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Investing in rural people

## President's memorandum

### Proposal for additional financing to Grenada for the Climate-smart Agriculture and Rural Enterprise Programme

#### Note to Executive Board representatives

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For: Approval

## Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed additional financing in the form of a loan to Grenada for the Climate-smart Agriculture and Rural Enterprise Programme, as contained in paragraph 15.

## Proposed additional financing to Grenada for the Climate-smart Agriculture and Rural Enterprise Programme

### I. Background

1. This memorandum seeks approval for additional financing in the form of a loan on blend terms of US\$2.41 million for the Climate-Smart Agriculture and Rural Enterprise Programme (SAEP), approved by the Executive Board in December 2017 (EB 2017/LOT/P.23). The additional financing will be used to fund component 1 (enterprise business development, 77 per cent), component 2 (climate-smart agriculture, 8 per cent) and component 3 (programme management and monitoring and evaluation, 15 per cent).
2. The programme cost as originally approved totals US\$12 million. The financing plan foreseen was the following: (i) a highly concessional IFAD loan of US\$3.99 million, signed in January 2018 (33 per cent of total programme costs); (ii) a Caribbean Development Bank (CDB) loan of US\$3 million (25 per cent of the total); (iii) a non-refundable contribution by the Grenada Investment Development Corporation (GIDC) of US\$0.33 million (3 per cent of the total); (iv) a counterpart contribution by the Government estimated at US\$2 million (17 per cent of the total); (v) contributions in cash and in kind by the final beneficiaries worth US\$0.27 million (2 per cent of the total); and (vi) a financing gap of US\$2.41 million (20 per cent of the total).
3. In March 2018, three months after the Executive Board approval of SAEP, the performance-based allocation system (PBAS) allocation for Grenada was revised upwards with an additional US\$2.41 million, for a total of US\$6.40 million, as part of the measures taken to enhance the 2018 IFAD lending programme. This presents an opportunity to apportion the total remaining PBAS allocation of US\$2.41 million towards filling the entire financing gap of the approved SAEP.

### II. Justification and rationale

4. The SAEP, as mentioned in the original report, serves as a key IFAD and Government instrument to achieve two major priorities under the national development policies for the rural sector: (i) the creation of jobs and rural youth empowerment; and (ii) the adoption of climate-smart agriculture (CSA) practices by smallholders, to improve their resilience to the effects of climate change.
5. The programme has national coverage, across all seven parishes of Grenada. The first component of the SAEP promotes new business start-ups run by young people with entrepreneurial drive and provides vocational skills and technical training for young people to find employment. Start-ups are expected to target market opportunities for products and services arising from the adoption of CSA approaches developed by component 2, in order to build climate change resilience. Under component 2 backyard gardens will also be supported. The programme is expected to provide the missing links that currently prevent income growth among poor rural people by: attracting youth into agriculture; promoting rural start-ups; and putting the required financial support – through matching grant schemes – and technical support and extension services in place.

6. The development objective of SAEP is to improve beneficiaries' livelihoods through: access to new jobs; business start-ups or consolidation of new businesses; and adoption of CSA practices. The programme's expected impacts are: 4,500 poor households reporting an income increase of at least 10 per cent; (ii) 400 farmers with greater resilience (reporting adoption of at least one CSA practice); and (iii) 400 new jobs created.
7. A total of 7,500 poor rural households are expected to benefit from the programme's activities: some 4,500 households will receive technical and financial support services, while 3,000 will benefit from renovated rural roads and drainage works. Roughly 75 per cent of beneficiaries are expected to be young people, and approximately 50 per cent will be women, with priority being given to young women heads of households (single mothers). The programme envisages affirmative action to attain these targets.

### III. Programme costs and financing

8. The total investment and recurrent costs over the six-year implementation period, including physical and price contingencies, are estimated at US\$12 million, as originally approved. Indicative costs by component and financier are detailed in table 1; indicative costs by expenditure category and financier are provided in table 2.

Table 1  
**Programme costs by component and financier**  
(Thousands of United States dollars)

Component	IFAD												Total	
	Original loan		Additional financing		CDB		GIDC		Borrower		Beneficiaries			
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Enterprise business development	1 702	43	1 844	77	-	-	330	100	113	6	153	57	4 142	35
2. Climate-smart agriculture	1 932	48	195	8	3 000	100	-	-	266	13	117	43	5 510	46
3. (a) Programme management	258	6	177	7	-	-	-	-	1 340	67	-	-	1 775	15
(b) Monitoring and evaluation	98	2	194	8	-	-	-	-	281	14	-	-	573	5
<b>Total</b>	<b>3 990</b>	<b>100</b>	<b>2 410</b>	<b>100</b>	<b>3 000</b>	<b>100</b>	<b>330</b>	<b>100</b>	<b>2 000</b>	<b>100</b>	<b>270</b>	<b>100</b>	<b>12 000</b>	<b>100</b>

Table 2  
**Programme costs by expenditure category and financier**  
(Thousands of United States dollars)

Expenditure category	IFAD												Total		
	Original loan		Additional financing		CDB		GIDC		Borrower		Beneficiaries				
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
1. Vehicles, equipment and materials	155	4	5	-	-	-	-	-	-	28	2	-	-	188	2
2. Grants	1 605	40	821	34	-	-	-	-	-	-	269	100	2 695	22	
3. Consulting services, training and technical assistance	2 110	53	1 374	57	-	-	330	100	245	12	-	-	4 059	34	
4. Works	-	-	-	-	3 000	100	-	-	-	-	-	-	3 000	25	
5. Salaries and operating costs	120	3	211	9	-	-	-	-	1 727	86	-	-	2 058	17	
<b>Total</b>	<b>3 990</b>	<b>100</b>	<b>2 411</b>	<b>100</b>	<b>3 000</b>	<b>100</b>	<b>330</b>	<b>100</b>	<b>2 000</b>	<b>100</b>	<b>269</b>	<b>100</b>	<b>12 000</b>	<b>100</b>	

9. As stated in EB 2017/LOT/P.23, the financing gap of US\$2.41 million could be covered under subsequent PBAS cycles (on financing terms to be determined and subject to internal procedures and subsequent Executive Board approval). However, following the increase in the PBAS allocation for Grenada, it is proposed that the remaining funds of US\$2.41 million under the current PBAS cycle be apportioned to SAEP as additional financing to fill the financing gap (see tables 1 and 2 above).

#### IV. Financial management

10. Arrangements for financial management, flow of funds, governance, procurement and audits remain unchanged with respect to section III.D of EB 2017/LOT/P.23.

#### V. Proposed modifications to the programme loan agreement

11. Upon approval by the Executive Board, the SAEP financing agreement will be amended to include the provisions of the additional financing, which will become effective as of the date of the countersignature of the amendment letter by the borrower.
12. The additional financing does not involve any modification to the programme description.
13. Grenada is empowered under its laws to borrow from IFAD.
14. I am satisfied that the proposed additional financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

#### VI. Recommendation

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

RESOLVED: that the Fund shall provide an additional loan on blend terms to Grenada for the Climate-smart Agriculture and Rural Enterprise Programme in an amount equivalent to two million four hundred and ten thousand United States dollars (US\$2,410,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Hougbo  
President

## Logical Framework

Results Hierarchy	Indicators [of which Core Indicators - CI - in square brackets]				Means of Verification			Assumptions (A)
	Name	Baseline	Mid-Term Target	End Target	Source	Frequency	Responsibility	
Outreach	<ul style="list-style-type: none"> <li>▪ Number of persons receiving services promoted or supported by the Programme</li> <li>▪ Corresponding number of households reached</li> <li>▪ Corresponding total number of household members</li> </ul>	0	3,200	7,500	Programme M&E system	Annually	M&E unit - PMU	
		0	3,200	7,500				
		0	9,600	22,500				
Goal Contribute to the reduction of rural poverty and vulnerability of men/women in rural communities in GOG	<ul style="list-style-type: none"> <li>▪ Number of indigent, poor and vulnerable HHs increasing their assets by more than 10 per cent.</li> </ul>	0	1,500	4,500	Baseline and final impact survey	At start and completion	M&E unit - PMU	A 1: Reasonable growth in the economy
Development Objective Project beneficiaries improve their livelihoods <sup>1</sup> and resilience by accessing new jobs, starting-up /consolidating businesses <sup>2</sup> and adopting CSA practices <sup>3</sup>	<ul style="list-style-type: none"> <li>▪ [N HHs reporting an increase of at least 10 per cent of income (by sex and age of HH head)]</li> </ul>	0	1,500	4,500	Baseline and final impact survey	At start and completion	M&E unit - PMU	A 2: There are no natural disasters, such as hurricanes
	<ul style="list-style-type: none"> <li>▪ [CI 3.2.2: Number of farmers reporting adoption of at least one CSA practice]</li> </ul>	0	200	500				
	<ul style="list-style-type: none"> <li>▪ [CI 2.2.1: N of new jobs created (by sex, age, and employed/self-employed)]</li> </ul>	0	150	400				
Component 1 Enterprise and BD  Outcome: Start up and new enterprises in rural areas are supported through capacity building, technical services and financing	<ul style="list-style-type: none"> <li>▪ N of enterprises created/consolidated</li> </ul>	0	40	120	Programme M&E system  Employment /national records	Annually	M&E unit - PMU	A 3: Focus on self-employment and youth is a successful strategy
Outputs 1.1 Youth receive employment skill training	<ul style="list-style-type: none"> <li>▪ N of youth (by sex, age) receiving VST</li> </ul>	0	250	400	Programme M&E system	Semi-annually	M&E unit - PMU	A 4: Technical support services are provided to enterprises in an efficient manner

<sup>1</sup> Definition: In SAEP "livelihood", is defined as the capabilities, assets and activities required for a means of living. Livelihood refers to economic production, employment, and household income, within a broader context of reduced vulnerability, and environmental sustainability.

<sup>2</sup> Definition: New businesses refers to businesses operating for less than 3 years, registered or not registered, and requiring support to become consolidated / sustainable.

<sup>3</sup> Definition: Refers to practices and technologies (e.g. clean production, aquaponics, hydroponics, solar panels, bio-gas) that sustainably increase agricultural productivity and rural household incomes, while building resilience and adapting production practices and technologies to climate change. These practices may or may not contribute to the reduction of greenhouse gas emissions.

1.2 Start-ups receive technical support services for business development	▪ N of people (by sex, age) receiving technical support services.	0	300	500	Reports of - NTA - GIDC			
1.3 Youth start-up businesses access grant financing	▪ N of youth (by sex) accessing Youth Business Grant Fund	0	250	400				
1.4 Start-ups and new enterprises supported with capacity building and technical services	▪ [CI 2.1.1: N of rural enterprises accessing business development services]	0	80	270				
Component 2 CSA	▪ [CI 1.2.4: N of farmers increase production by 20 per cent (by sex and age of HH head)]	0	100	400	Programme M&E system	Semi- annually	M&E unit - PMU	A 5: Rural communities are aware of the challenges related to CC
Outcome: Farmers have increased access to CSA practices	▪ [CI 2.2.6: N of people reporting improved physical access to markets]	0	1000	3000	MoA Reports			
Outputs: 2.1 Farmers, MOA extensionists and vulnerable people in poor rural communities receive training on CC and CSA practices	▪ N of people (by sex, age) trained in innovative technologies, smart agriculture and CC	0	700	2 200	Service providers			A 6: Services are provided to farmers in an efficient and well-coordinated way
2.2 Farmers receive extension services on CSA practices and on improving marketing links	▪ [CI 1.1.4: N of farmers (by sex, age) receiving extension services on CSA practices.] <sup>4</sup> ▪ [CI 2.1.2: N of farmers (by sex, age) receiving market support services.] <sup>5</sup>	0	600	1 200	MoW			
2.3 Individual farmers and/or groups receive grant financing for CSA initiatives	▪ N of adaptation and climate smart investment projects financed through CSA Grant Fund	0	60	120				
	▪ N of backyard gardens financed through CSA Grant Fund	0	20	60				
2.4 Rural roads rehabilitated to improve and/or maintain access to markets	▪ N of rural roads rehabilitated in the project area	0	10	30				

<sup>4</sup> Corresponds to the following Core indicator: 1.1.4 Number of persons trained in production practices and/or technologies.

<sup>5</sup> Corresponds to the following Core indicator: 2.1.2 Number of persons trained in income-generating activities or business management.