting the agricultural sector.</p> <p>Young people get access to government owned land.</p>

¹ Rural organizations: CBOs, Producers Groups and Association/Cooperatives