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**DOMINICAN REPUBLIC**

**DEVELOPMENT OF A MECHANISM FOR PREFERENTIAL MARKET ACCESS  
FOR SUSTAINABLY-PRODUCED AGRICULTURAL PRODUCTS**

**(DR-T1158)**

**DONORS MEMORANDUM**

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## PROJECT SUMMARY

### DEVELOPMENT OF A MECHANISM FOR PREFERENTIAL MARKET ACCESS FOR SUSTAINABLY-PRODUCED AGRICULTURAL PRODUCTS

The agriculture sector's contribution to the economy of the Dominican Republic has fallen noticeably, dropping to third place in terms of its contribution to gross domestic product (GDP) at 5.5%, behind the services sector (62.8%) and the industrial sector (24.5%). Among other factors, the sector's performance has been constrained by changing climate conditions, which drive farmer income volatility. In response to this situation, the country has made a number of efforts to adapt to and mitigate the effects of climate change, from promulgating legislation highlighting the importance of adaptation and mitigation to developing strategies to promote climate-smart agriculture production. These efforts have strengthened the agroecological sector by providing incentives for generating incipient production of and demand for agroecological or organic crops. Despite these initiatives, the agroecological sector continues to face significant challenges and opportunities when it comes to striking a socioeconomic balance that is environmentally sustainable.

Considering the potential local demand for agroecological products, coupled with the environmental benefits of sustainable production, the aforementioned factors offer opportunities to explore nontraditional pilot initiatives that promote changes in the behavior of local producers toward sustainable production methods.

The goal of the proposed initiative is to establish an alternative for marketing climate-smart agriculture by developing preferential transaction criteria for agricultural goods produced in an environmentally-friendly way, the result of which will be to encourage changes in the behavior of producers using traditional production methods. In order to achieve this goal, the project's model will focus on three lines of action: (i) selection of producers and crops; (ii) aggregation of production and sales through differentiated auctions, matchmaking sessions, or other transactional mechanisms of the Agribusiness Exchange of the Dominican Republic (BARD); and (iii) increasing agricultural production.

The following are the expected outcomes of the implementation of this initiative: (i) at least 1,500 producers begin using sustainable production methods, and an equal number sell their products in new markets; (ii) greenhouse gas (GHG) emissions drop by 10% (expressed in % of tons of CO<sub>2</sub>e); (iii) 15 agribusinesses or associations adopt sustainable production practices; and (iv) the volume of agroecological products traded on the BARD increases by 20%.

The proposal's main innovation is the channel it will use—the market—to encourage local producers that sell their products on the BARD to change their behavior. This project will lay the groundwork for a new market access model in which agricultural SMEs sell their “green” products on a preferential basis or through differentiated auctions, in which buyers will have first access to these products at the beginning of the auction or in exclusive auctions, depending on the system established.

The project is aligned with the Bank's main and sector strategies: for example, the Agriculture and Natural Resources Management Sector Framework, in which the various sector policies for improving agriculture sector productivity are set out; and the IDB Institutional Strategy 2016-2019, as regards strategic objectives on productivity, innovation, and economic integration. The project also promotes one of the crosscutting themes of the institutional strategy, as it involves project beneficiaries launching measures to mitigate the effects of climate change. Lastly, the initiative is also aligned with the IIC's priority areas of business, specifically those related to providing small and medium-sized enterprises (SMEs) with better access to financing and developing the capacities and experience of the agribusiness enterprise sector.

## **ANNEXES**

Annex I	Results Matrix
Annex II	Budget Summary

## **APPENDICES**

Proposed resolution

## **INFORMATION AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF THE MIF'S PROJECT INFORMATION SYSTEM**

Annex III	Itemized Budget
Annex IV	Diagnostic of Executing Agency Needs [includes due diligence and integrity analysis]
Annex V	Milestones Table
Annex VI	Procurement Plan

## **ABBREVIATIONS**

BARD	Bolsa Agroempresarial de la República Dominicana [Agribusiness Exchange of the Dominican Republic]
CNCCMDL	Consejo Nacional para el Cambio Climático y el Mecanismo de Desarrollo Limpio [National Council on Climate Change and the Clean Development Mechanism]
DECCCC	Plan de Desarrollo Económico Compatible con el Cambio Climático [climate-change-compatible economic development plan]
GHG	Greenhouse gas
JAD	Junta Agroempresarial Dominicana [Dominican Agribusiness Council]
SMEs	Small and medium-sized enterprises

**EXECUTIVE SUMMARY**  
**DEVELOPMENT OF A MECHANISM FOR PREFERENTIAL MARKET ACCESS FOR SUSTAINABLY-  
PRODUCED AGRICULTURAL PRODUCTS**  
**(DR-T1158)**

<b>Country and geographic location:</b>	Dominican Republic. Multiple provinces.		
<b>Executing partner:</b>	Junta Agroempresarial Dominicana (JAD)		
<b>Area of focus:</b>	This project is part of the climate-smart agriculture pillar. The proposed intervention model will provide financing for an innovative preferential marketing arrangement that encourages changes in agricultural producers' behavior, helping them adopt a production model that incorporates climate change adaptation and mitigation activities, with the involvement of the public and private sectors.		
<b>Coordination with other donors/Bank operations:</b>	Environment, Rural Development, and Disaster Risk Management Division		
<b>Project clients:</b>	This project will directly benefit 1,500 farmers and 15 producer associations in different areas of the country.		
<b>Financing:</b>	Technical cooperation:	US\$466,775	
	Investment:		
	Loan:		
	Other:		
	<b>Total MIF contribution:</b>	US\$466,775	46.9%
	<b>Local counterpart</b>	US\$528,466	53.1%
	Cofinancing:	–	–
	<b>Project total:</b>	US\$995,241	100%
<b>Execution and disbursement period:</b>	36 months for execution and disbursement.		
<b>Special contractual conditions:</b>	The following will be conditions precedent to the first disbursement: (i) Certification by the BARD that the local counterpart is available in cash in a bank account set up exclusively for the project; (ii) Operating Regulations; (iii) an annual work plan; (iv) confirmation that the committee monitoring and supervising the operation is in place; and (v) the hiring of the project coordinator. Fulfillment of all the conditions precedent must have the MIF's no objection.		

**Environmental  
and social  
impact review:**

In accordance with the IDB's Environment and Safeguards Compliance Policy (OP-703), this operation has been pre-evaluated and was classified on 3 February 2017. Given that the impacts and risks are limited, the proposed category for the project is C.

## I. THE PROBLEM

### A. Description of the problem

- 1.1 **Country context.** The Dominican Republic's rural areas and agriculture sector are strategically important to its socioeconomic development. A third of the country's population lives in rural areas, and 56% of those people live below the poverty line. The agriculture sector accounts for close to 5.5% of the country's GDP and creates 15% of total jobs. The agriculture sector's production structure is supported mainly by small producers. Close to 80% of the country's farmers have no more than 100 *tareas* (6.3 hectares) of land, accounting for around one fourth of the area under cultivation. The crops that have historically dominated the sector are those that make up the basic food basket: rice, red beans, pigeon peas, plantains, cassava, sweet potatoes, yams, taro, potatoes, onions, and garlic.<sup>1</sup> Although the Dominican economy has performed well over the last 20 years<sup>2</sup> compared to the rest of the region, in 2014 the Dominican agriculture sector fell to third place in terms of its contribution to GDP, far behind the services sector and the industrial sector, which account for 62.8% and 24.5% of GDP, respectively. The transition of the Dominican economic model over the last 30 years to focus on the service sector, duty-free zones, and tourism partly explains the decline of the agriculture sector's share of GDP.
- 1.2 In contrast to the other economic sectors, the performance of the agriculture sector has been affected by changing climate conditions, which drive farmer income volatility. That volatility has been building a culture of aggressive production that fosters the use of unsustainable agricultural practices to guarantee harvests. The country has made a number of efforts to mitigate the effects of climate change, from promulgating legislation highlighting the importance of adaptation and mitigation to developing strategies to promote climate-smart agriculture production.<sup>3</sup>
- 1.3 **The agroecological sector in the Dominican Republic.** Since the 1980s, various nongovernmental institutions have been supporting the development of agroecology.<sup>4</sup> However, the movements that fall within the framework of agroecological principles—organic and low-input agriculture—have developed slowly, and with a focus on meeting demand in foreign markets. For example, the Dominican Republic is the world's leading exporter of organic cacao, with exports equivalent to US\$261 million in 2015.
- 1.4 According to the 2015 National Agricultural Precensus, of the 259,971 registered agricultural producers, 9.29% (24,161) are certified organic producers. In addition to cacao, the main crops produced using agroecological or organic techniques are

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<sup>1</sup> The public sector has initiatives to encourage production of other nontraditional crops such as bananas, pineapple, mango, and greenhouse-grown vegetables.

<sup>2</sup> The annual GDP growth rate was above 6.6% during the period, according to data from the Central Bank of the Dominican Republic.

<sup>3</sup> Climate-smart agriculture involves using resources efficiently with a focus on protecting the environment, implementing best practices and available technologies, and adopting a value chain approach to increase market access and improve resilience throughout.

<sup>4</sup> Agricultural production method that seeks to produce food in harmony with nature, promotes biodiversity and polyculture, and uses environmentally friendly inputs and fertilizers (manure, earthworms, organic foliar fertilizers, compost, etc.)

- bananas, coffee, coconuts, avocados, ginger, macadamia nuts, lemons, and mangos.
- 1.5 **Demand for agroecological products.** Demand for agroecological products is growing steadily in developed countries, while in developing countries growth is incipient yet constant. With growth rates ranging from 5% to 40%,<sup>5</sup> the markets are developing in terms of volume and variety, driven by the products in demand. From the perspective of the market, agroecological products are among the few food subsectors growing globally.
  - 1.6 The market for agroecological products in the Dominican Republic presents a great opportunity. Although there are no official figures, growth in local demand is exemplified by the number of new options for consuming fruits and vegetables produced agroecologically. Since 2011, spaces have been set up exclusively for the sale of agroecological products in the country's six largest supermarket chains. Also, seven agroecological stores and shops have been opened in a number of areas and shopping centers in Santo Domingo.<sup>6</sup>
  - 1.7 Moreover, potential demand is not being captured because the sector's agribusinesses and institutions lack communication strategies to encourage consumers to change their behavior and recognize the importance of buying sustainable products that contribute to protecting the environment.
  - 1.8 **The role of the Agribusiness Exchange of the Dominican Republic.** The Agribusiness Exchange of the Dominican Republic (BARD) facilitates both individual and organized producer participation in the agricultural commodity market. Aggregate transaction volume from 2012 to date stands at US\$43 million,<sup>7</sup> with trading concentrated in conventionally-produced commodities, such as rice, beans, garlic, onions, or sugar. Because it is owned by the Dominican Agribusiness Council (JAD), the largest producer organization in the country, the BARD has the potential to increase the number of transactions in accordance with its 2017-2021 strategic plan. However, the low-tech nature of its auction processes and/or matchmaking events deter many of its member producers from using its brokerage platform. The BARD also lacks mechanisms for differentiating auctions by product quality, failing to take advantage of an opportunity to influence the capacity, methodology, and behavior of its members.
  - 1.9 **Evaluation of the diagnosis of the problem.** According to the climate-change-compatible economic development plan (DECCCC),<sup>8</sup> the Dominican agriculture sector is the third largest source of greenhouse gas (GHG) emissions, accounting for around 7 MtCO<sub>2</sub>e in 2010. The projections of the DECCCC indicate that the sector's emissions will increase 20% over the next 20 years, up to about 9 MtCO<sub>2</sub>e in 2030. Although this growth rate is significantly slower than the rate projected for

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<sup>5</sup> Source: Economic Profile of Organic Products in the Dominican Republic, Dominican Republic Export and Investment Center.

<sup>6</sup> Some of the agroecological stores in Santo Domingo include: Mercado Eco Aldea GAIA-Santo Domingo, ECOBATEY, Mercado Orgánico, Tureyguá Mercado Orgánico, Terra Verde, and Tienda Orgánica.

<sup>7</sup> The low trading values are due to a reform process resulting from the formation of the Securities Superintendence in 2002, which required the BARD to meet the requirements of Law 19-00. It obtained its license in 2012.

<sup>8</sup> CNCCMDL (2011) Climate-change-compatible development plan.

- other key sectors of the economy, the agriculture sector is expected to account for about 18% of total emissions by 2030, and be the third largest source of GHG emissions after the power sector (31%) and transportation sector (22%).
- 1.10 One of the main factors behind the increase in emissions in this sector is livestock activity, which produces a significant amount of methane as a result of enteric fermentation, manure management, and land use. Despite having a lower growth rate, emissions from land use will be the agriculture sector's most significant source of GHG emissions by 2030, particularly nitrous oxide (N<sub>2</sub>O) emissions, mainly as a result of fertilizer use.
- 1.11 Despite efforts to promote a focus on agroecological production, obstacles remain that limit its expansion, including:
- a. Differentiated marketing of agroecological products is insufficient to make them profitable and good for producers.
  - b. Producers see advantages in producing differentiated products for the international market, not for the local market.
  - c. There have been no studies to measure demand for agroecological products that could be used to set short- and medium-term production strategies.
  - d. There has been a failure to use financial instruments to incentivize adoption of clean technologies and measures to mitigate and adapt to climate change.
  - e. There is limited producer knowledge of crop varieties that are more resistant to the effects of climate change.
  - f. Effective State-level regulation is lacking, which has enabled the perpetuation of agricultural production practices that are harmful to the environment and to human health.
- 1.12 Considering the potential local demand for agroecological products, coupled with the environmental benefits of sustainable production,<sup>9</sup> the aforementioned factors offer opportunities to explore nontraditional pilot initiatives that promote changes in the behavior of local producers toward sustainable production methods.

## II. INNOVATION PROPOSAL

### A. Description of the project

- 2.1 **Objective.** The project goal is to establish an alternative for marketing climate-smart agriculture by developing preferential transaction criteria for agricultural goods produced in an environmentally-friendly way. The result will be to encourage changes in the behavior of producers using traditional production methods.
- 2.2 **Description of the model/solution/intervention.** The model seeks to use the BARD as a channel to promote changes in the behavior of producers who use it to trade their commodities on the local market. The model calls for an initial selection

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<sup>9</sup> According to the 2011 study entitled Brief Overview of the Current State of Organic Agriculture in the Dominican Republic, organic agriculture has the potential to save about US\$70 million per year in expenditures on fertilizer and synthetic chemicals while also contributing to preventing environmental pollution, soil degradation, water contamination, and dependence on unsustainable agro-technologies.

of producers who use traditional methods and would dedicate a minimum percentage of their land exclusively to the production of agroecological crops. The latter would be sold at differentiated auctions and/or preferentially, through matchmaking sessions and other mechanisms to be designed by the BARD, to guarantee preferential market access. The concept of agroecological production will be defined by a technical committee comprised of members of the JAD, the Environment Ministry, the Agriculture Ministry, and the Climate Change Committee. At the same time, the intervention also includes the automation of the auction process, which is currently conducted in a rudimentary fashion. As a result, the BARD is expected to become an efficient alternative mechanism for marketing the goods produced by 1,500 producers using practices with a positive impact on the environment. The business model is as follows:

- a. **Selection of producers and crops.** To implement the model, the crops that can be produced agroecologically the most quickly and with the most potential for having a positive impact on the environment will be identified. Based on this, around 1,500 member producers will be chosen to take part in the project. They will be selected by location, soil type, and plot size. Next, the *tareas*/hectares to be earmarked for agroecological production will be identified to ensure a minimum production volume that meets current and potential demand.

The program beneficiaries will be producers who are members of associations and cooperatives that belong to the JAD and are located in three geographical areas: 40% of the beneficiaries will be located in the northwest, 30% in the northeast, and 30% in the country's south. The producers must have an average of 35-50 *tareas* of land, which is the case for the majority of small producers in vulnerable areas. Plot size is an essential component for ensuring that implementation of the project, on at least 10% of the land, does not have a significant impact on income levels during the development of new production techniques. Priority will also be given to producers of both sexes committed to generational renewal of the agricultural population.

- b. **Aggregation of production and sales through differentiated auctions, matchmaking sessions, or other BARD mechanisms.** The member producers chosen as project beneficiaries must pool together their harvests through their associations in order to reach a minimum product volume to be traded in the BARD's differentiated or first-bid auctions. The production will be validated through random checks carried out by a group of auditors selected by the committee that will develop the minimum criteria for production compliance. For this, a guarantee mechanism will be set up similar to ones established in the Philippines, Colombia, and India.<sup>10</sup>
- c. **Increasing agroecological production.** Based on the results they obtain, producers will annually increase the percentage of *tareas*/hectares used for sustainable production.

2.3 **Innovation.** The initiative is innovative in that it will use a channel—the market—to encourage local producers that sell their products on the BARD to change their

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<sup>10</sup> FAO (2016). [Innovative Markets 4 Sustainable Agriculture](#), see the cases of the Philippines, Colombia, and India.

behavior. This project will lay the groundwork for a new market access model in which agricultural SMEs sell their “green” products on a preferential basis or through differentiated auctions, in which buyers will have early access to these products at the beginning of the auction or in exclusive auctions, depending on the system established. The model’s spillover effect will have a positive impact on productivity, the inclusion of agricultural SMEs in the value chain, and the marketing of climate-smart agriculture, activities that are usually funded directly through traditional technical-cooperation projects.

- 2.4 The intervention resources will be focused on establishing the BARD’s differentiated auction mechanisms and on automating its matchmaking sessions. The automation will need to be supported because of the empowering effect of the possibility that producers and their associations will know in real time the amount traded and the market price offered for higher-quality products such as agroecological ones. The change in behavior towards sustainable production methods will be driven by the yields obtained. Greater availability of information and statistics on the transactions made will increase the speed of change.
- 2.5 **Additionality.** The MIF provides additionality given the model’s risk and the experimental value of encouraging changes in producer behavior. If the preferential arrangement is proven to result in production that pollutes less, it can be promoted to the region’s other agricultural exchanges.

## **B. Components**

- 2.6 **Component I: Increased production of agroecological crops. MIF: US\$69,750.00; Counterpart: US\$190,890.00.** The objective of this component is to define the preferential sale and/or differentiated auction arrangement for the producers and agribusinesses wishing to trade their products on the BARD. This component will focus efforts on:
- a. **Agroecological product market research.** To determine the real potential of the agroecological market and design effective strategies to encourage the adoption of a sustainable agricultural model, nationwide research will be conducted under this project on the market for agroecological products. This study will answer the main questions regarding the agroecological market, such as: main products in demand and their relation to supply; the marketing channels used most and the profit margins for small producers; types of customers, broken down by consumer level, location, method of purchase, etc. This study will help identify the agricultural products to choose, based on which have the greatest sales and environmental sustainability potential.
  - b. **Definition of agroecological production criteria.** With the participation of the producers’ associations, the JAD, the Environment Ministry, the Agriculture Ministry, and the Climate Change Committee, basic criteria will be developed<sup>11</sup> to determine whether a product is sustainable or agroecological. This will help determine which measures project participants should take to produce agroecologically, as well as which of their crops can be traded preferentially on the BARD.

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<sup>11</sup> Including indiscriminate use of water, product diversification, soil use and erosion prevention, and use of clean technologies.

- c. **Awareness of the actors linked to producers and the marketing chain.** In the framework of the project, activities will be carried out to raise awareness on the model and the advantages of agroecological products among the main supermarket chains, hotels, potential buyers, and any other actor connected to the value chain.
- d. **Technical assistance to promote agroecological products.**<sup>12</sup> Project beneficiaries will be selected based on their production of crops with the greatest potential to shift to sustainable production methods in the short term, according to market research results. The workshops will also put producers in contact with government agencies that can provide support to adapt their production methods to the new model. The JAD and the Agriculture Ministry are expected to identify no fewer than 15 agricultural specialists to support producers as they move to comply with the minimum sustainable production requirements for the crops identified. Toward this end, the JAD, the Agriculture Ministry, and other entities identified will sign an agreement defining the scope of the technical assistance.

2.7 **Component II: Increased marketing of agroecological crops through the BARD. MIF: US\$189,650.00; Counterpart: US\$313,876.00.** This component seeks to automate transactions to increase their number and frequency and the number of potential buyers.

- a. **Develop a preferential arrangement and/or differentiated auctions for agroecological products.** A system of preferential sales and/or the design of differentiated auctions, matchmaker events, or other mechanisms will be developed, aimed at prioritizing the sale of agricultural production. This will include lot selection, a system for setting the base price, and methodology for collecting and/or aggregating products from producer associations and/or individual producers. The expectation is that the agroecological products will be given differentiated market access in supermarkets and local shops.
- b. **Automate the transaction system.** An electronic platform will be selected and implemented to replace the current manually-conducted auctions. This will involve a virtual platform on which products are traded such that individuals and firms can have either remote or in-person access, thus creating more opportunities to incorporate new products and potential bidders. This platform will generate information on the production and sales capacity of the different associations, which can be used as collateral to access formal bank financing.
- c. **Train technicians and representatives at the exchanges.** The implementation of an electronic platform will entail a process to train the brokerages, producer associations, and JAD technicians. This includes the development of all the user manuals for the platform and peripheral systems, as well as the necessary technical support. Workshops are expected to be held for 100 brokerage firms, 5 JAD technicians, and 15 potential producer associations. Three types of training will be offered: training for JAD

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<sup>12</sup> During program implementation and for preparation of the Operating Regulations, the outcome of the activities conducted under Component 2 of operation ATN/ME-13727-PN will be reviewed, especially as regards training on farming practices, entrepreneurship, and marketing for technicians and/or facilitators, cooperation agreements with anchor businesses, and partnerships established for product procurement.

technicians, which comes with the procurement of the software; and for representatives of the brokerage firms and producer associations that will participate in the project. The expected outcome is that the associations and producers will be able to more quickly determine the prices and profit margins of the commodities traded.

2.8 **Component III: Knowledge generation and dissemination. MIF: US\$33,500.00; Counterpart US\$3,900.00.** This component seeks to standardize the intervention model so it can be implemented in other agricultural product markets. The component will generate the necessary knowledge on sustainable production and workable models for marketing agroecological products at public auctions. The key audiences are, locally, the Agriculture Ministry, the Environment Ministry, and the National Committee on Climate Change; and regionally, commodities exchanges in Central America. To accomplish this, the component will focus on:

- a. **Intervention model systematization.** The intention is to systematize the model, including how the problem was addressed and how the solution made it possible to add new producers and encourage a shift to more sustainable production. To do this, a case study will be funded, the intervention model will be documented, and an interactive audiovisual presentation will be prepared. This will make it possible to replicate the proposed solution in other commodities exchanges.
- b. **Model dissemination.** This activity will seek to disseminate the model through two events, gathering both local stakeholders and stakeholders from various Central American exchanges. The electronic platform's benefits will be presented to the financial sector, with a view to supporting its credit assessment of the producer associations that trade on the platform. Activities will also be funded for sharing experiences on the operation of producer exchanges in Central America, among others.

**C. Project outcomes, measurement, monitoring, and evaluation.**

2.9 The project's main indicators include: (i) 1,500 producers begin using sustainable production methods; (ii) greenhouse gas emissions drop by 10% (expressed in % of tons of CO<sub>2</sub>e); (iii) 1,500 small producers market their crops in new markets; (iv) 15 agribusinesses or associations adopt sustainable production practices; and (v) the volume of agroecological products traded on the BARD increases by 20%.

2.10 The JAD<sup>13</sup> and BARD information systems will be used to collect and process all the information needed to monitor the project's indicators. The executing unit will create the tools necessary to disaggregate the information by sex, age, crop type, location, etc. To do so, a baseline and monitoring system will be developed along with tools so that participating associations can report the yields of crops produced agroecologically, enabling conversion to GHG emissions avoided.

2.11 During project execution, a midterm evaluation will be conducted to assess the project's progress and identify areas that can be improved. This evaluation will focus

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<sup>13</sup> If no information system is available, the executing agency will build one for effective monitoring of project progress.

on technical areas and areas identified as more complex, and wherever actions need to be taken to correct implementation.

### **III. PROJECT ALIGNMENT WITH THE IDB GROUP, SCALABILITY, AND RISKS**

#### **A. Alignment with the IDB Group**

- 3.1 **IDB Country Strategy 2013-2016:** The project is aligned with the productive development and competitiveness pillar, as it seeks to increase the productivity of SMEs with growth potential and their market access through non-sovereign guaranteed interventions to foster links between rural producers and value chains, diversify agricultural output towards higher value, higher yielding, and out-of-season products, and increase agricultural producers' financial capacity.
- 3.2 **Agriculture and Natural Resources Management Sector Framework.** The proposal is aligned with the Agriculture and Natural Resources Management Sector Framework, particularly with Dimension of Success 1, as it supports activities to achieve higher levels of agricultural productivity and mitigate the impacts of climate change on the sector. The proposal is also aligned with Dimension of Success 3, which seeks to improve capacity to manage climate risks that affect the vulnerability of agriculture.
- 3.3 **IDB Institutional Strategy 2016-2019:** The project is aligned with the strategic objectives related to productivity, innovation, and economic integration, as the initiative will develop quality human capital and foster the incorporation of enterprises into value chains, respectively. The proposal will also have a positive impact on the crosscutting theme of climate change and environmental sustainability, given the mitigation activities that project beneficiaries will implement.
- 3.4 **IIC 2016-2019 business plan:** The initiative is also aligned with the IIC's priority areas of business, specifically with those related to improved access to financing for micro, small, and medium-sized enterprises, the development of their capacities, and their agribusiness experience.

#### **B. Scalability**

- 3.5 The initiative has the potential to scale, as the JAD, with 168,000 members, will be able to encourage more producers, cooperatives, and associations to use the BARD to sell their products on better terms and more securely. The process of raising awareness among stakeholders is expected to involve those State agencies that need local products for their "Affordable Diner" and "School Breakfast" programs, for the purpose of setting minimum quotas of goods to be purchased on the BARD. This will considerably strengthen the project's potential to have an impact on a greater number of producers nationwide. Lastly, the BARD will promote the intervention developed in the Pan-American Association of Commodity Exchanges (APB) and the Association of Central American and Caribbean Exchanges (BOLSECA).

#### **C. Project and institutional risks**

- 3.6 **Low number of buyers opting for agroecological products.** Despite the efforts to be made, one risk the model faces is poor response from buyers who trade on the BARD. To mitigate this risk, activities will be conducted to raise the awareness of the actors connected to the value chain on the benefits of crops produced using

agroecological methods versus conventional crops, such that demand can be ensured for the products sold by the beneficiaries, thereby incentivizing adoption of the model by more producers.

#### IV. INSTRUMENT AND BUDGET PROPOSAL

- 4.1 The total cost of the project is **US\$995,241.00**, of which **US\$466,775.00 (47%)** will be contributed by the MIF and **US\$528,466.00 (53%)** by the counterpart. The instrument to be used by the MIF is nonreimbursable technical-cooperation funding.

	MIF	Counterpart Cash	Counterpart In-kind	Total
<b>Project components:</b>				
Component 1: Increased production of agroecological crops	69,750.00	18,550.00	172,340.00	260,640.00
Component 2: Increased marketing of agroecological crops through the BARD	189,650.00	310,525.00	3,351.00	503,526.00
Component 3: Knowledge generation and dissemination	33,500.00	3,900.00		37,400.00
Project administration (executing unit costs)	77,600.00		19,800.00	97,400.00
Midterm and final evaluations (if applicable)	20,000.00			20,000.00
Ex post reviews	15,000.00			15,000.00
Monitoring system	40,500.00			40,500.00
Project launch workshop	2,000.00			2,000.00
Contingencies	15,025.00			15,025.00
Institutional strengthening	3,750.00			3,750.00
<b>Grand Total</b>	<b>466,775.00</b>	<b>332,975.00</b>	<b>195,491.00</b>	<b>995,241.00</b>
<b>% financing</b>	<b>47%</b>	<b>33%</b>	<b>20%</b>	<b>100%</b>

#### V. EXECUTING AGENCY AND IMPLEMENTATION STRUCTURE

##### A. Description of the executing agency

- 5.1 Founded on 12 December 1984, the JAD is the main private organization that leads and groups together the country's agricultural producers. Its mandate is to foster the agriculture sector's transformation and production growth. It helps producers do their work in ways that are sustainable and profitable and that increase and diversify agricultural activity.
- 5.2 The JAD has developed unique initiatives to support the agriculture sector. It has a strong position as a respected entity that is highly trusted by its members. It has become a forum for discussing and analyzing the sector's problems to find solutions with both the government and the private sector. The JAD's membership totals around 168,000 producers and associations, enabling it to channel proposals and influence the majority of producers nationwide.

- 5.3 The JAD runs the BARD, which began operating in 2003 to make the process of agricultural marketing more transparent by reducing intermediation to the benefit of producers and consumers. The exchange has legal status based on Securities Market Law 19-00 and Implementing Regulation 729-04. Today, the cumulative transaction volume stands at US\$43 million, trading in products such as rice, beans, garlic, onions, sugar, and others. The BARD is the result of a regional program implemented by the MIF in 1995 to establish and strengthen four agricultural exchanges in El Salvador, Nicaragua, Costa Rica, and the Dominican Republic.

## **B. Implementation structure and mechanism**

- 5.4 To execute the program, the JAD will establish an executing unit using the BARD's administrative structure to conduct project activities and manage project resources effectively and efficiently. The JAD will be responsible for submitting progress reports on project implementation.
- 5.5 The executing unit will be comprised of a project coordinator and an administrative-accounting assistant. The project coordinator will be responsible for project execution and will monitor attainment of objectives and fulfillment of commitments. Details on the role and responsibilities of the coordinator, as well as the project's organizational structure, will be provided in the Operating Regulations as a condition precedent to the first disbursement.
- 5.6 A committee will be established to monitor project progress. It will be comprised of representatives of the JAD, the Environment Ministry, the Agriculture Ministry, and the Climate Change Committee, as well as representatives of the producers and/or associations taking part in the program. The committee will meet every six months to review the initiative's progress. The establishment of this committee will be a condition precedent of the program.
- 5.7 The counterpart funds will be provided by the BARD and the JAD. The submission of evidence by the BARD and the JAD demonstrating the availability of the resources—among other things—will be a condition precedent to the first disbursement from the Bank. Subsequent disbursements will be granted based on compliance with the conditions established in the table of milestones provided in Annex V.
- 5.8 One year before execution is completed, a sustainability workshop will be held with all the entities involved, to identify the measures necessary to ensure that the actions taken under the project continue once the funding is exhausted.

## **VI. ATTAINMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS**

- 6.1 **Results-based disbursements and fiduciary arrangements.** The executing agency commits to following standard MIF arrangements regarding results-based disbursements and current Bank procurement policies,<sup>14</sup> especially Appendix 4 of the Policies for the Selection and Contracting of Consultants Financed by the IDB and the Policies for the Procurement of Works and Goods Financed by the IDB, as well as the operational guidelines on procurement for nonreimbursable technical-

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<sup>14</sup> Links to the [Policies for the Procurement of Works and Goods Financed by the IDB and Policies for the Selection and Contracting of Consultants Financed by the IDB](#).

cooperation operations. Also, on the financial management side, the executing agency will oversee compliance with the policy on IDB-financed projects<sup>15</sup> through the guide for management by milestones and financial supervision for MIF and SEP technical-cooperation projects detailed in Annex V.

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<sup>15</sup> Link to the [Guidelines for Financial Management of IDB-financed Projects](#).