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PARAGUAY

SOCIAL ENTREPRENEURSHIP PROGRAM PROPOSAL FOR FINANCING AND TECHNICAL-COOPERATION FUNDING

BEEKEEPING DEVELOPMENT FOR PRODUCTION DIVERSIFICATION

(SP/TC-00-05-02-3-PR)

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EXECUTIVE SUMMARY

Executing agency: Asociación de Apicultores del Paraguay [Paraguayan Association of Beekeepers] (ASAP)

Amount and source of financing:

IDB:	
Financing:	US\$500,000
Technical-coop. funding:	US\$160,000
Local counterpart:	<u>US\$200,000</u>
Total:	US\$860,000

The IDB funding will be drawn on the net income of the Fund for Special Operations (FSO) and will be disbursed in foreign exchange.

Terms and conditions:

Amortization period:	15 years
Grace period:	5 years
Execution period:	42 months
Disbursement period:	48 months
Interest rate:	3% in local currency

The grace period will apply to amortization of principal only, not to interest. The interest rate charged will include a percentage for maintenance of value, to be computed on the basis of the annualized change in the consumer price index for the most recent six-month period, as published by the Central Bank or other official source.

Objectives: The main objective of this project is to enhance the socioeconomic status of young people and women who are members of ASAP by raising their incomes and improving their nutrition through increased production of honey and honey byproducts for sale and personal consumption.

The specific objectives of the project are: (i) to augment individual producer operations from 20 to at least 50 hives; (ii) to raise annual honey production from 300 kg to 2,000 kg per farmer; and (iii) to improve the quality of honey and related products in an effort to penetrate foreign markets and boost sales.

Description: Through its investment component, the operation will establish and finance an investment fund for infrastructure works and production equipment and supplies for small producers and their organizations at the regional and central level. In addition, technical assistance will be made available to producers and their organizations under a nonreimbursable technical-cooperation funding component, with a view to increasing production and sales.

Investment component (US\$500,000)

1. **Leasing with an option to purchase:** The project will provide US\$450,000 for beehives and equipment to expand operations by as much as 30 additional hives per producer and for additional extraction and packaging equipment at ASAP's regional offices, which bring together producer groups in nine regions across the country. Payments for leasing the hives and equipment may be made in cash or deducted from the remittances made by ASAP to producers for marketing their honey and honey products. Once the minimum period established in the leasing contract has expired, producers will have the option to purchase the hives, against payment of the residual value.
2. **Marketing and sale of honey and honey products:** The sum of US\$50,000 will be provided, as a loan, to ASAP to upgrade its facilities and invest in equipment for strengthening the head office's marketing activities.

Technical-cooperation component (US\$160,000)

The nonreimbursable technical-cooperation component will help strengthen ASAP in the following areas: (i) training, to enhance the organization's management capabilities at the regional and central level; (ii) office and computer systems equipment for administering the leasing portfolio, in order to improve ASAP's records management and maintain ongoing contact with markets, customers, and regional offices (where possible) through the Internet; (iii) equipment and teaching materials, to support technical training activities for producers; (iv) hiring of specialists, to help improve ASAP's technical, business, and administrative capacity; and (v) project evaluations.

A percentage of the leasing expenses and of the sales of goods marketed through ASAP will be used to defray the cost of training and technical assistance for producers.

resources in an amount that exceeds its present resource level; (ii) its ability to implement an investment facility with which it has no experience; and (iii) its capacity to manage a higher business volume.

These risks will be minimized by including a series of management training activities and by hiring a technical team consisting of an expert in administration and finance, a specialist in business, and another in organization and systems, and information systems development.

**Special
contractual
conditions:**

As a condition precedent to the first disbursement of the technical-cooperation component, ASAP shall present the following documents to the Bank's satisfaction: (i) the terms of reference for the consultants to be hired, and (ii) the selection procedures.

As a condition precedent to the first disbursement of the financing component, ASAP shall present evidence of the following to the Bank's satisfaction: (i) the revised leasing regulations are in effect; (ii) the initial evaluation report has been completed (and provide a copy); (iii) the computer systems and procedures for the leasing operations are in place; (iv) the technical team has been hired and has taken up its functions; and (v) the special checking accounts to separate administration of the financing and local counterpart resources have been opened.

Every six months, ASAP is to review the interest rate charged on leasing contracts; any new rates will take effect once the Bank has indicated its nonobjection.

As the project will require sufficient liquidity to make the activities run more smoothly, it is recommended that funding be advanced to set up a revolving fund of up to 20% of the financing and technical-cooperation components, once these components are eligible for disbursement.

Evaluations:

To ensure proper execution of the project, the Bank will draw on the nonreimbursable technical-cooperation funding to hire consultants directly to perform project impact and performance evaluations. An initial evaluation will be conducted to determine production levels, technologies applied, depth of investment, and the expected income of beneficiaries from the project and of a control group not receiving project services. This evaluation will be carried out before the financing component is disbursed. The initial evaluation will also update all of ASAP's institutional and financial information as well as information on honey-related markets, and will establish project performance and impact indicators and the evaluation methodology.

Local counterpart (US\$200,000)

1. **Investment (US\$175,000):** Each producer will provide labor, inputs and materials to develop the beehives. The colonies (comprising the queen bees and their swarm), necessary for populating each of the hives, will be the producers' main contribution. The introduction of up to 7,800 beehives (30 beehives per 260 producers) is planned; while the minimum investment to populate a hive with bees is between US\$22 and US\$23.
2. **Technical-cooperation funding (US\$25,000):** ASAP will provide additional technical work to coordinate and train the beekeepers.

Beneficiaries: The direct beneficiaries will be 260 young people and women who are ASAP members and are engaged in beekeeping as an alternative source of income for their families' agricultural activity. The beneficiaries are small producers with holdings of less than 20 hectares, located in nine departments where ASAP has regional offices. Approximately 1,300 persons will benefit indirectly from the project.

Environmental and social review: The Committee on Environment and Social Impact reviewed this operation on 16 June 2000, and did not make any recommendations or comments on the project design.

The Bank's and the government's strategy: The Bank's strategy for Paraguay, which is outlined in the country paper (document GN-2118 of 4 August 2000), centers on the following strategic areas: (i) competitiveness, to ensure that the country participates effectively in the process of regional integration; (ii) modernization of the State; (iii) rural development, with an integrated multisector approach that targets sustainable rural development and poverty reduction; and (iv) reform of the social sectors, to contribute to human capital development.

The proposed operation is consistent with this strategy (points (i) and (iii), in particular) since the development and increase in honey production will help Paraguay to enter markets with a competitive product and generate a net increase in rural income levels. Furthermore, the project is in line with the general goal of the microenterprise development strategy (GN-1983-3), which seeks to expand economic opportunities in Latin America and the Caribbean through the sustainable and dynamic development of microenterprise.

Risks: Three main risks could adversely affect this project, all having to do with ASAP's institutional capacity: (i) its ability to administer

A midterm evaluation will be performed when 50% of the financing component has been disbursed or after month 18, whichever occurs first. This evaluation will gauge the progress made in attaining the indicators, particularly producer income levels and ASAP's institutional and financial strengthening. Recommendations will also be made on actions for accomplishing the project objectives or the steps that should be taken if the project does not meet its targets.