

**PROGRAM TO IMPROVE THE COMPETITIVENESS OF
SMALL FARMING ENTERPRISES**

(TC-96-02-03-9)

EXECUTIVE SUMMARY

MIF FACILITY: Small Enterprise Development (Facility III)

EXECUTING AGENCY: Consejo de Entidades Agropecuarias para el Desarrollo
[Council of Agricultural Institutions for
Development] (CEAD)

END BENEFICIARIES: Small agricultural producers, whether or not affiliated with farm organizations, who manage production operations on a scale sufficient to provide the potential for improving their competitiveness.

FINANCING:

MIF:	US\$1,325,000 (nonreimbursable)
Beneficiaries:	<u>US\$1,155,000</u>
Total:	US\$2,480,000

OBJECTIVES: The aim of the program is to help improve the competitiveness of small farming enterprises so that they can increase sales of their products on external markets, primarily in MERCOSUR. The program proposes to expand, strengthen and organize training and technical assistance activities currently being carried out by agricultural associations in response to their members' needs, especially in the field of business management.

DESCRIPTION: The program consists of the following components:

1. Training Services - Includes strengthening business management skills among producers, with emphasis on use of information, new technology, the organization of farm associations, utilization of time and resources, marketing opportunities and sustainability of production systems. The services will take the form of a series of management-related training activities at the level of agricultural production units and Uruguayan farmers' associations.
2. Technical assistance - Will be carried out through the following activities: (a) technical assistance for producer groups to make their operations more competitive and achieve economies of scale; and (b) technical assistance for management audits by farm cooperatives, the results of which

will be used as one element in the adjustment or reorganization of the marketing and agroprocessing systems operated by participating organizations.

3. Organization of services - Consists of support for the creation of an institutional mechanism to provide coordination, carry out the services generated under the program and strengthen their operational aspects, ensuring successful execution and sustainability beyond program completion.

BENEFITS:

Along with the direct benefits received by participating farmers, the program will also provide indirect benefits by supporting the creation of a self-sustaining organization for management training that will provide the agricultural and agroindustrial sector - and small producers, in particular - with specialized services of the sort normally limited to the service and manufacturing sectors in urban centers.

RISKS:

The main risk in this program concerns the willingness to pay of the beneficiaries, which will determine the financial sustainability of the proposed services. This risk will be lessened through introduction of a system of tuition payment incentives that will be gradually reduced and by promoting awareness among the producers of the need for ensuring program continuity for their own benefit, using their own funds. The goal is to overcome the farmers' lack of familiarity with paid training services in the agricultural sector.

**CONTRACTUAL
CONDITIONS:**

As conditions precedent to the first disbursement of the MIF funds, the executing agency must submit evidence to the Bank that: (a) a technical unit (TU) has been established, with the necessary experts and support personnel; (b) a bank account has been opened, with 10% of the local counterpart funding; and (c) an appropriately organized plan, chart or statement of accounts has been prepared, separately listing financial transactions and indicating whether charged to MIF resources or counterpart funding. In addition, the contract will contain special provisions concerning auditing, evaluation and submission of reports.

**IMPLEMENTATION AND
DISBURSEMENT
SCHEDULES:**

Program execution will take 36 months, with a disbursement period of 42 months.

**ENVIRONMENTAL
CLASSIFICATION:**

The Environment Committee, at its meeting of October 29, 1996, classified this as a Category II operation.

**PROCUREMENT OF
GOODS AND
SERVICES:**

Procurement of goods and the awarding of contracts for services to be financed with MIF resources will be carried out in accordance with the Bank's procedures.

**EXCEPTIONS TO BANK
POLICY:**

None.

**DONORS MEMORANDUM
URUGUAY**

I. COUNTRY ELIGIBILITY

- 1.1 On October 6, 1993, the Donors Committee of the Multilateral Investment Fund (MIF) declared the Eastern Republic of Uruguay eligible for all types of MIF financing.

II. FRAME OF REFERENCE

A. Background

- 2.1 With 16 million hectares of arable land and 55,000 farms, Uruguay has a long tradition as a producer and exporter of agricultural products. The farming sector is in fact the cornerstone upon which the country's economy is built, employing 16% of the economically active population, accounting for 12% of gross domestic product and generating some 80% of exports, including processed agricultural goods. The net foreign exchange earnings generated by the farm sector have provided the basic means to purchase the imports essential for the country's economic growth.
- 2.2 The efforts to open up Uruguay's economy, liberalize its financial sector and loosen its exchange regulations launched in the 1970s have been deepened over the past five years. In the production sectors such as agriculture, the State has increasingly withdrawn from intervention in domestic markets and gradually lowered the nation's tariff barriers. This, together with decline in external markets, has led to a drop in the area under cultivation and a decrease in the number of production units, especially among smaller enterprises.
- 2.3 Overall production in the sector has risen, however, in large part due to the adoption of new technology, which has increased yields, and development of a new model for farming with greater prospects for sustainability. Between 1990 and 1995, production in the sector rose by a cumulative 23.7%, for an average annual gain of 4.3%, compared with 19.5% or 3.3% per annum for the economy as a whole over the same the period. The upswing has been particularly strong in the production of nontraditional crops, which are more competitive on international markets, such as rice, barley, forestry products and sweet onions. In addition, dairy production has also increased and achieved greater diversity in exports, sheep and goat production has become more profitable, and the beef industry has increased its share of exports following the eradication of foot-and-mouth disease.

B. Constraints on the sector

- 2.4 Despite the above-mentioned improvements, continuing economic liberalization, along with regional integration under MERCOSUR and policy adjustments made by Uruguay's neighbors (Argentina and Brazil), require even greater competitiveness if the agricultural sector is to keep pace with the new global economy. It is increasingly difficult under these circumstances for small farming enterprises to continue to operate under such constraints as: (i) limited access to credit and technology; (ii) inability to identify new business opportunities or markets; (iii) lack of coordination with agroprocessing industries; and (iv) absence of appropriate management practices among farmers and cooperative associations alike.
- 2.5 The lack of proficiency among small producers and entrepreneurs in planning, management, negotiating methods and marketing is one of the biggest obstacles to vigorous, sustainable growth in the sector. Recent studies of associations of producers confirm this factor and indicate that improving the competitiveness of production units will depend to a large extent on eliminating these obstacles. The gap in institutional mechanisms at the national level for providing formal, systematically organized training in farm management and more effective use of farmers' organizations to enhance the sector's competitive position hinders efforts to remedy the situation.

C. Agricultural associations

- 2.6 The country's most important associations of agricultural producers are: (i) Asociación Rural del Uruguay [Rural Association of Uruguay] (ARU); (ii) Cooperativas Agrarias Federadas [Federation of Agricultural Cooperatives] (CAF); (iii) Federación Rural [Rural Federation] (FR); and (iv) the Federación Uruguaya de Centros Regionales de Experimentación Agropecuaria [Uruguayan Federation of Regional Centers for Research in Agriculture] (FUCREA). Together, the four organizations have 32,432 members, representing 60% of the country's farmers.
1. **Asociación Rural del Uruguay (ARU)**, founded in 1871, has a membership which totals 7,000 farmers and foresters. Among the services provided by the ARU to its members are: maintaining herd books; operating immunogenetics laboratories; running trade exhibitions; providing library services and technical assistance; and sponsoring promotional events and training programs.
 2. **Cooperativas Agrarias Federadas (CAF)**, which was established in 1984, is a federation made up of 70 cooperatives and rural development enterprises from different regions of Uruguay. Of this total, 60 are cooperatives formed to provide some 13,000

members with a variety of services such as marketing, agroindustrial processing, technical assistance and training in areas related to the cooperative movement and farming technology.

3. **Federación Rural (FR)**, created in 1915, represents a total of 72 rural enterprises which operate throughout the country, promoting regional, departmental and sectoral organization of farm producers, with a total membership of some 12,000 farmers. The services provided to members include: livestock fairs, market information, regional exhibitions and training activities. The FR has also begun a promotional effort aimed at organizing producer groups to ensure economies of scale and provide improved access for their products to both domestic and foreign markets.
 4. **Federación Uruguay de Centros Regionales de Experimentación Agropecuaria (FUCREA)**, created in 1966, is an association of 42 groups totaling 432 producers who have joined together on the basis of geographical proximity and similarities in production systems and the problems they face. The groups pool information on their operations for critical analysis and exchanges of experiences on the performance of the various production systems used. Each group hires a technical consultant (private extension worker) to provide support and aid in the exchange of experiences among members. The primary mission of FUCREA is to provide logistical and technical support in order to maintain an adequate level of interaction and act as a facilitator for group exchanges.
- 2.7 Once the constraints to which members of the organizations are subject were identified, the organizations were consulted to determine demand for services and willingness to pay for training programs and technical assistance (Annex IV). The findings of these consultations were used to draw up terms of reference for seminars and courses, as well as for technical assistance activities (Annex IV).
- D. Training services offered
- 2.8 While the four agricultural associations listed above have arranged training for producers and technical advisors in recent years, these efforts have had no perceptible impact on the sector's overall competitiveness, because their main purpose has been to transfer agricultural technology, with very little attention to business management.
- 2.9 Producers have been offered training aimed at upgrading technological aspects of their operations on a more regular basis, financed by the Agricultural Plan, a decentralized public agency specializing in training and technical assistance. By contrast,

training in farm management has been offered only sporadically to date through talks and lectures by specialists on specific management topics.

E. Demand for training services and scale of the program

- 2.10 The following factors were used to determine the scale of the program: (i) the population of rural Uruguay that could qualify for the program's services; (ii) lack of experience in business training; and (iii) the limited financial resources of the organizations sponsoring the program. Also taken into account were the actual demand indicators obtained by the organizations. This combination of factors made it possible to set as a goal the training of approximately 6,800 individual producers over the three-year life of the program.
- 2.11 In determining the size of the program, provision was made as well for training in business management for 400 technical advisors employed by the independent agricultural associations to provide technical assistance for their members.

F. The MIF program and the Bank's strategy

- 2.12 This program is consistent with the MIF's general goals of contributing to the strengthening and economic expansion of the private sector and to the promotion of small businesses by improving their competitiveness and income distribution.
- 2.13 The program meets the criteria established for financing under the Small Enterprise Development Facility set forth in Article IV, Section 4(b) of the Agreement Establishing the MIF in that it is designed to increase the number and quality of services available to small crop- and cattle-farmers, including business management training and advisory services.
- 2.14 The program is also consistent with the Bank's strategy of assigning priority to private-sector initiatives for restructuring and modernization of productive sectors in order to boost their export capacity. Moreover, the program provides supplementary support for other projects financed by the Bank in Uruguay for the generation and transfer of agricultural technology (loan 524/OC-UR), improvement of the dairy and rice production infrastructure (loans 525/OC-UR and 232/IC-UR), and animal health (loans 518/OC-UR and 811/SF-UR), as well as other operations presently at the processing stage such as the farm development program (UR-0072).
- 2.15 The above operations will create favorable conditions for all the segments with a role to play in the agricultural sector. In the case of small producers in particular, the operations generate appropriate technology and strengthen government institutions in the delivery of services. The proposed program will supplement

these activities through systematic management training, which will enable producers to make better use of the services and information available in the sector. The breadth of experience and all of the lessons learned in carrying out these operations were taken into account in designing the proposed program.

III. THE PROGRAM

A. Objectives

- 3.1 The aim of the program is to help improve the competitiveness of small farming enterprises so that they can increase sales of their products on external markets, primarily in MERCOSUR.
- 3.2 Its specific objectives are to: (i) improve the business and management skills of small agricultural producers; (ii) promote the organization and consolidation of producer groups formed to carry out production projects; and (iii) strengthen the private sector's capacity to provide training services and technical assistance.

B. Beneficiaries

- 3.3 The end beneficiaries of program are small agricultural producers, whether or not affiliated with farm organizations, who manage production operations on a scale sufficient to provide the potential for improving their competitiveness.
- 3.4 The beneficiaries will be drawn from farmers who meet government criteria for small businesses, namely producers who employ between five and 19 workers, have annual sales of no more than US\$180,000, and own assets valued at US\$50,000 or less (see Annex I). For purposes of determining eligibility, producers must meet two out of three of the above criteria, which have been used in two other programs financed in part by the Bank: loan 614/OC-UR and technical-cooperation project ATN/SF/3601-UR for a global credit and technical assistance program for microenterprises and small business, and loan 705/OC-UR for a multisectoral global credit program.

C. Components

1. Training services

- 3.5 The purpose of this component is to strengthen the business management skills of small agricultural producers, with emphasis on use of information systems, new technology, the organization of farm associations, utilization of time and resources, and marketing opportunities.

- 3.6 The component will be carried out through training activities on topics related to business management of agricultural production units and farmers' associations. The training events will consist of seminars with a maximum duration of 16 hours and courses that will average between 30 and 80 hours. The purpose of the component will be to meet producer demand, based on the preparation of teaching materials using 20 case studies on agricultural enterprises selected on the basis of location, production systems, diversification of activities, and the scale and intensity of the operation.
- 3.7 Based on estimates of demand made by the farmers' associations consulted, four priority areas of training were identified, in which ex ante profiles of training events were developed: (i) strategic planning; (ii) business planning and management, and negotiating techniques; (iii) motivation/improving quality; and (iv) marketing.

2. Technical assistance

- 3.8 This component will provide support for business management of agricultural operations by producer groups and farming cooperatives. It will include specific technical assistance projects and the preparation of technical and financial evaluations.
- 3.9 The component will take the form of the following activities:
- a. Technical assistance for individual farmers and producer groups interested in making their operations more competitive and achieving economies of scale. This will include drawing up group investment plans as a framework for the production operations of individual members, identifying and determining the amount of investment required, and laying the groundwork for coordination between members of the group.
 - b. Technical assistance for farming cooperatives to conduct management audits of their members. The findings of the audits will be used in the process of improving management and adjusting or reorganizing the marketing and agroprocessing systems operated by the cooperatives. These tasks will be carried out by specialized personnel employing a participatory form of technical assistance.

3. Organization of services

- 3.10 This component will provide support for the establishment of an institutional mechanism for coordination and implementation of the services generated under the program. As well, it will strengthen their operational aspects to ensure successful execution and continuation beyond the first three years with MIF support. Included in this component are the following activities:

- a. Organization and establishment of a technical unit (TU) - This will consist of the selection and hiring of the necessary technical experts and support personnel for the TU, together with procurement of the equipment and materials needed for implementation of the training and technical assistance components at the national level.
- b. Promotion of the program and the services offered - Specific tasks under this heading include: (i) dissemination of the program; (ii) identification and/or confirmation of demand on the part of the different types of beneficiaries; and (iii) organization of the services and assessment of the individual consultants and institutions offering training services and technical assistance.

IV. PROGRAM EXECUTION

A. Coordination and execution

- 4.1 Coordination and execution of the program will be the responsibility of the Consejo de Entidades Agropecuarias para el Desarrollo [Council of Agricultural Institutions for Development] (CEAD), a legally incorporated association being set up by the four organizations sponsoring the program. ^{1/} The organizations, as trade associations, have decentralized technical and administrative structures nationwide, and will provide ongoing support for program execution. The CEAD will have full independent legal status with the authority to incur obligations without liability to its individual members. It may also enter into contracts autonomously.
- 4.2 The CEAD will consist of a technical unit (TU) under the direction of a manager and supported by a technical committee made up of representatives of the ARU, FUCREA, FR and CAF, and two representatives from the business training sector, such as the School of Economics, the School of Business Administration, and the Institute of Business Studies. The committee will review and approve annual operating plans, authorize any amendments to the plans, and evaluate the results obtained. The manager will act as executive secretary of the committee, without the right to vote, and serve as program administrator, with independent authority to carry out all program activities, including those pertaining to the procurement of goods and hiring of technical services required for program execution.

^{1/} The CEAD will have an advisory board made up of representatives of the ARU, FUCREA, FR and CAF. The duties of the board, which will meet regularly twice per year, concern the establishment of guidelines for the program.

- 4.3 The program's Operating Regulations require that consultants be hired and equipment be procured in accordance with the Bank's procedures and the MIF's eligibility requirements. Bank procedures will be followed for all procurement and for advances of funds, which may be up to 10% of the total MIF funding. The program costs mainly concern the hiring of specialized services to conduct 201 seminars and 98 courses, at an average cost of US\$1,600/seminar and US\$5,000/course. Consulting services and studies are also included.

B. Operation of the TU

- 4.4 The manager, assisted by an expert in management training (see terms of reference in Annex IV) and a total of 24 consultant-months under short-term contracts, will be responsible for providing support for preparation of courses, seminars, etc. The TU have a support staff consisting of an administrative officer, an accounting assistant, a data entry clerk and a secretary. The initial selection and hiring of personnel for the TU will be a condition precedent to the first disbursement.
- 4.5 Under the proposed plan for implementing the program, the TU will have two major areas of responsibility:
- a. **Assessing project eligibility** - Program staff will review each of training activity proposed by the agricultural associations in terms of the course content, methodology, teaching materials, characteristics of the beneficiaries, and duration and location of each activity. No project may be undertaken unless it has been declared eligible by the TU, according to the Operating Regulations to be prepared by the technical unit and submitted to the Bank within 30 days after its establishment. Draft Operating Regulations for the program are set out in Annex I.
 - b. **Evaluation of activities and plans** - This includes development and application of the method which the TU will use to evaluate both the training activities involving direct participation by beneficiaries and the annual plans of operations for the program.
- 4.6 Under these general guidelines, the following specific activities will be carried out: (i) development of methods and procedures for conducting business management training activities; (ii) organization of courses that meet the needs of the producers; (iii) maintenance of a system to assess demand for training among farmers and farmers' associations; (iv) review and approval of the technical and pedagogical contents of courses proposed by the agricultural associations; (v) purchase and distribution of teaching materials; (vi) selection and hiring of the specialized consulting services and technical assistance required for the

program; (vii) supervision, monitoring and evaluation of the training and consulting activities and technical assistance to be provided under the TU's coordination; 2/ and (viii) preparation, monitoring and evaluation of the annual work plans for the program.

C. Execution and disbursement periods

- 4.7 The estimated execution period for the program is 36 months, and the disbursement period, 42 months, both reckoned from the effective date of the loan contract. Disbursement of MIF resources will be conditional upon presentation of evidence satisfactory to the Bank that the TU has been established and provided with the necessary support staff and resources for its operation.
- 4.8 Program resources will be disbursed according to the schedule contained in Annex III, in accordance with the Bank's procedures and the MIF's eligibility requirements. As a condition precedent to the first disbursement, the TU will submit a written request to the Bank, along with evidence that it has opened an account for the equivalent of 10% of the MIF resources and contributions from the four associations. Subsequent disbursements will be made *pari passu* with those of the local counterpart. The financial administration of the program will be by means of a chart of accounts in which the contributions from the MIF and those from the local counterpart will be recorded separately. Submission to the Bank of an outline of the chart of accounts will likewise constitute a condition precedent to the first disbursement.

D. Annual plans of operations and financial reports

- 4.9 Within four months following establishment of the TU, a first annual plan of operations for the program must be drawn up and presented to the CEAD board and the Bank for final approval. Subsequently, a plan of operations must be submitted annually, and must include a description and evaluation of the results achieved the preceding year, the problems encountered and the measures taken or currently under way to remedy such problems.
- 4.10 The TU must submit annual plans of operations and financial reports to the Bank indicating the use made of the MIF contribution and the local counterpart funding. The financial reports must be audited by a firm of external auditors acceptable to the Bank. In addition, one year after program completion, the TU will submit a final financial report to the Bank detailing the manner in which recoveries and other income from the services have been used to

2/ The Technical Unit will take into account the evaluation methodologies already prepared by various agencies for international cooperation such as GTZ, in an effort to ensure quality.

ensure the sustainability of the program. This report must likewise be audited by independent auditors.

V. COSTS AND FINANCING

A. Total cost and financing

- 5.1 The total estimated cost of the program is US\$2,480,000, drawn from two sources: (i) US\$1,325,000 from the MIF; and (ii) US\$1,155,000 from the local counterpart. 3/
- 5.2 A detailed breakdown of program financing and total cost is given in Annex III, and summarized in the following table:

Table 1: Program costs by source of financing

COMPONENT	MIF	LOCAL		TOTAL
		(1)	(2)	
<u>Training</u>	<u>638,000</u>	<u>72,800</u>	<u>425,000</u>	<u>1,135,800</u>
Technical services	530,000	0	425,000	955,000
Teaching materials	48,000	15,100	0	63,100
Promotion and dissemination	60,000	57,700	0	117,700
<u>Technical assistance</u>	<u>202,500</u>	<u>0</u>	<u>217,500</u>	<u>420,000</u>
Technical services	202,500	0	217,500	420,000
<u>Organization of services</u>	<u>297,800</u>	<u>383,900</u>	<u>0</u>	<u>681,700</u>
Technical services	233,800	96,250	0	330,050
Publications	9,000	2,250	0	11,250
Equipment	55,000	12,400	0	67,400
Operation and maintenance	0	273,000	0	273,000
<u>Contingencies and cost escalation</u>	<u>186,700</u>	<u>52,800</u>		<u>242,500</u>
Total	1,325,000	512,500	642,500	2,480,000

Notes: (1) Contribution from members; and (2) income from services

- 5.3 Components (i) (training) and (ii) (technical assistance) will be cofinanced by the MIF according to the matrix described in paragraph 6.4, with declining annual percentages of 80%, 60% and 25% for training, and 75%, 50%, and 25% for technical assistance. Component (iii) (organization of the TU) will be cofinanced according to the following matrix: the transitory activities and

3/ The sponsoring institutions will make a contribution of US\$512,000 to the local counterpart. Income from program services has been estimated at US\$642,500 over the program's three-year execution period.

those involved in implementation of the program will be covered in their entirety by the MIF, while activities considered permanent, that is, that will continue even after the MIF funding has ended, are to be financed entirely out of local counterpart, except for the manager's honorarium which is to be cofinanced by the MIF according to a special matrix (100%, 70% and 35% in years 1, 2 and 3, respectively).

- 5.4 The purpose of this system is to finance temporary consultants and equipment entirely by the MIF. The cofinancing provided by the MIF is to cover the manager's honorarium and the specialized technical services on a declining scale. The administrative costs and salaries of the TU's support personnel will be financed by local counterpart funding. The income generated by the services will be duly recorded, credited to the program account and used for program execution. Such funds will be allocated specifically to the training and technical assistance components, and will be used in conjunction with the MIF resources to finance the respective activities.
- 5.5 The local counterpart resources will also be used to cover support costs for execution of the program, including: (i) federal sales tax on the procurement of goods and services in Uruguay; (ii) leasing of facilities; and (iii) costs for administrative staff, furniture and office supplies for use by the TU and decentralized organizations that will provide logistical support for training activities in the interior.

VI. BENEFITS, FEASIBILITY AND RISKS

A. Benefits

- 6.1 Along with the direct benefits received by the producers who attend seminars and courses and participate in technical assistance activities, the program will also indirectly support the creation of a legally incorporated association for management training that will channel specialized services, usually limited to the service and manufacturing sectors in urban centers, to the agricultural and agroindustrial sector, and small producers in particular.

B. Feasibility

- 6.2 The program involves the participation of agricultural associations with a longstanding tradition of representing the interests of Uruguay's farmers. They are familiar with the needs and limitations of their members, and provide them with support services for development of their operations. Creating a national institution with the participation of the four associations will guarantee proper coordination of the associations for smooth

execution and institutional sustainability of the program. Finally, the feasibility of program operations with respect to access by producers to the various services is ensured through the use of the decentralized operational structures of the associations distributed throughout the country.

- 6.3 The training and technical assistance components include a cost-recovery element in the form of tuition to be paid by participants and charges for the technical assistance received. The institutional component will involve cofinancing from the first year of the program. The cost-recovery and cofinancing of expenditures are essential for ensuring the financial sustainability of the program and the consolidation of a training market.
- 6.4 However, in view of the fact that Uruguayan agricultural associations have traditionally relied on the dues paid by members to cover the cost of the training activities they organize, rather than using direct cost-recovery methods, the following measures were agreed upon for program execution: (i) a promotional campaign will be developed and carried out which, in addition to educating participants about the program activities, will emphasize the financial incentives available to producers who register during or at the start of the execution period; (ii) a fee for tuition will be charged for training activities offered with resources from the program; (iii) the amount of the fee will be based on the direct costs of the course (see Annex III, page 1); (iv) a system of declining-rate training incentives will be used to offset the cost of tuition temporarily so that they increase gradually according to the following targets: for training, participants will be charged 20% of cost in year one, 40% in year two and 75% in year three of the program; and for technical assistance, they will pay 25% of cost in year one, 50% in year two and 75% in year three (see Annex III, page 2); and (v) the resources obtained from this gradual rise in cost recovery will be deposited in the program account for use with MIF funding to finance the training and technical assistance components.

C. Risks

- 6.5 The main risks in this program concern the need to maintain close coordination among the participating institutions, and the willingness to pay of the beneficiaries, which will determine its financial viability. The institutional risk will be minimized through the proposed creation of a specialized organization made up of representatives from the four sponsoring organizations, which will act as the executing unit for the program.
- 6.6 The risk arising from the fact that agricultural producers traditionally have not had to pay for training activities in Uruguay will be lessened through introduction of a system of

declining-rate training incentives to be applied against tuition, and by promoting awareness among farmers of the need for and advantages of ensuring program continuity. In order to ensure the financial sustainability of the program, an agreement was reached with the leaders of the agricultural associations under which, 18 months after program initiation, the TU will: (i) submit a mid-term evaluation of program performance from a qualitative and quantitative standpoint which will include, among other relevant aspects, the operation and success of the system for charging of tuition; and (ii) submit to the Bank the findings of the study conducted by its own technical personnel on alternative methods for mobilizing private-sector resources and the use of financial incentives to consolidate program finances and ensure its continuity.

VII. EVALUATION AND MONITORING

- 7.1 The monitoring of program execution and attainment of its objectives will be accomplished using: (i) the indicators set out in the logical framework (Annex II); (ii) the annual plans of operations; (iii) the semiannual progress reports submitted by the TU; and (iv) the performance evaluations.

A. Reports

- 7.2 Within 60 days following the completion of each six-month period, the executing agency must submit a semiannual progress report on activities carried out. The report will pay particular attention to: (i) the selection and training of individuals to carry out business promotion activities; (ii) the degree to which program objectives have been accomplished; (iii) problems encountered and measures taken to address them; (iv) any necessary adjustments made and the activities planned for the following six-month period. Within 30 days following program completion, a final report on the program must be presented.

B. Evaluations

- 7.3 Fifteen months after program initiation, a mid-term evaluation of its activities must begin, and will be submitted to the Bank 18 months after program initiation. The evaluation will analyze the effectiveness of the method used, the extent to which planned actions have been carried out, any changes that may have been made, the institutional and operational performance of the TU, and the degree of participation by the agricultural associations. In addition, within two months after program completion, a final evaluation of the results obtained must be submitted to the Bank. These evaluations will be conducted by independent consultants hired by the executing agency, following agreement with the Bank.

- 7.4 For contract purposes, the performance indicators used for the mid-term evaluation at month 18 will include reviewing the status of the user fee cost-recovery system. If the percentage of costs recovered by means of this system is unreasonably low, the IDB may suspend disbursements for this operation. This evaluation will provide an opportunity to review the degree of success in carrying out the scheduled activities, adjusting for the actual levels of cost recovery achieved.
- 7.5 The final evaluation, due 38 months after program startup, will follow up on the mid-term evaluation using similar criteria, determine overall program impact, and include recommendations for future reference.
- 7.6 The indicators and method of evaluation will be submitted by the manager to the technical committee for its consideration within six months after the manager's duties begin. After these have been approved by the committee, the TU will present the proposed methodology and indicators to the MIF for its approval, ensuring access to all of the information and documentation generated for program evaluation. Once the first evaluation is completed, the TU will set out the guidelines for the final evaluation based on the above-mentioned methodology and indicators, which must be discussed beforehand with the Bank.

LOGICAL FRAMEWORK

NATIVE SUMMARY OF OBJECTIVES	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>access by agricultural enterprises and foreign markets.</p>	<p>By the end of the execution period:</p> <p>Approximately 4,000 agricultural enterprises placing their products in new markets or with significant increases in sales.</p>	<p>Through:</p> <p>(a) Final program report.</p> <p>(b) Inspection visits by sampling.</p> <p>(c) Statistics from the farm sector on production and marketing.</p>	<p>Domestic and foreign for agricultural products remain stable.</p> <p>Production in the agricultural sector undergoes expansion.</p> <p>The producers' organization involved keep the marketing training program up and in operation.</p>
<p>and technical assistance carried out improve the competitiveness of agricultural enterprises through a private, system that includes services for producers, organization of producer strengthening of farm cooperatives.</p>	<p>During the program execution period:</p> <p>(1) 6,800 small agricultural producers informed about the importance of competitiveness and motivated to make their enterprises more competitive.</p> <p>(2) 4,000 agricultural producers with the most potential for improving their competitiveness taking business management, making better use of marketing opportunities and helping to preserve the environment.</p> <p>(3) 340 technical advisors from farm associations and 60 managers of cooperatives trained in business management.</p> <p>(4) Private system of training and technical assistance in business management operational.</p>	<p>Through:</p> <p>(a) Progress report on the program.</p> <p>(b) Inspection visits by sampling.</p> <p>(c) Records and annual reports of the agricultural associations.</p>	<p>Sufficient demand for products on the part of eligible producers.</p> <p>The partial cost-recovery system for training remains in operation proper sustainability; program once funding MIF ends.</p>

NATIVE SUMMARY OF OBJECTIVES	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTION
<p>ent training services</p> <p>activities in business management</p> <p>of case studies on agricultural</p> <p>self-sustaining business management ogram drawn up.</p>	<p>The following training events carried out during program execution period:</p> <p>49 courses and seminars on strategic planning for individual producers: 14 by the end of year one, 20 in year two, and 15 in year three.</p> <p>36 courses and seminars on business management for individual producers: 10 by the end of year one, 16 in year two, and 10 in year three.</p> <p>16 courses and seminars on markets and marketing to strengthen farm cooperatives: 5 by the end of year one, 8 in year two, and 3 in year three.</p> <p>136 courses and seminars on promotion and support for creation of producer groups, and improving management and quality: 30 by the end of year one, 60 in year two, and 46 in year three.</p> <p>22 courses and seminars on developing methods for upgrading management skills, targeting technical assistants and managers of cooperatives: 6 in year one, 8 in year two, and 8 more in year three.</p> <p>20 case studies compiled and used as teaching material in the program training activities.</p> <p>Document on continuity of the management training program with schedule of activities, costs, cash flow and evaluation of its sustainability.</p>	<p>Through:</p> <p>(a) Progress reports on the program listing the different training activities, indicating the number of participants, and evaluating the results.</p> <p>(b) Records and annual reports of the agricultural associations.</p> <p>(c) Inspection visits.</p> <p>(d) Methodology for evaluation of the quality of the training.</p>	<p>Supply of management programs sufficient courses up to date, refresher courses of an ongoing basis.</p> <p>Timely hiring of con</p>

ATIVE SUMMARY OF OBJECTIVES	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTION
<p><u>Technical assistance</u></p> <p>Groups organized made up of operators ent production to require more marketing of their products.</p> <p>atives strengthened with more administration systems and able to ter service to their members.</p>	<p>By the end of the execution period:</p> <p>100 producer groups organized with the participation of 1,000 individual farmers, and investment plans drawn up for group projects.</p> <p>Management audits carried out at 20 agricultural cooperatives.</p>	<p>Through:</p> <p>(a) Progress reports on the program describing the various technical assistance events, the number of participants, and evaluations of the results.</p> <p>(b) Records and annual reports of the agricultural associations.</p> <p>(c) Inspection visits</p>	<p>Sufficient supply of consultants.</p> <p>Timely hiring of con</p>
<p><u>Organization of services</u></p> <p>formed for coordination, studies, assistance and drawing-up and g organized business management ans.</p>	<p>In the first three months of the execution period:</p> <p>A manager and an expert in business management training hired.</p> <p>Hardware and software for the information system procured and operational.</p> <p>In the first six months of the execution period:</p> <p>Methodology for evaluation of service quality and its indicators submitted to the Bank for approval.</p>	<p>Through:</p> <p>(a) Progress reports on the program.</p> <p>(b) Inspection visits.</p>	

ATIVE SUMMARY OF OBJECTIVES	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTION
<p>ent training services</p> <p>on and dissemination of the S.</p> <p>ication/review/confirmation of</p> <p>ation with farmers' associations.</p> <p>ng strategy for conducting events interior.</p> <p>ing of activities.</p> <p>of consultants.</p> <p>tion/procurement/repro-duction of g materials.</p> <p>g activities.</p> <p>of the future business management g program.</p> <p>ions of results.</p>	<p>Execution strategy:</p> <p>Hiring technical services for training activities:</p> <p> MIF contribution: US\$530,031</p> <p> Local counterpart: US\$424,979</p> <p>Teaching materials:</p> <p> MIF contribution: US\$48,000</p> <p> Local counterpart: US\$15,100</p> <p>Promotional campaign:</p> <p> MIF contribution: US\$60,000</p> <p> Local counterpart: US\$57,700</p>	<p>By means of (a) progress reports on the program; (b) disbursement requests; (c) chart of accounts submitted by the executing agency; and (d) financial statements on the program audited by independent accountants.</p>	<p>Counterpart resource sufficient and available on a timely basis.</p> <p>The promotional campaign the services provide awareness of the program serves to motivate people to take part.</p> <p>The executing agency sound financial management in procuring goods and services in accordance with the procedures.</p>

NATIVE SUMMARY OF OBJECTIVES	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTION
<p><u>Technical assistance</u></p> <p>tion of methods and procedures for: ing case studies.</p> <p>on and organization of producer to carry out production projects.</p> <p>ment of model investment plans for s to be carried out by producer</p> <p><u>ation of services</u></p> <p>al services</p> <p>tions</p> <p>ement of office equipment and are</p> <p>on and maintenance</p> <p><u>encies</u></p>	<p>Hiring of consultants to carry out technical assistance projects: MIF contribution: US\$202,500 Local counterpart: US\$217,500</p> <p>Executing agency provided with a team of experts, administrative personnel and support staff, equipment and office furniture.</p> <p>Specialist consultants: MIF contribution: US\$233,800 Local counterpart: US\$96,250</p> <p>Publications: MIF contribution: US\$9,000 Local counterpart: US\$2,250</p> <p>Equipment: MIF contribution: US\$55,000 Local counterpart: US\$12,400</p> <p>Administrative personnel: Local counterpart: US\$148,000</p> <p>Operating expenses/executing agency: Local counterpart: US\$75,000</p> <p>Cost of logistical support for the organization of decentralized training activities: Local counterpart: US\$50,000</p> <p>Contingencies: MIF contribution: US\$186,700 Local counterpart: US\$61,050</p>		

PROPOSED RESOLUTION

(URUGUAY). TECHNICAL COOPERATION FOR A PROGRAM FOR THE
IMPROVEMENT OF THE COMPETITIVE POWER OF SMALL
AGRICULTURAL ENTERPRISES

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank, or such representative as he shall designate, is authorized, on behalf of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Consejo de Entidades Agropecuarias para el Desarrollo and to adopt such other measures as may be pertinent for the execution of the plan of operations referred to in Document MIF/AT-____ with respect to a technical cooperation, the purpose of which is to support a Program for the Improvement of the Competitive Power of Small Agricultural Enterprises.

2. That up to the amount of US\$1,325,000 is authorized for the purpose of this resolution, chargeable to the Small Enterprise Development Facility of the Multilateral Investment Fund.

3. That the above mentioned sum is to be provided on a non-reimbursable basis.