

## ISABELLA GRAPE AGRIBUSINESS PROJECT

(TC-99-11-10-4)

### EXECUTIVE SUMMARY

<b>Executing agency:</b>	Fundación Carvajal [Carvajal Foundation], which will set up an executing unit to carry out the project.		
<b>Beneficiaries:</b>	The direct beneficiaries are small-scale Isabella grape growers in the municipalities of Ginebra, Cerrito and Guacaré.		
<b>Objectives and specific components:</b>	The general aim is consolidation of the Isabella grape agribusiness production chain in the Cauca Valley, thereby contributing to the economic recovery of small producers in the region. The specific objectives are to: (i) promote entrepreneurial self-management among the region's grape growers and strengthen CorpoGinebra, the grape growers' association; (ii) adapt and apply technologies for production, post-harvest handling and quality assurance of the Isabella grape to ensure marketing, and (iii) help hone the grape growers' negotiation skills to make certain that cultivation of the Isabella grape is synchronized with its processing and marketing.		
<b>Description:</b>	<p>The project is organized into three components: (i) promotion and development of entrepreneurial self-management; (ii) technology development and transfer, and (iii) consolidation of the production chain.</p> <p>This project is built on an existing strategic alliance called Consorcio Uva Isabella [Isabella grape consortium], comprised of six entities (see section IV.A). One of these entities is CorpoGinebra, which groups together the region's grape producers. The project seeks to strengthen the chain involving the small producers represented by CorpoGinebra. By agreement with the members of the Consorcio Uva Isabella, the project executing agency will be Fundación Carvajal. An executive committee comprised of members of the strategic alliance will be set up for general project supervision.</p>		
<b>Financing:</b>	Local counterpart funding:	US\$	740,025 (40%)
	MIF (Window III-A):	US\$1,111,947	(60%)
	Total:	US\$1,851,972	(100%)
<b>Execution:</b>	Period of execution:	36 months	
	Disbursement period:	42 months	

<b>Exceptions:</b>	No exceptions to the Bank's rules are anticipated.
<b>Special terms and conditions:</b>	As a condition precedent to the first disbursement, the executing agency will submit the following to the Bank: (i) evidence that Fundación Carvajal has set up the executing unit; (ii) evidence that the director of CorpoGinebra and the technical director of the executing unit have been selected; (iii) the Executive Committee's approval of its rules of procedure; (iv) the annual plan of operations for the first year, for the Executive Committee's subsequent approval, including the respective terms of reference; and (v) evidence of an interagency agreement among the members of the consortium, setting forth the function of each member vis-à-vis project execution.
<b>Environmental impact:</b>	The Committee on Environment and Social Impact (CESI) examined the project on 29 September 2000 and recommended that the description of the components specify the clean production and occupational health measures that should be included in the technology package.

## **I. COUNTRY AND PROJECT ELIGIBILITY**

- 1.1 Colombia was declared eligible for all financing facilities of the Multilateral Investment Fund (MIF) on 29 October 1993. The MIF's Programming and Operations Committee declared this project eligible on 1 May 2000. The proposed project is consistent with the MIF's general aims of strengthening activity in the private sector by making small-scale producers of nontraditional agricultural commodities more competitive based on access to market information, access to technology and quality assurance, and integration of their organizations into production chains.

## **II. BACKGROUND**

### **A. The agriculture sector, its problems and issues, and the government's strategy**

- 2.1 Colombia's agriculture sector accounts for nearly 20% of GDP, employs some 30% of the work force and generates almost 30% of the country's exports. Colombia has comparative advantages vis-à-vis the production of a number of agricultural products, particularly perennials, with great opportunities for expanding supply in the northern hemisphere in the winter months. The main producers of these commodities are small-scale farmers. The latter, however, face limitations, the most important being that they lack the organization needed to participate in agroindustrial and export chains and the training needed to embrace and apply new technologies.
- 2.2 Aware of the sector's problems and its potential, both the national government and the Department of Cauca have identified the following elements of a strategy to develop the region: (i) establishment of programs to organize producers to make them more competitive; (ii) application of standard technologies to improve productivity and product quality, and (iii) increasing the potential for development of new marketing and merchandising channels at the local and international levels. The goal of this initiative, based on the "strategic alliances" concept, is to modernize and reorganize production and merge primary production with agroindustrial processing, and then market crops with competitive advantages.

### **B. The Isabella grape's area of influence**

- 2.3 In the last 60 years, 500 hectares of Isabella grape vineyards have been planted in the municipalities in the central Cauca Valley (Ginebra, Cerrito and Guacarí) on holdings owned by 350 grape growers (mainly small-scale producers). These growers produce more than 95% of this variety of grape in the country. The region's production averages 22 tons per hectare/year, for a total of 11,000 tons of grape. The Isabella grape is a labor-intensive crop (520 work days/hectare/year)

that creates two direct jobs per hectare/year (by comparison, sugarcane generates 0.32 direct jobs per hectare/year).

- 2.4 A cluster of businesses in the areas of farm inputs, work force services, harvesting and marketing, machinery and equipment, and technology development has developed around Isabella grape production. The region's producers have organized into an entity called CorpoGinebra, which is currently made up of 22 small and medium-sized grape growers. By taking advantage of this cluster and the producers' organization, the strategic alliance is expected to expand to include the region's other producers as well as grape marketing and processing enterprises.

**What is a strategic alliance?**

An alliance is a group of businesses and governmental and nongovernmental organizations that join together to form productive and development clusters. These associations are created around sectors that have market potential, available technology, proven managerial capability and an established productive infrastructure. The Isabella grape project is based on an existing strategic alliance called Consorcio Uva Isabella, currently comprised of Fundación Carvajal, CorpoGinebra, Corporación Biotec, CeniUva, the Chamber of Commerce of Cali, and Proexport. To complete the production chain, the project seeks to bring in strategic partners in the area of processing and marketing (including exportation) of juices, jellies, jams and wines.

**C. Marketing and export potential**

- 2.5 At the local level, 11,000 tons of Isabella grapes are marketed each year. Of that amount, 8,800 tons (80%) are for the fresh-produce market. The Isabella grape processing industry (for pulp, vinic alcohol and wine) consumes 2,200 tons (20%) per year.
- 2.6 Isabella grape market studies estimate that an additional 6,000 tons of fresh fruit could be sold domestically, representing 200 new hectares of production. Assuming that 2% of the local market for processed juices could be captured, which would be the equivalent of 5 million liters, another 3,125 tons/year of grapes would be needed, which means planting another 200 hectares. This implies that 400 additional hectares could be planted, the production of which would be sold domestically. Land and labor are available in the Cauca Valley region to meet this demand.
- 2.7 By taking advantage of the agroclimatic conditions in the Cauca Valley, Colombia can export small amounts of good-quality grapes to Ecuador and Venezuela during the off-season (when there is no production in Chile). However, at the present time, current production is not sufficient to sustain those markets. International demand for fresh grapes and grape juice is around US\$1.5 billion, and has increased at an

annual rate of 13% in recent years, proof that there is commercial potential abroad, mainly in markets like the United States, the European Union, Canada and Japan. Vis-à-vis other countries, Colombia also has the advantage of preferential tariffs.

**D. The problem**

- 2.8 Small-scale producers do not have the business-management tools they need to ensure a quality crop that meets the deadlines that demand dictates. Then, too, individual output is small, which is why a greater degree of organization is required to obtain marketable yields and to satisfy the foreign and local demand achieved by coordinating harvests.
- 2.9 Since 1992, CeniUva and BIOTEC, two partners in the Isabella grape strategic alliance, have worked to develop a technology package for grape production. Thus far, however, they have had neither the funds nor the personnel to get the package circulated. Furthermore, they do not have systematic data on the methods and practices involved in postproduction and quality. The project must, therefore, help conduct diagnostic studies and test techniques to standardize post-harvest, on-farm product handling, shipment of the grape, quality control, and selection of the ripe fruit with the organoleptic qualities that the market demands.
- 2.10 In addition to the need to incorporate a large number of producers and the lack of proper production technology, strategic partners need to be identified for the final stages in the Isabella grape's production chain. Although some progress has been made toward identifying potential partners, grape growers will need support in negotiating and crafting the alliances. Establishment of the production chain will induce new producers to organize quickly, adopt the technology and quality standards, and time their harvests. The result will be a sound, sustainable, strategic business alliance and a source of more stable income and employment in the region.

**III. OBJECTIVES AND ACTIVITIES**

**A. Objective**

- 3.1 The project's general goal is to consolidate the production chain for the Isabella grape agribusinesses in the Cauca Valley, thereby aiding the economic recovery of small producers in the region.
- 3.2 The specific objectives are to: (i) promote entrepreneurial self-management among the region's producers with a minimum target of 200 grape growers and strengthen CorpoGinebra, the association that would group them together; (ii) adapt and apply technologies for production, post-harvest handling and quality-control of the Isabella grape to guarantee a competitive, high-quality product on the 500 hectares of established vineyards and on an additional 400 hectares; and (iii) strengthen

grape growers' negotiating skills to ensure that the Isabella grape's production stage is synchronized with the processing and marketing stages.

## **B. Components**

- 3.3 To accomplish its objectives, the project's activities have been structured into three components: (i) promotion and development of entrepreneurial self-management; (ii) technology development and transfer, and (iii) consolidation of the production chain. These components are described in detail below.
- 3.4 **Component I – Promotion and development of entrepreneurial self-management.** This component involves business training for grape growers. The emphasis is on the benefits of working in partnership through inclusive decision-making processes.
- 3.5 Among the activities financed under this component are: (i) training of local facilitators to work with communities so as to cultivate rural entrepreneurial self-management skills among small-scale grape growers; (ii) design and introduction of a rural entrepreneurial training plan for small producers, using participatory training methods; (iii) support for establishing cooperative businesses for grape harvesting; (iv) development of teaching materials for facilitators to use in the training process; and (v) legal counsel for the members of CorpoGinebra on issues related to establishment and legalization of rural microenterprises. These activities will be coordinated by Fundación Carvajal and CorpoGinebra, in its capacity as the representative of the grape growers.
- 3.6 The outputs of this component are as follows: (i) a minimum of nine trainers are trained in basic business skills; (ii) at least 200 grape growers join CorpoGinebra and are trained in business management; (iii) CorpoGinebra's institutional capacity allows for marketing of at least 50% of its members' production; (iv) working conditions for grape pickers' groups are improved, and (v) CorpoGinebra becomes financially self-sufficient as a result of the activities to gain partners and delivers services to forge the production chain. For these outputs to materialize, financing will be provided for consultants, nine trainers, part of the CorpoGinebra director's remuneration, and teaching materials.
- 3.7 **Component II – Technology development and transfer.** This component will adapt the existing technology to the Isabella grape crop and will be instrumental in developing new techniques so that the final product meets quality standards on the local and international markets. The component will stress the development of a quality-assurance system built upon good agricultural practices and the Hazard Analysis Critical Control Point (HACCP) system. These technology packages will be transferred to and applied on at least 400 of the existing 500 hectares of established vineyards and the 400 hectares of new vineyards.

- 3.8 The following activities will be conducted under this component: (i) diagnostic studies on production, post-harvest and quality-control practices in a group of at least 35 grape growers with 50 hectares of vineyards, to determine common critical points and strategies to improve and optimize those practices; (ii) adjustments to the technology package for production (such as integrated management of pests and diseases, pruning and cutting, fertilization, plant spacing) and for post-harvest (rates at which the fruit ripens in order to determine the timing of the harvest, presence of infestation) to adapt it to the conditions specific to each growing area (altitude, soil type, access to irrigation); (iii) introduction of measures to ensure quality characteristics consistent with market requirements (toxic residues, organoleptic factors, degrees Brix, acidity); (iv) transfer of technologies and practices to improve Isabella grape production and quality through rural technicians trained for that purpose; (v) preparation of teaching manuals for each technical area; and (vi) adoption of clean technology and occupational health measures.
- 3.9 The outputs of this component are expected to be as follows by the project's end: (i) a system to ensure that quality meets local and international standards designed and in operation; (ii) technology packages transferred to at least 400 of the 500 existing hectares of established vineyards, with 100 hectares the first year, 150 hectares the second year, and 150 hectares the third year; (iii) transfer of technology packages to a minimum of 400 new hectares, with 200 the second year and 200 in the third; (iv) inclusion of clean technologies in the technology package; (v) levels of quality achieved: zero pathogens, mesophiles and other contaminants, zero traces of distillable impurities, Brix scale reading above 18, acidity readings of 3.5 – 4.2, and fruit uniformity of over 50%; and (vi) yields increase from 22 to 32 tons hectare/year in new vineyards.
- 3.10 To achieve these objectives, the project will fund the cost of seven rural technicians, consultants for the diagnostic study and development of technologies, teaching material, equipment and supplies.
- 3.11 **Component III – Consolidation of the production chain.** The purpose of this component is to coordinate Isabella grape producers in the production chain, which includes –in addition to production per se– the processing of the grape (juice, pulp, jam, musts) and product marketing locally and internationally.
- 3.12 This component involves the following activities: (i) studies of local and international markets; (ii) introduction of a markets data system, indicating client preferences, conditions and opportunities, prices, areas of consumption, market segments, and so on; (iii) a study of strategic alliance alternatives with the potential partners in the product's processing and marketing stages; (iv) advisory assistance for the negotiations between CorpoGinebra and the partners identified in the feasibility study; and (v) startup of a collecting center that enables CorpoGinebra to offer a reliable, steady supply of good-quality fruit to its strategic partners.

- 3.13 The outputs expected from this component by the project's end are as follows: (i) a markets data system introduced; (ii) strategic partners identified for processing and marketing the Isabella grape; (iii) the strategic alliance consolidated; (iv) a modern, equipped collecting center; and (v) CorpoGinebra marketing at least 50% of its members' production.
- 3.14 To achieve these goals, financing is planned for consulting services and procurement of equipment for the collecting center (cold storage room, tables, and scales). Some of the local counterpart funding will go toward the costs of the international market study.

#### IV. PROJECT EXECUTION

- 4.1 The requesting entity is the Consorcio Uva Isabella. By decision of the members of the consortium, Fundación Carvajal will be the executing agency. The latter will set up an executing agency to carry out the project. The other members of the consortium will be involved in promoting the project activities with which they have experience.
- A. Participating entities**
- 4.2 The strategic alliance for execution of this project was created by an agreement concluded in September 1999. The alliance –Consorcio Uva Isabella– began with six partners: Fundación Carvajal, CorpoGinebra, Corporación Biotec, CeniUva, Cali Chamber of Commerce, and Proexport. Its purpose is to research, publicize, implement, monitor and evaluate agribusiness chain projects for the Isabella grape. All of these entities are in the private sector with the exception of Proexport, a decentralized public institution. Other members are expected to join the consortium in the future, in areas of marketing and processing.
  - 4.3 *Fundación Carvajal*, the project's executing agency, has 38 years of experience in community-development processes and methods, particularly in the microenterprise, housing, education, health, environment and basic community services sectors.
  - 4.4 *CorpoGinebra* is made up of producers in the region and was established on 23 November 1999. This nonprofit community-based organization pulls together small- and medium-scale grape growers for production, processing and marketing of the Isabella grape. Currently, 22 producers are members of CorpoGinebra. Under the project, this number is expected to grow to at least 200.
  - 4.5 Other consortium members participating in the project are as follows: (i) *Corporación Biotec*, which adapts and develops microbial and plant biotechnologies for the bioindustrial sector, through projects in research, technology development and innovation with regular client or user participation;



(ii) *Centro de Investigación Vitivinícola Tropical de Ginebra* [Ginebra Tropical Viticulture Research Center] (CeniUva), which generates, adapts and transfers competitive and sustainable production technology for Isabella grapes and other fruit-bearing plants; (iii) the *Cali Chamber of Commerce* (CCC) represents the private business sector; and (iv) *Proexport* develops trade-promotion tools with which to build international marketing strategies, such as market information, exportation logistics, and contacts with international clients.

## **B. Execution mechanisms**

### **1. Executing agency**

- 4.6 Given that the goal is to strengthen the chain involving the small producers represented by CorpoGinebra, this project is built on an existing strategic alliance called Consorcio Uva Isabella. For purposes of execution, an executing unit will be established at Fundación Carvajal, which will bring its experience to bear for purposes of strengthening the project's end beneficiaries and consolidating the productive alliance.
- 4.7 Although all members of the Consorcio Uva Isabella will participate in the project, Fundación Carvajal will execute it through an executing unit. It will be accountable to the IDB/MIF for putting up the consortium members' counterpart funding. The functions of each consortium member are described in the following table. In addition to the consortium's current members and as a consequence of the project, other strategic partners that process, market and export grapes will be added.

**Table 1. Functions of the Consorcio Uva Isabella partners**

<b>Partner</b>	<b>Role in the project</b>
Fundación Carvajal	In addition to serving as the executing unit, it will also train and oversee facilitators working with small-scale producers.
CorpoGinebra	CorpoGinebra's function will be to attract new partners to the project by promoting alliances among the producers.
Corporación Biotec	This institution will promote technology development for the quality assurance system, mass production of plant material of optimum health quality, and training and development of technicians.
CeniUva	The center will promote technology development, technical assistance and technology transfer in connection with production and postproduction of Isabella grapes, and the training and development of grape growers and technicians.

CCC	In conjunction with CorpoGinebra, the CCC will steer and coordinate activities involved in finding new local markets and publicizing the search for industrial partners.
Proexport	Proexport will promote market research, standards, and international promotion of the Isabella grape.

- 4.8 The consortium will appoint an Executive Committee made up of CorpoGinebra, Fundación Carvajal and three other members. The Committee's functions will be as follows: (i) oversee achievement of the project's objectives and targets; (ii) approve the project's annual budgets and plans of execution; (iii) select the consultants and firms that will supply goods and equipment; and (iv) select the director of CorpoGinebra.
- 4.9 The executing unit will have a project coordinator, a technical director and staff for administration and accounting. It will be directly answerable to Fundación Carvajal and will: (i) prepare the annual program of activities and budget, local counterpart funding included, and submit it to the Executive Committee for approval; (ii) coordinate with members of the consortium on execution of those components for which they are responsible; (iii) monitor timely allocation of counterpart funds to ensure project continuity; (iv) prepare the terms of reference and information for bidders; (v) contract the consultants and firms selected by the Executive Committee; (vi) establish and maintain accounting and financial records and the internal auditing of the project, following Bank procedures; (vii) coordinate with consortium members for presentation of the agreed-upon reports, and (viii) disseminate and publicize the project, with the idea of replicating it with other crops and in other regions of the country.
- 4.10 Bank procedures will be followed when selecting and contracting consulting services and procuring equipment. Services or equipment may be procured only from MIF member countries. Technical and administrative staff associated with or assigned to the project will prepare the specifications and terms and conditions for the calls for proposals or invitations to submit statements of qualifications and will rank the proposals.

## **2. Period of execution and disbursement timetable**

- 4.11 The execution period will be 36 months and the disbursement period, 42 months. Proceeds from the technical cooperation will be disbursed by way of a revolving fund holding the equivalent of 10% of the total amount of the MIF's contribution, as Bank procedure requires. The proceeds from the MIF contribution will be disbursed *pari passu* with the local contributions.

**C. Beneficiaries**

- 4.12 The project's direct beneficiaries are the small-scale producers of Isabella grapes in the municipalities of Ginebra, Cerrito and Guacarí, at least 200 of whom are expected to join CorpoGinebra. This group breaks down as follows: 66% have fewer than two hectares of vineyards and earn less than three minimum wages; 14% have fewer than five hectares of vineyards and earn less than 7.5 minimum wages. The remaining 20% have more than five hectares. Notably, the vineyards are a source of work for women heads of household, who account for 40% of the vineyard work force.
- 4.13 With the project, the members of CorpoGinebra could benefit from economies of scale in their purchases of inputs and raw materials. Producers are expected to have higher yields and a higher-quality product to sell, which will increase their earnings. The project will be beneficial to the individual producers and to their association, CorpoGinebra, as well, by improving its ability to develop and deliver a sustainable stream of services to its members.
- 4.14 Given the resources available to evaluate and document the experiment, the expectation is that other groups of farmers of similar types, in both Colombia and elsewhere, will find the productive alliance strategy beneficial.

**D. Status of project preparation**

- 4.15 Preparations for the project are well advanced. The timetable of the project's activities, the terms of reference for the consultants that will be hired if the operation is approved, a preliminary study of local and foreign markets for the grape, an equipment procurement plan, an initial exploration to identify potential strategic partners, and a preliminary study of the economic feasibility of the strategic alliance have been prepared in conjunction with members of the Consorcio Uva Isabella.
- 4.16 During project preparation, participatory meetings were held with members of CorpoGinebra and other farmers in the area to identify the activities to be included in the self-management component. The feasibility of implementing the changes proposed in the technology package was verified. In this regard, the logical framework was jointly developed. In addition, to promote the benefits of the project and participation therein, Fundación Carvajal and CorpoGinebra have also been involved in activities with nonmember small-scale farmers.

**E. Social and environmental aspects**

- 4.17 The Committee on Environment and Social Impact (CESI), at its meeting of 29 September 2000, examined the project and recommended that the description of the components specify the clean production and occupational health measures that the

technology package would include (see paragraph 3.8). It was agreed that evaluation reports would include the environmental aspect (see paragraph 7.3).

## **V. COST AND FINANCING**

### **A. Total cost and financing**

- 5.1 Of the project's total estimated cost of US\$1,851,972, the MIF would contribute US\$1,111,947 and the alliance of institutions in the Consorcio Uva Isabella, US\$740,025, accounting for 60% and 40% of the cost, respectively. At least 50% of the counterpart funding will be in cash. The investments in equipment are US\$234,800, or 11% of the total cost, with the MIF contributing 66% and the consortium, 34% (in cash). The table below summarizes the investments per component. An itemized budget appears in Annex II.
- 5.2 The counterpart funding breaks down as follows: Fundación Carvajal, US\$112,000; CorpoGinebra, US\$155,085; the Cali Chamber of Commerce, US\$38,000; Corporación Biotec, US\$157,000; CeniUva, US\$173,000; and Proexport, US\$87,000. These funds will pay the costs associated with the trainers who will help the small-scale producers build up their entrepreneurial skills, and membership in the association; a portion of the teaching materials used in this training; and a portion of the staffing, equipment and supplies needed for the technology development component. Their contribution will also include the lease of the collecting center and a majority of the executing unit's costs.
- 5.3 The MIF's resources will mainly fund the consultants who will develop the working and training methods for small producers; the consultants and part of the equipment for technology development and transfer; part of the market studies; a portion of the costs of building up CorpoGinebra and the advisory services to consolidate the production chain. The MIF will fund 100% of the cost of the evaluations and audits. For purposes of execution of project components, Fundación Carvajal will not engage in direct contracting with other members of the consortium. In view of the fact that CorpoGinebra is a recently-created entity with an insufficient number of members to cover overhead, the manager's compensation will be covered by the financing, at a rate that will gradually decrease.

<b>Table 2. Total cost of the project</b>			
<b>Item</b>	<b>Total</b>	<b>Total MIF</b>	<b>Local Counterpart</b>
<b>1. Promotion and development of entrepreneurial self-management</b>	<b>362,299</b>	<b>313,416</b>	<b>48,883</b>
<b>2. Technology development</b>	<b>841,400</b>	<b>512,258</b>	<b>329,142</b>
2.1. Diagnostic study of production, post-harvest and quality	47,738	30,065	17,673
2.2. Fine-tuning and testing of technologies and best practices in production, post-harvest handling and quality	489,862	270,798	219,064
2.3. Implementation of a quality assurance system	162,400	100,845	61,555
2.4. Transfer of technology to small producers and practices to improve Isabella grape production and quality	141,400	110,550	30,850
<b>3. Establishment of the Isabella grape production chain</b>	<b>333,311</b>	<b>83,644</b>	<b>249,667</b>
<b>4. Project executing unit</b>	<b>187,462</b>	<b>100,129</b>	<b>87,333</b>
<b>5. Evaluations and contingencies</b>	<b>127,500</b>	<b>127,500</b>	<b>-</b>
5.1. External evaluations	30,000	30,000	-
5.2. External audit	22,500	22,500	-
5.3. Contingencies (3%)	75,000	50,000	25,000
<b>PROJECT TOTAL</b>	<b>1,851,972</b>	<b>1,111,947</b>	<b>740,025</b>

## **B. Sustainability**

- 5.4 The institutions that make up the Consorcio Uva Isabella have installed capacity. Each will contribute its strengths to build up the production chain that CorpoGinebra will administer in the future. For its part, CorpoGinebra's ability to sustain itself will depend upon its capacity to generate revenues to cover its operating costs. CorpoGinebra's financing plan calls for a gradual increase in its own revenues to cover additional operating costs generated from technology transfer activities and administration of the collecting center. These resources would come from: (i) dues, as a result of an increase in the number of member producers; (ii) payments for technical assistance and training services in increasing percentages; and (iii) a fee paid by producers for the services of the collecting center, equivalent to 1% of the value of the sold product.

## VI. JUSTIFICATION AND RISKS

### A. Justification

- 6.1 The financing of this project is justified because it conforms to the Bank's country strategy, which is to assist private sector participation and investment to stimulate growth. This project fits into this strategy in that its goal is to develop small enterprise and give it a footing in the global market. The project is also consistent with the goal of the MIF Small Enterprise Development Facility, as it will develop services to prepare business plans, identify opportunities and correct marketing problems unique to small-scale entrepreneurs. The project also complements some other programs the Bank currently has in progress, whose objectives and scale are not such that they can accommodate the activities planned under this project. Among these are the national land improvement program (863/OC-CO) and the agricultural health and technology program (1167/OC-CO).

### B. Risks

- 6.2 The risks and mitigating factors identified are as follows:

- a) *Low enrollment among grape growers, making it impossible to amass a sufficient volume of good quality raw material.* The first year, the project will focus on attracting producers to the association, so that they might become part of the chain and more competitive as rural businesses.
- b) *The grape growers do not adopt the technology developed, with the result that quality of the raw material is not up to market demands.* In addition to the activities to promote the organization, the project will use participatory systems to involve the grape growers and the industrial partner in developing and fine-tuning the technologies. Rural technicians (employed by CorpoGinebra) who are residents of the communities will promote the technology and help get producers to adopt it. Information will be circulated on improved, steady earnings as a way to encourage the use of technological practices and membership in CorpoGinebra.
- c) *Agroindustrial production does not take hold or its products do not gain a footing or position on the local and international markets.* The market, feasibility and benchmarking studies will make it possible to establish suitable ways to position the product. Stronger strategic alliances will be built, with industrial partners experienced in marketing fruit products and in the technology to be developed and with expert domestic or international consulting contracts. Mechanisms will be established to monitor, check for and assure the kind of quality that will guarantee competitiveness.

- d) *Social tensions in the region.* The purpose of the dynamic of fair, collaborative, participatory, and remunerative business is to ease social and economic tensions by having participants share the benefits of the business, thus weaving a sustainable social fabric around productive activities and mutual dependencies.

## **VII. EVALUATION AND MONITORING**

### **A. Monitoring**

- 7.1 **Work plans and annual reports.** Once the project's executing unit is in place and before November 30 of each year, Fundación Carvajal is to prepare the year's plan of operations for approval by the project's Executive Committee and the IDB-MIF. The external auditors' financial reports are to be presented to the Bank's satisfaction.
- 7.2 **Progress reports.** The executing unit will send the project's progress reports to the Bank's Country Office within 30 days of the end of each six-month period and a final report within 30 days following the last disbursement. The reports are to follow the format previously agreed upon with the Bank's Country Office and are to include the project's activities, finances and results. The Bank's Country Office will use these reports to track the progress of the project and to prepare a compliance report within the three months following the final disbursement.
- 7.3 The six-month reports are to include information on: (i) technical assistance received and the results; (ii) training activities conducted and their results; (iii) performance indicators based on the indicators included in the logical framework; (iv) evaluation of the environmental aspects of the project, with emphasis on the impact of the technology package and the occupational health considerations; (v) financial performance with respect to the status of procurement of goods and contracting of consultants; and (vi) reasons why a particular goal was not achieved and corrective measures taken. An annual operational and financial plan of action for the following period will also be presented each year.
- 7.4 The Bank's Country Office will track execution through the progress reports, the consultants' reports and the financial statements that Fundación Carvajal is to submit to the Bank, and through the findings of the evaluations planned as part of the project.

### **B. Evaluations**

- 7.5 **Evaluation of support for execution:** Fundación Carvajal will contract a projects expert in the project's first quarter to design the internal evaluation method to be used. The terms of reference and the selection must be cleared by the Bank. The consulting service will define the critical evaluation points that the executing unit

and consortium members will use to run the project. The findings of this internal monitoring will be submitted on a regular basis in the annual reports.

**7.6 External evaluations.** With MIF resources, the Bank will contract for and fund two external evaluations of the project, to be done by independent consultants.

- a) 18 months after the first disbursement or when 50% of the MIF's contribution has been disbursed, the Bank will contract a consultant specializing in productive alliances, who will conduct the midterm evaluation of the project's progress, principally in terms of the benchmarks achieved. At a minimum, the evaluation will cover the following: the institutional capacity of the entities in the consortium to perform their functions; the launch of the planned services; the need for adjustments in the services; the size and type of beneficiary businesses; the quality of the services offered; the capacity, degree of accomplishment and quality of the services provided by the contracted consultants; the extent to which the members of the consortium line up behind the project's objectives; the degree to which costs are recovered through services provided to the end beneficiaries; and the fulfillment of the counterpart contributions.
- b) The final evaluation will be done two months prior to the final disbursement and will examine the following: the extent to which the project's specific objectives have been achieved; the number and size of the beneficiary businesses; the quality of the services offered; the extent to which clean technologies are being applied; the success of the alliances in establishing the production chain; the program's sustainability; the possibility of the project being replicated, and the project's end results and impact.

## **VIII. CONTRACTUAL TERMS AND CONDITIONS**

**8.1** The following are conditions precedent to the first disbursement of the resources from the MIF's contribution to the project: (i) establishment by Fundación Carvajal of the executing unit; (ii) selection of the director of CorpoGinebra and the technical director of the executing unit; (iii) the Executive Committee's approval of its rules of procedure; (iv) presentation to the Bank of the first year's plan of operations, for the Executive Committee's subsequent approval, including the respective terms of reference; and (v) evidence of an interagency agreement among the members of the consortium, setting forth the function of each member vis-à-vis project execution.



**LOGICAL FRAMEWORK**  
**ISABELLA GRAPE AGRIBUSINESS PROJECT**  
**TC-99-11-104**

OBJECTIVE	INDICATOR	MEANS OF VERIFICATION	ASSUMPTIONS AND RISKS
Integrate the production chain of Isabella grape agribusinesses in the Isabella Valley, thus aiding the economic recovery of the region's small producers.	<ul style="list-style-type: none"> <li>Producers' sales up by 15% by year 2 and 30% by year 3 (all by increasing production)</li> <li>Small producers' income up 30% by the end of the 3 years.</li> <li>At least 1,000 jobs created in the region</li> </ul>	<ul style="list-style-type: none"> <li>Sales records</li> <li>Final evaluation</li> </ul>	<ul style="list-style-type: none"> <li>Production is improved to attract strategic partners</li> <li>The country's macroeconomic situation remains stable</li> <li>Public order allows the project to proceed</li> </ul>
<b>GOAL</b> Develop a mechanism for forming productive alliances between small-scale producers of Isabella grape and processing industry, marketers and exporters of processed products.	<ul style="list-style-type: none"> <li>200 producers join the project to improve their Isabella grape production</li> <li>Agreements are concluded to supply grapes or processed product to strategic partners</li> <li>CorpoGinebra's members pay for the services received and CorpoGinebra delivers a sustainable stream of services</li> </ul>	<ul style="list-style-type: none"> <li>Agreements with strategic partners (processing industry, marketers and exporters).</li> </ul>	<ul style="list-style-type: none"> <li>The producers successfully satisfy the strategic partners' demands</li> <li>The strategic partners keep up a steady level of product purchasing</li> </ul>
<b>COMPONENTS</b> Promotion and development of entrepreneurial self-management	<ul style="list-style-type: none"> <li>CorpoGinebra markets at least 50% of its members' production</li> <li>CorpoGinebra charges small-scale producers an incremental fee for its services. Medium- and large-scale producers pay 100% of the cost of the services received through the project</li> <li>At least 36 trainers trained: 10 technicians from the institutions, 9 local technicians</li> </ul>	<ul style="list-style-type: none"> <li>Entrepreneurial training plan</li> <li>CorpoGinebra's records</li> <li>Midterm evaluation</li> <li>Final evaluation</li> </ul>	<ul style="list-style-type: none"> <li>The producers adopt and maintain the organizational, entrepreneurial and technical scheme espoused by the project</li> </ul>

ACTIVITY	INDICATOR	MEANS OF VERIFICATION	ASSUMPTIONS AND RISKS
Technology development and transfer	<ul style="list-style-type: none"> <li>The technological practices for pre- and post-harvest are disseminated, including clean production and job-safety measures.</li> <li>A quality assurance plan is designed and implemented</li> <li>Technology packages are transferred to at least 400 existing hectares of established vineyards and 400 hectares of new vineyards.</li> <li>Yield increases from 22 to 32 tons per hectare/year in existing vineyards and 64 tons per hectare/year in the new vineyards</li> <li>At least 200 producers are using the technologies and newly acquired entrepreneurial skills.</li> </ul>	<ul style="list-style-type: none"> <li>Midterm evaluation</li> <li>Final evaluation</li> </ul>	<ul style="list-style-type: none"> <li>Producers adopt the technological practices and requirements of quality assurance plan.</li> <li>Sufficient candidates are available in the region for the various training levels.</li> <li>The producers are motivated by the courses and the prospects of applying the new technologies and practices</li> </ul>
Establishment of the Isabella grape production chain	<ul style="list-style-type: none"> <li>Local and international market studies are completed with establishment of a markets data system</li> <li>Consolidation of a business alliance between CorpoGinebra and a strategic partner</li> <li>Launch of the collecting center</li> </ul>	<ul style="list-style-type: none"> <li>Midterm evaluation</li> <li>Final evaluation</li> <li>CorpoGinebra's sales records</li> </ul>	<ul style="list-style-type: none"> <li>With the markets data system, CorpoGinebra is able to identify markets for the Isabella grape</li> <li>A strategic partner is identified and negotiations turn out positively</li> <li>The producers are up to the demands of a production chain and business relations</li> </ul>
<b>ACTIVITIES</b>			
<b>Self-management</b>			
Training of facilitators 9 facilitators trained 10 training workshops for small-scale producers in basic skills 24 advisory services (12 the first year, 6 the second and 6 the third)	US\$252,900	<ul style="list-style-type: none"> <li>Project records and reports</li> <li>Midterm evaluation</li> <li>Final evaluation</li> </ul>	Trained personnel qualified to deliver CorpoGinebra's services stay with project

L	INDICATOR	MEANS OF VERIFICATION	ASSUMPTIONS AND RISKS
<p>Design and application of a rural entrepreneurial training plan for training in setting up a business</p> <p>A system designed and in place</p> <p>62 courses, workshops and advisory services to the communities</p> <p>48 advisory services and 10 courses to CorpoGinebra</p> <p>7 community organizations and 3 microenterprises trained</p> <p>5 seminars/workshops in basic skills for at least 200 producers affiliated with CorpoGinebra</p> <p>100 the first year, 50 the second, 50 the third)</p>	<p>US\$ 44,185</p>	<ul style="list-style-type: none"> <li>• Project records and reports</li> <li>• Midterm evaluation</li> <li>• Final evaluation</li> </ul>	<p>The grape producers are willing to participate in the project and are motivated by the training, advisory assistance and new technologies they will use. The small-scale producers are willing to pay a portion of the cost of the training.</p>
<p>Development of teaching material and training</p> <p>3 workshops and 6 advisory services to develop the teaching material</p> <p>Material for 2 teaching units for social and business organization</p> <p>Material for 5 teaching units on technical topics</p> <p>500 manuals for partners of the organization and business</p> <p>500 manuals for producers on technical matters related to production, post-harvest handling and quality</p>	<p>US\$59,804</p>	<ul style="list-style-type: none"> <li>• Review of prepared materials</li> <li>• Project records and reports</li> <li>• Midterm evaluation</li> <li>• Final evaluation</li> </ul>	<p>Materials to consult that enable producers to absorb the information</p>
<p>Legal advisory services</p> <p>Assistance with setting up businesses –36 reports</p>	<p>US\$5,410</p>	<ul style="list-style-type: none"> <li>• Review of materials prepared</li> <li>• Project records and reports</li> </ul>	<p>Businesses formed deliver services to grape growers</p>

Technology development			
INDICATOR	MEANS OF VERIFICATION	ASSUMPTIONS AND RISKS	
Diagnostic studies of the production, post-harvest handling and marketing of the Isabella grape At least 19 exercises in production, post-harvest handling and quality that require attention and quality transfer and technology in the adoption of technologies to improve the production and quality of the Isabella grape At least 200 producers using technologies and new skills, and 12 courses on pre-harvest treatment, post-harvest business processing and management At least 200 producers organized through CorpOcinabra marketing an average of 50% of what they produce	Reports of the diagnostic studies	Contracting of the consulting services and training of rural technicians is done on a timely basis.	US\$47,738
Adjustments to and tests of technology and best practices in production, post-production and marketing At least 19 technological exercises tested on the producers' holdings (production, post-	<ul style="list-style-type: none"><li>Monthly work records</li><li>Reports on the technological tests and laboratory work</li></ul>	Consulting and advisory services contracted and equipment procurement done efficiently and on a timely basis	US\$489,862

AL	INDICATOR	MEANS OF VERIFICATION	ASSUMPTIONS AND RISKS
<p>production and quality)</p> <p>2 advisory services on disease, virus detection and clean technologies</p> <p>Program of production, harvesting and new plantings</p> <p>Implementation of a system for guaranteeing the quality of the Bella grape products.</p> <p>2 advisory services on quality systems</p> <p>Quality assurance system designed and in operation, meeting local and international standards</p> <p>Quality levels achieved: zero pathogens, mesophiles and other contaminants, as required; zero traces of distillable impurities; degrees Brix of over 18; acidity 3.5 – 4.2; fruit uniformity of over 50%.</p>	<p>US\$ 162,400</p>	<ul style="list-style-type: none"> <li>• Advisory services reports</li> <li>• Review of documents associated with the quality plan</li> <li>• Review of quality figures on a weekly basis</li> <li>• Monthly work records of rural quality technicians</li> </ul>	<p>Consulting and advisory services contracted and procurement of equipment done efficiently and on timely basis</p>

ACTIVITY	INDICATOR	MEANS OF VERIFICATION	ASSUMPTIONS AND RISKS
<p>Technology transfer and training in the adoption of new technologies to improve the production and quality of the Isabella grape</p> <p>At least 200 producers apply new technologies and new skills through 14,100 visits (broken down as follows: 1,140 by rural technicians and 12,960 by local agricultural extension agents) and 12 courses on pre-harvest, post-harvest, processing and business-management techniques</p> <p>At least 200 producers organized through CorpoGinebra, marketing an average 50% of what they produce</p>	US\$141,400	<ul style="list-style-type: none"> <li>Rural technicians' weekly reports</li> <li>CorpoGinebra's business records</li> </ul>	<ul style="list-style-type: none"> <li>The courses and visits motivate producers to use the new technologies and practices</li> </ul>
<b>Strengthening of the Isabella grape production chain</b>			
<p>Analysis of local and international market opportunities</p> <p>Identification of opportunities and characteristics for the Isabella grape products on local and international markets</p> <p>Establishment of a markets data system at CorpoGinebra</p>	US\$51,541	<ul style="list-style-type: none"> <li>Review of documents</li> <li>Midterm evaluation</li> <li>Final evaluation</li> </ul>	<ul style="list-style-type: none"> <li>Market studies by PROEXPO and the Cali Chamber of Commerce can be done</li> <li>Real, promising market opportunities exist where the Isabella grape is competitive</li> </ul>
<p>Identification of the strategic partner and negotiation of the business alliance</p> <p>Business and legal advisory services</p> <p>Documents making the alliance formal and legal</p>	US\$33,000	<ul style="list-style-type: none"> <li>Reports from meetings and advisory services</li> <li>Review of documents</li> </ul>	<ul style="list-style-type: none"> <li>Suitable partners for the project exist</li> </ul>
<p>Feasibility study and business plan for the alliance</p> <p>Studies on costs and investments</p>	US\$67,000	<ul style="list-style-type: none"> <li>Review of documents</li> <li>Evaluation of the business plan</li> </ul>	<ul style="list-style-type: none"> <li>The alliances are the best strategy to bring forth new businesses</li> </ul>

L	INDICATOR	MEANS OF VERIFICATION	ASSUMPTIONS AND RISKS
Alliance feasibility and sensitivity study Business plan for the alliance		(first year)	
Startup of the collecting center and CorpoGinebra's business activities Modernization and outfitting of the collecting center, with the necessary health permit. Equipment installed (cold storage room, tables, scales) CorpoGinebra markets at least 50% of the product received, selected, packed and stored at the collecting center	US\$181,770	<ul style="list-style-type: none"> <li>• Records of CorpoGinebra</li> <li>• Records for CorpoGinebra's revolving fund</li> <li>• Review of certificates</li> <li>• Review of paperwork for procurement of equipment</li> <li>• Review of the collecting center's records.</li> <li>• Midterm evaluation</li> <li>• Final evaluation</li> </ul>	<ul style="list-style-type: none"> <li>• Public order is such that the collecting center can be organized and is able to function</li> <li>• Grape growers are interested in participating actively in the storage center.</li> </ul>

## PROPOSED RESOLUTION

### COLOMBIA. NON REIMBURSABLE TECHNICAL COOPERATION FOR THE "UVA ISABELLA" AGRIBUSINESS PROJECT.

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, in the name and on behalf of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the *Fundación Carvajal*, of the Republic of Colombia, and/or with its affiliates, and to take such additional measures as may be pertinent for the execution of the project proposal contained in Document MIF/AT-\_\_\_\_ with respect to a technical cooperation program for the "Uva Isabella" agribusiness project.
2. That up to the sum of US\$1,111,947 or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to resources of 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.