

Document: EB 2010/LOT/P.2/Rev.1  
Date: 6 December 2010  
Distribution: Public  
Original: English

**E**



Enabling poor rural people  
to overcome poverty

## **President's report**

### **Proposed loan to Grenada for the**

### **Market Access and Rural Enterprise Development Programme**

#### **Note to Executive Board representatives**

##### Focal points:

##### Technical questions:

**Jaana Keitaanranta**  
Country Programme Manager  
Tel.: +39 06 5459 2252  
e-mail: [j.keitaanranta@ifad.org](mailto:j.keitaanranta@ifad.org)

##### Dispatch of documentation:

**Liam F. Chicca**  
Governing Bodies Officer  
Tel.: +39 06 5459 2462  
e-mail: [l.chicca@ifad.org](mailto:l.chicca@ifad.org)

---

**For: Approval**

## Contents

<b>Abbreviations and acronyms</b>	<b>i</b>
<b>Map of the programme area</b>	<b>ii</b>
<b>Financing summary</b>	<b>iii</b>
<b>Recommendation for approval</b>	<b>1</b>
<b>I. The programme</b>	<b>1</b>
A. Main development opportunity addressed by the programme	1
B. Proposed financing	1
C. Target group and participation	2
D. Development objectives	2
E. Harmonization and alignment	3
F. Components and expenditure categories	3
G. Management, implementation responsibilities and partnerships	3
H. Benefits and economic and financial justification	4
I. Knowledge management, innovation and scaling up	4
J. Main risks	5
K. Sustainability	5
<b>II. Legal instruments and authority</b>	<b>5</b>
<b>III. Recommendation</b>	<b>6</b>
<b>Annex</b>	
Negotiated financing agreement	7
<b>Appendices</b>	
I. Key reference documents	
II. Logical framework	

## Abbreviations and acronyms

CBO	community-based organization
CDB	Caribbean Development Bank
GIDC	Grenada Industrial Development Corporation
RIF	Rural Investment Fund

## Map of the programme area

### Grenada

#### Market Access and Rural Enterprise Development Programme

*President's report*



11-10-2010



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.

Map compiled by IFAD

## Grenada

# Market Access and Rural Enterprise Development Programme

## Financing summary

<b>Initiating institution:</b>	IFAD
<b>Borrower:</b>	Grenada
<b>Executing agency:</b>	Ministry of Finance
<b>Total programme cost:</b>	US\$7.5 million
<b>Amount of IFAD loan:</b>	SDR 1.93 million (equivalent to approximately US\$3.0 million)
<b>Terms of IFAD loan:</b>	18 years, including a grace period of 3 years, with an interest rate equal to the reference interest rate per annum as determined by the Fund semi-annually
<b>Cofinancier:</b>	Caribbean Development Bank
<b>Amount of cofinancing:</b>	US\$2.0 million
<b>Terms of cofinancing:</b>	Ordinary
<b>Contribution of borrower:</b>	US\$2.2 million
<b>Contribution of beneficiaries:</b>	US\$0.3 million
<b>Appraising institution:</b>	IFAD
<b>Cooperating institution:</b>	Directly supervised by IFAD

## **Recommendation for approval**

The Executive Board is invited to approve the recommendation for the proposed financing to Grenada for the Market Access and Rural Enterprise Development Programme, as contained in paragraph 37.

## **Proposed loan to Grenada for the Market Access and Rural Enterprise Development Programme**

### **I. The programme**

#### **A. Main development opportunity addressed by the programme**

1. The programme's development goal is to contribute to the reduction of the poverty and vulnerability of young unemployed or self-employed men and women in 50 rural communities in Grenada and Carriacou. The programme is designed to support the Government's efforts to reduce the presently high level of food imports, increase food security and create employment through intensification and diversification of the agricultural sector. A critical investment in human and social capital will be made through the promotion of entrepreneurship and strengthening of rural development services.

#### **B. Proposed financing**

##### **Terms and conditions**

2. It is proposed that IFAD provide a loan to Grenada in the amount of SDR 1.93 million (equivalent to approximately US\$3.0 million) on ordinary terms to help finance the Market Access and Rural Enterprise Development Programme. The loan will have a term of 18 years, including a grace period of 3 years, with an interest rate equal to the reference interest rate per annum as determined by the Fund semi-annually.

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

3. The allocation defined for Grenada under the PBAS is US\$3 million over the 2010–2012 allocation cycle. The proposed financing is covered by the PBAS allocation.

##### **Relationship to national medium-term expenditure framework criteria**

4. IFAD's counterpart in Grenada has traditionally been the Ministry of Finance. This ministry is responsible for all new public debt, which is subject to parliamentary approval.

##### **Relationship to national sector-wide approaches or other joint funding instruments**

5. The proposed programme is closely linked to national agricultural and poverty reduction policies. It is cofinanced with the Caribbean Development Bank (CDB) and builds on lessons learned and processes established under the previous CDB/IFAD cofinanced operation in Grenada, the Rural Enterprise Project.

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

6. IFAD has extended two loans to Grenada since 1981, amounting to US\$5.7 million. The capacity of Grenada to service its external debt is satisfactory. Detailed debt sustainability analysis is carried out regularly in Grenada, most recently for the International Monetary Fund reviews of the Poverty Reduction and Growth Facility (a public financial management programme aimed at the reduction of the debt-to-GDP ratio). The new debt management unit at the Ministry of Finance means that the ministry is now able to project future debt service costs and debt levels.

**Flow of funds**

7. The funds will be channelled to a designated account maintained in United States dollars in a bank acceptable to the Fund. Funds will flow from this account into two programme accounts maintained in local currency, on the basis of approved annual workplans and budgets.

**Supervision arrangements**

8. IFAD will be responsible for supervising the programme. The supervision arrangements will include regular joint meetings involving IFAD, CDB and government authorities.

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

9. No exceptions are foreseen.

**Governance**

10. The following planned measures are intended to enhance the governance aspects of the IFAD loan: (i) the programme steering committee and annual audits will play an important role in ensuring transparency and observance of the procedures set forth in the programme operational manual; (ii) beneficiaries will participate in decision-making processes; and (iii) beneficiaries will receive support for direct implementation of specific investments and subprojects and for monitoring the progress of programme activities.

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

11. The programme is in line with the IFAD Policy on Targeting. The target group will be made up of rural men, women and young people who are involved either part-time or full-time in: (i) small-scale farming for subsistence or market-oriented production; (ii) artisanal fishing; (iii) small rural businesses and enterprises (agricultural and non-agricultural); and (iv) unskilled labour provision.

**Targeting approach**

12. The programme will target communities that are vulnerable to sinking below the poverty line or are already facing poverty and extreme poverty. Communities will be selected based on the incidence of poverty and the absolute number of poor men and women in each parish, based on indicators from the 2007/08 Poverty Assessment Report.

**Participation**

13. Development support services will be demand-driven. Direct implementation by beneficiaries is a key innovation for Grenada. Under the programme, community-based organizations (CBOs) and producers' groups will identify their areas of need and prepare their own proposals. Upon approval of the proposals, the CBOs and groups will be directly responsible for managing the funds and procuring the goods, services, material, labour and inputs required for implementation. Throughout this process, the groups will receive technical assistance from the programme management unit to create or strengthen the capacity required for direct implementation.

**D. Development objectives****Key programme objectives**

14. The programme's development objective is to increase the income of rural young unemployed or self-employed men and women through: (i) greater empowerment of rural communities and members (men and women) of social and economic rural organizations and increased capacity to participate in development opportunities; (ii) creation of employment opportunities, particularly for young rural men and women; (iii) establishment and strengthening of rural businesses and

microenterprises; and (iv) more sustainable agricultural practices, linkages to production chains, and access to markets and financial services.

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

15. The programme is based on the Government's agricultural production, poverty reduction and food security strategies and is consistent with the following rural sector development objectives: (i) developing social and human capital; (ii) promoting market-driven development of agricultural and non-agricultural rural businesses and microenterprises; and (iii) enhancing pro-poor rural policy dialogue and sectoral planning. Grenada is still recovering from the hurricanes that hit the country in 2004 (Ivan) and 2005 (Emily). The Government is committed to revitalizing the agricultural sector.

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

16. The programme is aligned with: (i) IFAD Strategic Framework and its asset-building approach; and (ii) CDB's intervention strategy for 2009-2011, which focuses on preparing the groundwork for broad-based growth and poverty reduction that enhances social development and improves the business environment.

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

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

17. The programme supports the Government's efforts to reduce rural poverty, lower the presently high level of food imports and increase food security. The programme is also consistent with the specific policies of the Ministry of Agriculture, Forestry and Fisheries: it has been extensively discussed with the Government and with all stakeholders to ensure full alignment with the strategic orientation of the Poverty Reduction Strategy and Action Plan that the Government is preparing.

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

18. The programme will foster complementarity with development agencies, including with the Food and Agriculture Organization of the United Nations (FAO) and the Inter-American Institute for Cooperation on Agriculture for agricultural innovation, and with the World Bank for enterprise and business development.

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

#### **Main components**

19. The programme has three components: (i) human and social capital building and inclusion of vulnerable groups; (ii) market access and enterprise development; and (iii) programme management.

#### **Expenditure categories**

20. There are six expenditure categories: (i) vehicles, equipment and works; (ii) Rural Investment Fund (RIF); (iii) training, vocational skills and programme outreach; (iv) technical assistance and service contracts; (v) credit and rural financial services; and (vi) operating costs.

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

#### **Key implementing partners**

21. Programme implementation will be the responsibility of the Ministry of Finance. Key implementing partners include the Ministry of Agriculture, and possibly the Grenada Industrial Development Corporation (GIDC) and the Grenada Marketing and National Importing Board. The New Life Organization and T.A. Marryshow Community College may play key roles in providing technical and vocational training programmes.

#### **Implementation responsibilities**

22. Day-to-day implementation of the programme will be assigned to a programme management unit. A programme steering committee, chaired by the Ministry of Finance, will handle policymaking and guide supervision of the programme. The

Ministry of Agriculture, through its extension services, will also play an important role in this respect.

#### **Role of technical assistance**

23. Technical assistance will be used for the provision of business development services and will be contracted to a specialized entity with the capacity to assume such responsibility, such as the GIDC or the NGO sector.

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

24. Private technical and other rural service providers, commercial partners, financial institutions and government agencies will act as implementation partners, supplying selected extension and other services. Memorandums of understanding, formal performance-based contracts or similar agreements will be signed to formalize the implementation arrangements.

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

25. The total programme cost is US\$7.5 million over six years. The sources of financing are IFAD (40 per cent), CDB (27 per cent), Grenada (29 per cent) and beneficiaries (4 per cent).

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

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

26. The programme will provide technical support services to rural poor people involved in farming, fisheries, small-scale non-agricultural rural businesses or rural cooperatives and associations. Young men and women will receive skills training to become employable and/or start businesses, and general support will be provided through the RIF window. The programme will help strengthen the capacity of CBOs and groups in production business planning, in implementation, in marketing and in promoting a value chain approach.

#### **Economic and financial viability**

27. The economic and financial analysis is based on farm models that envisage the evolution of irrigated crops, fisheries, poultry and small ruminant production from subsistence activities to sustainable business initiatives. The analysis draws on concrete data from potential beneficiaries and the recommendations of the Ministry of Agriculture's extension services. The analysis is conservative in the sense that only the core production systems are included. The financial internal rate of return (IRR) is estimated at 29 per cent over 20 years and the economic IRR is estimated at 34 per cent over the same period. This rate is quite robust in the face of changes in prices, costs or delays in implementation.

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

#### **Knowledge management arrangements**

28. The programme will promote lesson learning. An active country programme management team will meet at least twice a year, in the context of direct supervision and implementation support. Knowledge and experience generated by the programme not only will inform IFAD's policy dialogue at the country and regional levels and its programme design process, but will also be made available to policy formulators, national legislators and executive bodies.

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

29. These are: (i) a new approach to market access entailing technical and entrepreneurial coaching and financial support accompanied by the formulation of business plans for the development and consolidation of rural businesses and microenterprises. These plans will capture the market signals along the value chains for traditional and non-traditional products, while increased agricultural production will be achieved through enhanced extension services; (ii) the focus on the potential of young people and the strengthening of their technical and entrepreneurial abilities



in response to labour market demand through vocational and skills training (locally and subregionally certified) coupled with job placement; (iii) direct implementation by beneficiaries as a mechanism for beneficiary ownership of the implementation and administration of RIF investments and of the recruitment process for technical services; and (iv) a fresh targeting strategy that incorporates gender and age characteristics to reflect the individuality and specific needs of each beneficiary.

### **Scaling-up approach**

30. Rather than operating through isolated country projects, the programme will be part of a renewed and wider subregional strategy and presence by IFAD in the Caribbean. The strategy promotes coordination with regional institutions; linkages with diaspora programmes to match rural investments with remittances; direct implementation by beneficiaries; inclusion of vulnerable groups; special attention for youth; active participation in subregional policy dialogue; experience sharing; design based on common features that have proved successful in the subregion; and direct supervision. It is expected that these key elements will lead to more effective implementation and scaling up both in the country and within the subregion.

## **J. Main risks**

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

31. The programme faces four main risks: (i) exclusion of the poorest beneficiaries from full participation. This will be mitigated through affirmative activities to help them overcome social, cultural and economic constraints; (ii) the ability of small-scale farmers to respond promptly to market demand and to special quality requirements for products. This will be mitigated by increasing producers' organizational skills and dynamism and their alliances with the country's marketing entities; (iii) financial risks faced by microenterprises. These will be minimized through the formulation of solid business plans and the support provided at the distinct links of the value chains; and (iv) insecurity of land tenure. The Grenada Co-operative Bank Ltd. will be encouraged to explore non-traditional forms of collateral, and extensive policy dialogue with the Ministry of Agriculture will be undertaken with a view to making estate land available, especially to young people.

### **Environmental classification**

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

## **K. Sustainability**

33. The programme will work with rural organizations and their members to help them develop confidence in their own capacities. There will be a period of coaching, during which the beneficiary puts new knowledge into practice. The programme will develop partnerships with financial service providers, particularly the Grenada Cooperative Bank Limited and rural credit unions. It is expected that financial service providers will provide advice and become partners in the beneficiaries' initiatives under the RIF by financing working capital needs. Social capital building (networks) is expected to facilitate the provision of technical assistance to CBOs, producers' groups, and businesses after programme completion.

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

34. A programme financing agreement between Grenada and IFAD will constitute the legal instrument for extending the proposed financing to the borrower. A copy of the negotiated financing agreement is attached as an annex
35. Grenada is empowered under its laws to receive financing from IFAD.

36. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Lending Policies and Criteria.

### **III. Recommendation**

37. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall make a loan on ordinary terms to Grenada in an amount equivalent to one million nine hundred and thirty thousand special drawing rights (SDR 1,930,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze  
President

## **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 1<sup>st</sup> of January.
5. Payments of principal and interest shall be payable on each 1<sup>st</sup> of February and 1<sup>st</sup> 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
<b>Goal:</b> 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.	
<b>Programme Development Objective:</b> 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
<b>HUMAN AND SOCIAL CAPITAL BUILDING COMPONENT</b>			
<b>Outcome 1:</b> 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"> <li>- 60% of 210 attended rural organizations<sup>1</sup> have increased both their strategic alliances and their active membership with 30%; by year 6.</li> <li>- 20% increase of both young men/women in membership and of female leadership in rural org.; by year 4.</li> <li>- 5 coops / assoc have increased membership as well as the services they provide to the Programme target population; by year 5.</li> <li>- 40% of attended rural organizations have capacity to administer RIF funds, and contract directly services, goods, and technical assistance directly; by year 5.</li> <li>- 30% of rural organizations present proposals to RIF for labour saving technologies linked to income generation for women; by year 4.</li> <li>- 100% of infrastructure (re)constructed under RIF is handed over as property of the rural organization, and are properly maintained; by year 6.</li> <li>- At least 500 young rural men/women have become motivated and interested in vocational training, agriculture, business and/or community development; by year 4.</li> </ul>	<ul style="list-style-type: none"> <li>-Programme M&amp;E and Case studies.</li> <li>-Programme rural organizations empowerment surveys.</li> <li>-Rural Org. reports.</li> <li>-Service providers MoU or contracts and records.</li> </ul>	<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>
<b>Outcome 2:</b> 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"> <li>-Employment and Service providers records.</li> <li>- Programme M&amp;E.</li> </ul>	No major changes in the labour market affecting job placement.
<b>MARKET ACCESS AND ENTERPRISE DEVELOPMENT COMPONENT</b>			
<b>Outcome 3:</b> Rural businesses and microenterprises established and strengthened.	<ul style="list-style-type: none"> <li>- 250 microenterprises increase assets and 80% of them experienced additional increases in assets; by year 5.</li> <li>- 80% of new micro-enterprises are active after 1-2 years of activity; by year 6.</li> <li>- 60% of attendants of Entrepreneurial Skills Training prepare a business plan to start a business; by year 5.</li> <li>- 50 enterprises created and legalized for agro-processing and tourism services; by year 4.</li> <li>- 200 existing microenterprises increase production / sales; by year 6.</li> <li>- 550 new jobs created in non-agricultural businesses, by year 5.</li> <li>- 50% of investments of the RIF are co-financed with FIs providing working capital (short term); by year 6.</li> </ul>	<ul style="list-style-type: none"> <li>-Accounting records of businesses.</li> <li>-Programme M&amp;E.</li> <li>-GNMIB records.</li> <li>- Registry of businesses.</li> <li>-VAT Unit records.</li> </ul>	Appropriate and less expensive technology will be identified for productive investments.
<b>Outcome 4:</b> Improved sustainable agriculture, linkages to production chains, access to markets, and financial services.	<ul style="list-style-type: none"> <li>- Skills of 10 Extension officers from MoA refreshed annually to provide TA to target group; by year 4.</li> <li>- 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.</li> <li>- 1,000 farmers with contracts with GNMIB; by year 5.</li> <li>- 480 livestock (small ruminants/egg/poultry) farms upgraded, production and income increased; by year 5.</li> <li>- 30 enterprises/groups selling to supermarkets, increasing by 20% volume and total sales and 50 enterprises/groups selling to hotels &amp; restaurants, volume and total sales and; by year 5.</li> <li>- 240 agriculture crop farms modernized and production and farmer's income increased; by year 4.</li> <li>- Approximately 150 agro-processing and crafts and 100 service enterprise production business plan investments financed; by year 5.</li> <li>- 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.</li> <li>-RFIF will support at least 4 proposals to the FFR.</li> </ul>	<ul style="list-style-type: none"> <li>-GIDC and MoA annual reports.</li> <li>-Programme M&amp;E.</li> <li>-FIs records.</li> </ul>	<p>There are no major natural hazards affecting the agricultural sector.</p> <p>Young people get access to government owned land.</p>

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