

PD-AAGW-438
52404

Project Number: 505-0016

PROJECT GRANT AGREEMENT
BETWEEN THE
GOVERNMENT OF BELIZE
AND THE
GOVERNMENT OF THE UNITED STATES OF AMERICA
ACTING THROUGH THE
AGENCY FOR INTERNATIONAL DEVELOPMENT
FOR
TOLEDO AGRICULTURAL MARKETING

Date: July 30, 1987

Appropriation: 72-1171021
BPC: CDNA-87-25505-KG13
Amount Obligated: \$600,000

Project Grant Agreement

Dated: July 30, 1987

Between

BELIZE ("Grantee")

And

The United States of America, acting through the
Agency for International Development ("A.I.D.").

Article 1: The Agreement

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Grantee of the Project described below, and with respect to the financing of the Project by the Parties.

Article 2: The Project

SECTION 2.1. Definition of Project. The Project, which is further described in Annex 1, will provide technical and financial assistance to assist Belize's private and public sectors to support and develop agricultural diversification by promoting the expansion of improved cocoa production, developing improved on-farm, post-harvest systems for subsistence and cash crops and developing an effective marketing/input supply system, through indigenous farmer organizations that will provide the vehicle for the divestiture and privatization of Belize Marketing Board activities. Annex 1, attached, amplifies the above definition of the Project. Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.3, without formal amendment of this Agreement.

SECTION 2.2. Incremental Nature of Project

(a) A.I.D.'s contribution to the Project will be provided in increments, the initial one being made available in accordance with Section 3.1 of this Agreement. Subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual agreement of the Parties, at the time of a subsequent increment, to proceed.

(b) Within the overall Project Assistance Completion Date stated in this Agreement, A.I.D., based upon consultation with the Grantee, may specify in Project Implementation Letters appropriate time periods for

the utilization of funds granted by A.I.D. under an individual increment of assistance.

Article 3: Financing

SECTION 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D. pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed Six Hundred Thousand United States ("U.S.") Dollars (\$600,000) ("Grant").

The Grant may be used to finance foreign exchange costs, as defined in Section 6.1, and local currency costs, as defined in Section 6.2, of goods and services required for the Project.

SECTION 3.2. Grantee Resources for the Project.

(a) The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided by Grantee for the Project will be not less than the equivalent of US\$267,000, including costs borne on an "in-kind" basis.

SECTION 3.3. Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" (PACD), which is May 30, 1992, or such other date as the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters are to be received by A.I.D. or any bank described in Section 7.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4: Conditions Precedent to Disbursement

SECTION 4.1 First Disbursement. Prior to the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) An opinion of counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms;

(b) A statement of the name of the person holding or acting in the office of the Grantee specified in Section 8.3, and of any additional representatives, together with a specimen signature of each person specified in such statement;

(c) Evidence of the establishment, within the Belize Marketing Board, of the legal capacity to establish and administer an effective agricultural commodity price stabilization program.

SECTION 4.2. Disbursement for the Renovation of the Former Toledo Agriculture Station. Prior to any disbursement for the renovation of the former Toledo Agriculture Station under the Project Grant Agreement with the Government of Belize, or the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Government of Belize shall furnish to A.I.D., in form and substance satisfactory to A.I.D., written assurance that the former Agriculture Extension Station will be made available exclusively for use of the TAMP Project and its support personnel to implement project objectives during the life of the Project

SECTION 4.3. Notification. When A.I.D. has determined that the conditions precedent specified in Section 4.1 and 4.2 have been met, it will promptly notify the Grantee.

SECTION 4.4. Terminal Dates for Conditions Precedent

If all of the conditions specified in Section 4.1 have not been met within ninety (90) days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to Grantee.

Article 5: Special Covenants

SECTION 5.1. Project Evaluation. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter:

(a) evaluation of progress toward attainment of the objectives of the Project;

(b) identification and evaluation of problem areas of constraints which may inhibit such attainment;

(c) assessment of how such information may be used to help overcome such problems; and

(d) evaluation, to the degree feasible, of the overall development impact of the Project.

SECTION 5.2. Toledo Big Falls Rice Mill. The Grantee covenants that, except as A.I.D. may otherwise agree in writing, it will make available for upgrading and improvement over the life of the Project, the equipment and facilities of the Toledo Big Falls Rice Mill in order to achieve Project objectives.

SECTION 5.3. Input/Supply Center. The Grantee covenants to establish and maintain in Toledo an Input/Supply Center, throughout the life of the Project, which shall work through indigenous farmer organizations by (a) establishing institutional and infrastructural arrangements which link the organizations, and (b) building up the organizational and managerial capability of the organizations to assume ownership and control of market depots, service centers and/or other related facilities.

SECTION 5.4. Price Stabilization. The Grantee covenants to establish, enforce and maintain in effect procedures which will create in the Belize Marketing Board an effective, legal capacity to take all necessary measures to achieve and administer timely price stabilization programs for agricultural commodities.

Article 6: Procurement Source

SECTION 6.1. Foreign Exchange Costs. Disbursements pursuant to Section 7.1 will be used exclusively to finance the costs of goods and services required for the Project having, with respect to goods, their source and origin, and with respect to services their nationality in the United States (Code 000 of the AID Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services) ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Grant Standard Provisions Annex, Section C.1(b) with respect to marine insurance. Ocean transportation costs will be financed under the Grant only on vessels of United States flag registry, except as A.I.D. may otherwise agree in writing.

SECTION 6.2. Local Currency Costs. Disbursements pursuant to Section 7.2 will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as AID may otherwise agree in writing, their origin in Belize ("Local Currency Costs"). To the extent provided for under this Agreement, "Local Currency Costs" may also include the provision of local currency resources required for the Project.

SECTION 7.1. Disbursement for Foreign Exchange Costs

(a) After satisfaction of Conditions Precedent, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

(1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or, (B) requests for A.I.D. to procure commodities or services in Grantee's behalf for the Project; or,

(2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

SECTION 7.2. Disbursement for Local Currency Costs

(a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements may be obtained:

(1) by acquisition by A.I.D. with U.S. Dollars by purchase or from local currency already owned by the U.S. Government; or

(2) by A.I.D. (A) requesting the Grantee to make available the local currency for such costs, and (B) thereafter making available to the Grantee, through the opening or amendment by A.I.D. of Special Letters of Credit in favor of the Grantee or its designee, an amount of U.S. Dollars equivalent to the amount of local currency made available by the Grantee, which dollars will be utilized for procurement from the United States under appropriate procedures described in Project Implementation Letters.

The U.S. dollar equivalent of the local currency made available hereunder will be, in the case of subsection (b)(1) above, the amount of U.S. dollars required by A.I.D. to obtain the local currency, and in the case of subsection (b)(2) above, an amount calculated at the rate of exchange specified in the applicable Special Letter of Credit Implementation Memorandum hereunder as of the date of the opening or amendment of the applicable Special Letter of Credit.

SECTION 7.3. Other Forms of Disbursement. Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

SECTION 7.4. Rate of Exchange. Except as may be more specifically provided under Section 7.2, if funds provided under the Grant are introduced into Belize by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into currency of Belize at the highest rate of exchange which, at the time the conversion is made, is not unlawful in Belize.

Article 8: Miscellaneous

SECTION 8.1. Investment Guaranty Project Approval. Construction work to be financed under this Agreement is agreed to be a project approved by Belize pursuant to the agreement between it and the United States of America on the subject of investment guaranties, and no further approval by Belize will be required to permit the United States to issue investment guaranties under that agreement covering a contractor's investment in that project.

SECTION 8.2. Communications. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following addresses:

To the Grantee:

Mail address:

Minister of Agriculture
Ministry of Agriculture, Forestry, and Fisheries
Belmopan, Belize

Alternate address for cables:

Minister of Agriculture
Belmopan, Belize

To A.I.D.:

Mail Address:

USAID/Belize
Gabourel Lane at Queen Street
P.O. Box 817
Belize City

Alternate address for cables:

USAID/AMEMBASSY
Belize City, Belize

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice. The Grantee, in addition, will provide the USAID Mission with a copy of each communication sent to A.I.D.

SECTION 8.3. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of Minister of Agriculture and A.I.D. will be represented by the individual holding or acting in the office of A.I.D. Representative, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

SECTION 8.4. Standard Provisions Annex. A "Project Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

SECTION 8.5. Language of Agreement. This Agreement is prepared in English.

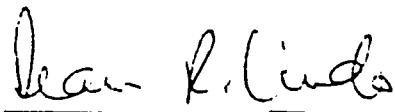
IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

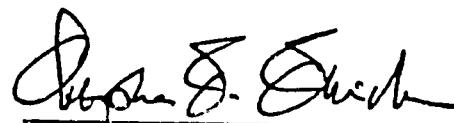
BELIZE

UNITED STATES OF AMERICA

By: 
of Dean Barrow
Title: Minister of Foreign Affairs
and Economic Development

By: 
Keith Guthrie
Title: Charge d'Affaires a.i.

By: 
Dean Lindo
Title: Minister of Agriculture

By: 
Neboysha R. Brashich
A.I. Representative

ANNEX 1

I. DETAILED PROJECT DESCRIPTION

A. Goal and Purpose

The goal of this project is to increase real income and improve the standard of living of small farmers in the Toledo District of Belize. Through achievement of this goal the balance of payments situation in Belize will be strengthened and food security improved.

The primary purpose of the project is to establish a viable export-oriented industry among smallholders in the Toledo District. A secondary purpose, which will enhance the accomplishment of the primary purpose, is to accelerate ongoing transition from the traditional "slash and burn" agriculture to modified systems through improved postharvest practices and the establishment of a viable marketing system.

B. Overview of Project Components

In order to achieve the goal and purpose, the project will promote a development effort to:

1. Encourage the development of cocoa and other crops as alternative cash crops for the small farmer in Toledo. This will broaden the small farmer's cash crop base and diminish his dependency on rice production.
2. Improve on-farm postharvest systems for both subsistence and cash crops. Postharvest systems for cash crops (cocoa and rice) will be geared toward market acceptance. Reduction of postharvest losses for subsistence crops (corn and beans) of between 20 and 40 percent will release labor and land for cocoa production and other cash generating enterprises.
3. Develop an effective marketing/input supply system (focusing on cocoa) in Toledo working, through indigenous farmer organizations by (a) establishing institutional and infrastructural arrangements which link the organizations and (b) building up the organizational and managerial capability of the organizations to assume ownership and control of market depots, service centers and/or other related facilities.
4. Upgrade the existing Belize Marketing Board's rice mill and storage complex at Big Falls, Toledo District, to improve product through-put, reduce losses and improve quality. This activity will ensure market acceptability at the domestic level and possibly as an export to Caricom,

as well as implement the USAID/GOB strategy to restructure the BMB into a price stabilization and market information entity. Together with the development of a marketing/input supply system described above, this effort will enhance the prospect of eventual transfer of the facilities to private ownership over a three to four year period.

Components 1, 2, 3 and part of 4 will be implemented with the Belizean private sector, through a U.S. Private Voluntary Organization. The fourth component, as well as participant training, will be implemented by the GOB with the assistance of a U.S. university or consulting firm.

C. Project Components

1. Private Sector Components

a. Developing Cash Crop Alternatives - Cocoa

Small farmers in the Toledo district are already seeking alternatives to their traditional cropping mix of subsistence crops, corn and beans, and their principal cash crop, rice. Recently farmers began limited attempts at diversification which have included modest plantings of cocoa and citrus, crops with relatively secure markets. In the case of cocoa, Hummingbird Hershey Limited (HHL) has agreed to purchase fermented and dried cocoa delivered to their plant at approximately 75 percent of the world market price, revised every six months. The financial and economic analyses demonstrate good returns on cocoa production to the small farm household, after an initial three to four year period required to establish the tree. This should be an attractive enough incentive to stimulate investment. Even with a reliable market outlet secured, there are constraints to rapid development of cocoa: limited knowledge of necessary husbandry practices such as plant spacing, fertilization and pruning to maximize production, and the absence of appropriate collection, fermenting and drying arrangements which are needed to process high quality beans and assure market acceptance.

To attack these constraints, the project will fund two technicians to work with the farmer organizations for four and three years respectively. One technician will be the Chief of Party and be a specialist in enterprise and organizational development. The other technician will be an agronomist with significant experience in cocoa production and processing techniques.

Technical assistance provided by the two advisors under this activity will be focused on two areas: (1) providing direct assistance to the growers in improved cocoa production practices and (2) developing the farmer organizations to efficiently manage the collection, processing and marketing of the cocoa crop. The advisors will integrate their work in these areas throughout other project activities. If other appropriate crops complementary to cocoa production, such as spices, are identified, technical assistance will assist Toledo farmers in this development.

In addition to the two technical advisors, the project will fund three local field technicians for three years. These field technicians will ensure that the farmers have up-to-date production practices available to them during the critical period when cocoa trees are established. Since 80 percent of a tree's productive potential is determined during the first 12 months of growth, cropping techniques cannot be left to chance. Under the guidance of the agronomist, the field technicians will conduct a comprehensive program of demonstrations, workshops and, most importantly, regular farm visits to convey the necessary husbandry practices for proper plant development. As production increases, revenue from an assessment (cess) levied by the farmer organizations developed will cover the costs of maintaining these fieldmen. Project technical personnel will work in a coordinated fashion with the GOB extension agents to maximize the spread of relevant technology.

Improved techniques for the production of cocoa at the farm level are not sufficient to ensure marketability. Fermentation and drying techniques must be effective to produce high quality and acceptable beans. There are two possible strategies which the project could encourage farmers to pursue: (1) on-farm fermentation and drying or (2) selling wet beans to a central processing facility. The advantage to the farmer of the first option would be to gain the value added by processing while avoiding possible logistical difficulties in transporting heavy, perishable wet beans to a facility within 24 hours of "breaking" the pods. The advantage of the second option would be to avoid the expense of building individual fermentation boxes, dryers, and storage facilities, and to eliminate the labor inputs at what might be a very busy time on the farmer's agricultural calendar. Probably the most significant advantage of the second option is that controlled fermentation and drying at a central processing facility produces a high quality product commanding top market prices.

It is difficult to determine at the start of the project whether one or both options will be used by the new cocoa producers after production begins. Therefore, the project will establish a fermenting and drying facility adjacent to the Big Falls rice mill and integrated with the service center (described below) to provide farmers a local outlet for their wet beans. The technical advisors will also work with smaller subgroups of farmers to set up farm level fermenting and drying units as production warrants. After the third year of the project when production builds, further studies will be made to determine the mix of fermenting and drying facilities most suitable for the project to support. Project resources will assist in establishing these facilities.

By the end of the project, the farmer organization(s), as a result of enhanced technical, organizational and management capabilities, are expected to:

- coordinate the harvesting, collection and processing of Toledo cocoa production;
- administer the fermentation and drying of the cocoa production and efficiently operate an appropriate number of input supply centers;
- collect sufficient revenue from the cocoa production cess to pay for the services of two to three field agronomists who will provide technical assistance to cocoa producers; and
- identify and evaluate alternative marketing opportunities and determine which ones are more advantageous to the producers.

b. Post-Harvest Technology Improvements

Significant losses in grain production are experienced by small farmers in Toledo. The losses appear to be most acute in post-harvest handling and storage methods now employed by most small farmers. The project will support adaptive research and extension of more efficient post-harvest storage and handling technology. A reduction in post-harvest losses in grain production will result in increased availability of land and labor which could be invested in increased cash crop production of cocoa. In the near term, a reduction in post-harvest losses of rice (also a potential export crop) will improve real income and improve farmers' standards of living as well as increase investment in alternate cash crops.

One of the responsibilities of the senior agronomist funded by the project will be to coordinate the adoption and introduction of on-farm post-harvest technology for basic grains. Preference in providing this assistance to farmers will be given to those involved in cocoa production. Short term technical assistance will be provided each year by the project to backstop the agronomist in developing, testing and adapting the post-harvest technology. The Project will finance the appropriate model storage and handling systems. By the end of the Project, post-harvest losses in small farmer grains is expected to be reduced by an average of 20 percent.

c. Marketing/Input Supply System

Constraints facing farmers interested in expanding production of existing crops or in establishing new ones in Toledo include the lack of marketing facilities (collection points, dryers, packing sheds, adequate transportation arrangements, etc.) geared to small farmer crops and the lack of production inputs and knowledge of their use.

The marketing channel for Toledo's agricultural production is very shallow, lacking in services and competition. The Belize Marketing Board is the major purchaser of rice (greater than 90 percent of Toledo's

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production), and cocoa is transported and sold to Hershey Hummingbird Ltd., 130 miles away, by individual farmers. Occasionally itinerant buyers may appear during the harvest of beans, spices, and certain tree crops. Marketing information from outside the district is non-existent except for prices established by the BMB for basic grains and for cocoa by HHL.

Sales of agricultural inputs are currently made on an informal, limited, and irregular basis in Toledo. The BMB, the Grain Growers' Association and the Toledo Research and Development Project and a few of the small stores in Punta Gorda stock limited quantities of chemicals on a seasonal basis. The MOA extension agents assist producers by purchasing chemicals for them on their occasional trips to Central Farm or Belize City.

There are presently three farmers' organizations in Toledo relevant to this project: The Grain Grower's Association, The Toledo Cocoa Growers' Association and the San Antonio Cocoa Growers' Association. These groups have expressed the desire to participate more directly in marketing their crops. The project will support their interest by providing them technical assistance to develop their ability to participate more directly in the operation of rice mill, and to own and operate market/input supply depots in strategically located points in Toledo. The participation of appropriate private sector firms will also be sought.

The marketing/input supply system will be developed around cocoa and rice. The PVO chief of party will assist, initially, in the formation of an advisory/supervisory group of farmers from the relevant farmer organizations and private firms who will develop a supply center from which the marketing and input supply system will evolve. The center will serve as a wholesale supplier making supplies available through community groups or private vendors in strategic locations. Some areas may need to be served by route sales on a periodic basis during times of peak usage. As input usage grows and producer needs and preferences become more clearly defined, the establishment of improved and permanent facilities will be considered.

Project resources will help fund the first center to be established adjacent to and integrated with, the BMB's Big Falls facility. In the initial year the project will assist in supporting a manager and other necessary personnel to efficiently operate the center. The management of the center will be supervised by the advisory/supervisory group of farmers and project technical assistance personnel.

Two to four months of short-term technical assistance will be provided through the project to train project field agents and personnel of the input supply center(s) in relevant integrated pest management techniques, and proper storage and handling of appropriate chemicals. Ministry of Agricultural field agents and Hershey Farms Ltd. personnel will be invited to attend and assist in these training sessions and seminars.

Financial contributions from the participating growers' groups will be required to assist with the start-up costs of the center. The Project will support a working capital revolving fund of up to US\$35,000 and will purchase the initial inventory of inputs to be sold to the public.

As both retail sales and production of cocoa increase, the center may expand to coordinate product assembly, offering custom services for drying, storage and transport. The expansion will also depend on the growth of the management skills of the groups operating the center. Other centers may be opened based on the demand for services and availability of capital for expansion.

By the end of the project the center will be owned and operated by the formal entity evolving from the advisory/supervisory group, described above.

d. Privatization of the Big Falls Rice Mill

There are two important reasons for carrying out this project component. First, reduction in losses in the grain marketing system will provide greater returns to the Toledo farmer providing him/her with the resources to shift his production into cocoa or other cash crops. Second, this component will assist the GOB to implement its decision to transform the BMB from a commodity procurement and processing agency into a price stabilization and market information entity as expressed in the 1985 ESF agreement.

Rice production is very important to the Toledo small farmer. Toledo's rice production represents a significant contribution to Belize's national production. For a small farmer to risk expansion into other cash crops, some adjustments must be made in the rice production system to allow him/her the time and/or money to diversify. A key adjustment to the rice production system is to increase operational efficiency and product quality at the Big Falls rice mill and grain complex. Reconditioning the rice mill could increase milling yield by 5 or 10 percent. A more efficient rice mill would mean increased returns to the farmer that could be channeled into other cash crops.

Equally as important as increasing the efficiency of the rice mill is the assistance the project can provide the government to transform the Big Falls rice mill into a thriving private sector concern. The rice mill and its associated facilities will provide significantly greater benefits to the Toledo district if farmers and/or farmers' groups take a controlling interest in the facilities and add activities such as cocoa fermenting and drying, an input supply center and other agribusiness activities. For the GOB, transferring the utilization of its scarce resources from BMB's current grain marketing and processing activities into real price stabilization activities will mean greater efficiency in the public sector.

The Project will direct its resources to two areas to support the privatization of the Big Falls rice mill. One area will involve providing the following to the GOB: technical assistance, commodities and training to assist in the transition of the BMB from grain merchant to price stabilization entity. This is further described below.

The second area, i.e., assistance to the private sector to take over Big Falls rice mill, will include the provision of technical assistance to the farmers' groups in management skills, enterprise development and other business skills to be able to manage some or all of the facilities. This will be integrated with the marketing/input supply activity.

Beginning in the first year of the project but lasting throughout the life of the project, technical assistance in organizational and enterprise development will be provided to the farmers' groups through the farmers' advisory/supervisory group by the PVO chief of party. The technical assistance efforts will be aimed at improving the administrative capabilities of the groups to enable them to partially or totally acquire the grain processing and storage facilities at Big Falls.

2. Public Sector Component

a. Privatization of the BMB

A marketing economist will provide technical assistance to the BMB's central office in Belize City for a three year period. The economist will assist the BMB in restructuring and developing the expertise within the Agency to carry out its new price stabilization and market information functions. Specifically, the economist will carry out the functions summarized below:

—Continually support the GOB BMB Privatization Working Group in following through on the BMB Privatization Program, i.e., implementing the chosen scenario in the Kansas State University report entitled, Alternative Scenarios for Commodity Price Stabilization Programs in Belize which is an unattached Annex to this Project Paper;

—Document the costs of operation and measures of operational efficiency of the Big Falls facility before and after the renovation of the mill with the objective of developing pro forma statements to assist divestiture;

--Assist the BMB in preparing economic analyses of the marketing situation, training personnel in functions relating to price stabilization and market information, and developing strategies to phase out the rice milling and commodity distribution.

Also during the first year, the project will provide the GOB with resources and short term technical assistance to renovate the Big Falls rice milling facilities and turn it into a profitable operation. This will be accomplished through physical facility renovation, training of personnel, market differentiation of products, improved management and operational systems and backward integration into rice acquisition to improve quality. At the end of the second year, the rice mill will have significantly decreased its processing losses and will be in an attractive position for private sector acquisition.

b. Training in Agriculture

The project will also assist the GOB to provide training to selected residents from the Toledo district who want to pursue careers in agriculture. Currently there are four vacant positions of the six in the agricultural extension division in Toledo. It is important to provide educational opportunities to residents of Toledo since they are more likely to return to the area after training and continue to participate in the development of the area. Resources will be provided in the project for training at the technical agricultural level, B.S. and M.S. degrees and international short courses.

II. ILLUSTRATIVE FINANCIAL PLAN

ILLUSTRATIVE GENERAL FINANCIAL PLAN (US\$)

INPUTS	AID Funding		GOB Funding		TOTAL	PERCENT
	FX	LC	FX	LC		
Technical Assistance	\$1,352	—	—	—	\$1,352	48.9%
Local Hire Personnel	—	\$172	—	\$ 67	239	8.6%
Travel & Trans.	84	43	—	—	127	4.6%
Commodities & Equip.	379	130	—	200	709	25.6%
Training	111	35	—	—	146	5.3%
Credit	—	35	—	—	35	1.3%
Other Direct Costs	59	—	—	—	59	2.1%
Evaluation	25	—	—	—	25	0.9%
Contingency	45	—	—	—	75	2.7%
TOTAL	\$2,085	\$415	\$267		\$2,767	100.0%

ILLUSTRATIVE BUDGET COST BY COMPONENT (US\$)

INPUTS	Private Sector		Public Sector		Total
	AID	GOB	AID	GOB	
Technical Assistance	\$978	—	\$374	—	\$1,352
Local Hire Personnel	143	—	29	\$ 67	239
Travel & Trans.	89	—	38	—	127
Commodities & Equip.	340	—	169	200	709
Training	5	—	141	—	146
Credit	35	—	—	—	35
Other Direct Costs	41	—	18	—	59
Evaluation	17	—	8	—	25
Contingency	52	—	23	—	75
TOTAL	\$1,700		\$800	\$267	\$2,767

ILLUSTRATIVE PROJECTIONS OF EXPENSES BY FISCAL YEAR (US\$)

Year	AID Grant	ESF LC	GOB In-Kind	Total
1987	\$1,011	\$13	\$200	\$1,225
1988	561	14	—	574
1989	537	13	—	551
1990	204	14	—	217
1991	187	13	—	200
TOTAL	\$2,500	\$67	\$200	\$2,767

III. IMPLEMENTATION PLAN

A. Implementation Responsibilities and Administrative Arrangements

1. Obligation Arrangements

The \$2.5 million grant will be obligated by means of two grant agreements. The agreement for the Private Sector Components, a cooperative agreement, will be signed with a U.S. PVO. The rationale for utilizing a cooperative agreement is described below in the Procurement Plan. The grant agreement for the public sector component will be signed by the GOB with the Ministry of Agriculture as the primary implementing entity.

2. Implementation Responsibilities

a. U.S. PVO

The U.S. PVO will be the primary implementing entity for carrying out the Private Sector Component as outlined above. The U.S. PVO will be responsible for working directly with Toledo small farmers and appropriate farmers' associations or cooperatives such as the Toledo Cocoa Grower's Association, the San Antonio Cocoa Grower's Association, and the Grain Grower's Association. The U.S. PVO will closely coordinate activities with the GOB/Ministry of Agriculture officials and extension agents and the contractor involved in the implementation of the Public Sector Component, as well as with the United Nations Development Program/Office of Program Execution (UNDP/OPE) advisors to the IFAD Toledo Small Farmer Development Project (TSFDP). The U.S. PVO will be responsible for all procurement actions under the Private Sector Components and will conduct procurement in accordance with HB 13 procurement procedures.

The PVO Chief-of-Party will be responsible for reporting to the USAID Project Manager. The PVO will be responsible for providing USAID with annual workplans and quarterly reports, as well as for clearing all procurement with USAID.

b. Government of Belize/Ministry of Agriculture

The Ministry of Agriculture of the GOB will be the primary implementing agency of the Public Sector Component of the project. The MOA will lead the inter-ministerial working group (involving the Office of Economic Development, the Financial Secretary, and the Ministry of Commerce) which oversees the privatization of the BMB. With project-funded technical assistance and commodities, the MOA will be responsible for renovation of the BMB rice mill, training of its staff, differentiation of its product and improvement of its management. The MOA will also be responsible for providing counterpart personnel for both the private and public sector

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components, chiefly in the form of extension agents and BMB staff. The MOA and OED will be responsible for coordinating TAMP and TSFDP and for assuring that all GOB inputs are provided on a timely basis.

The Ministry of Agriculture will provide USAID with annual workplans, and quarterly reports. USAID will directly procure all services and commodities required under the Public Sector Component, except for small value locally procurable items, and will rely closely on the MOA and project advisors for identifying procurement needs and specifications.

3. Joint TAMP/IFAD Implementation Arrangements

1. Summary

AID, IFAD, and the GOB have agreed to a parallel financing arrangement between IFAD and AID. Presented below are the activities each is responsible for regarding their respective project:

IFAD

- Credit Program
- Extension Program
- Market Site Development Program
- Grain Complex Rehabilitation
- Program Management

USAID

- Development of Alternative Cash Crops (Cocoa)
- Improvement of on-farm Post Harvest Systems
- Development of Marketing/Input Supply and Management System
- Upgrading of Big Falls Grain Complex & Rice Mill for Privatization
- Restructuring of BMB into a price stabilization and Market Information Entity

Both TAMP and TSFDP will be distinct, yet closely coordinated projects. In the parallel financing arrangement, AID has assumed full responsibility for the rice mill and grain complex rehabilitation, therefore, the closest coordination will be in the area of Market Development, although coordination will be emphasized throughout all project activities.

The GOB, IFAD, and USAID have agreed that TAMP's Chief of Party will be responsible for the overall coordination of the Market Development Activity to ensure integral development of an effective marketing system for Toledo. Shortly after arrival, the TAMP Chief of Party, together with IFAD's Project Supervisor will develop a detailed joint plan for implementation of the Market Development components of each project.

Overall coordination will be achieved through a Joint Policy Committee established through a Memorandum of Understanding (MOU) and comprised of representatives from GOB Ministry of Agriculture, USAID Agricultural

Development Office and the UNDP. This committee will meet on a regular basis to resolve major implementation issues and provide oversight. In addition, each project will have a district project committee which will include representation by the other donors. It has been agreed that reports, evaluations, and other documentation, will be shared by USAID, IFAD, and the GOB.

2. Background and Detail

As indicated in the Project Description, the public sector component of TAMP contains elements for the renovation of the Big Falls Grain Complex. TAMP will provide the total financing necessary for technical assistance and renovation. The physical improvements planned for the complex under this arrangement will increase the operating efficiency of the plant, improving the probability of private sector acquisition.

The Marketing System Development Program of TSFDP and the Marketing/Input Supply System of TAMP will be the functional area in which coordination efforts will especially focus. IFAD proposed originally to construct and operate three marketing depots in the Toledo District. However, during discussions with the Mission on a joint effort, it was agreed that at least one center or depot would be included in the USAID Toledo project, leaving IFAD to construct two centers. Coordination will be essential to effectively implement and achieve project goals. Therefore, the GOB, IFAD and USAID representatives have agreed that the TAMP Chief-of-Party (COP) will be responsible for overall coordination to ensure integral development of an effective marketing system in Toledo. The TAMP/COP will coordinate implementation of all marketing centers to assure compatibility of design, inputs and services. The COP will work directly with IFAD's Project Management Unit personnel to develop a relationship between the marketing centers of both projects.

The TAMP/COP will combine the TAMP and TSFDP Market Development Plans into an Overall Plan for Market Development that incorporates the essential design of the project papers of each agency. An advisory group will review the final plan and approve it for implementation. Implementation of the plan will be carried out by the individual project personnel involved in the centers - that is, IFAD personnel will be responsible for implementation of the plan in the centers constructed under the IFAD project and TAMP personnel will be responsible for implementation under the USAID's project.

Both projects will work through a Joint Policy Committee, consisting of one representative each of the GOB/MOA, IFAD's implementing agent UNDP/OPE, and the USAID/ADO. The Joint Policy Committee will meet on a regular basis to resolve major problems arising during project implementation.

Each project will have its own arrangements for project management. The USAID Mission will assign a Project Manager to supervise and monitor the implementation of both the public and private sector components of TAM. The IFAD project will have a Project Authority at the national level which will assign a Project Management Unit and a Project Council for actual day to day implementation of the project.

The Project Authority for IFAD will be responsible for the procurement of all services and commodities for TSFDP project. IFAD will use UNDP/OP as its financial agent as well as its implementation agent. IFAD's own procurement procedures will be used for both services and commodities.

TAMP has been designed as a distinct and separate project, able to be implemented separately in the case of any delays in the IFAD project. The implementation plan will allow for coordination at any point should either project fall behind schedule.

IV. MONITORING AND EVALUATION PLANS

A. Monitoring Plan

1. AID Project Monitoring Arrangements

Project monitoring will be exercised by the project manager assigned by USAID's Agriculture Development Office (ADO). The ADO Project Manager will work closely with the selected PVO and the MOA to assure that project implementation plans and objectives are met.

USAID offices will have the following responsibilities:

- The ADO Office will have responsibility for overall implementation.
- The Program and Project Development Office will monitor project implementation to assure that the terms and conditions of the Project Agreement are met and will assist in carrying out reviews and evaluations.
- The Mission's controller will review disbursement and reimbursement requests for conformity with AID regulations and will ensure that adequate financial controls are exercised.

There are six major points in the project which should be monitored continuously in order to judge the effectiveness of the project. These items are as follows:

- Rate and amount of cocoa and alternative cash crop plantings.
- Rate of reduction of postharvest losses.
- The amount of cess levied by association to support their fieldmen.

-Success of the market/input supply center (measured by profit and growth in volume sales).

-Rate of reduction in losses at the Big Falls Rice Mill.

-Income accruing to women as a result of this project.

The USAID and the PVO will develop a system of continuously monitoring and reporting on each item. This data will be used in scheduled evaluations, as well as for the day-to-day management of the project by USAID, the GOB and the project team.

The PVO will submit the following reports to USAID/Belize, the MOA and the OED:

- Brief Monthly Implementation Reports
- Quarterly Implementation Reports, and
- Annual Implementation Reports.

2. GOB Responsibilities

The Government of Belize will assist in monitoring the project, as well as acting as the coordinating body for this and the parallel IFAD Project.

In monitoring TAMP, both the Ministry of Agriculture and the Office of Economic Development will be represented at quarterly project review meetings. The MOA and OED will designate representative counterparts for this project at the beginning of project implementation.

The GOB's Office of Economic Development has been assigned the responsibility of monitoring the parallel IFAD financed project in Toledo (TSFDP).

In order to assist in effectively coordinating the two projects, all required reports from TAMP will be submitted to the OED as well as the MOA and USAID.

Semi-Annual implementation meetings will be held to assist in coordinating both projects. Representatives will attend from the following: USAID/Belize, MOA, OED, DFC, TAMP, TSFDP and other invited interested parties. The head of the TSFDP Project Implementation Unit will chair this meeting.

3. Review Meetings

Project review meetings will be held quarterly to review and direct project implementation. Representatives from USAID/Belize, the selected PVO, the MOA and OED will participate in these meetings. The TAMP/COP will chair these meetings.

B. Evaluation Plan

Three evaluations will be conducted during the project life. Two will be in-house, and will evaluate project implementation activities, assess progress in achieving project objectives, identify methods to improve project design and provide specific information necessary to effect key project decisions. The third evaluation, led by an outside firm, will be the final evaluation of the project.

Every effort will be made to coordinate evaluations between TAMP and the IFAD-funded TSFDP. Although the two projects cannot be jointly evaluated, coordinating the timing of evaluations will be valuable in measuring the achievement of project objectives and taking remedial actions.

1. First (In-house) Evaluation October, 1988

The first evaluation scheduled will address the following issues:

-Is the project on track according to the implementation schedule?
Identify problem areas.

-Is the implementation schedule still appropriate, given the results of #1? What changes should be made to enhance the project and achieve the objectives?

-Are the stated project results and objectives still realistic? If not, how should they be altered, keeping in mind overall project objectives.

-Specifically examine the results of the work at the Big Falls Grain Complex Rice Mill. Can we still achieve the 20-40 percent targeted reduction in losses by the end of 1989, as scheduled? If not, what actions must be taken to achieve this goal?

2. Mid-term (Formal) Evaluation (June 1990)

The following steps will be taken:

-Evaluate progress to date and make recommendations to improve implementation activities with respect to achieving project objectives.

-Conduct a specific study to determine the appropriate mix of drying and fermenting facilities for project support and make implementation recommendations.

-Conduct a specific study to determine appropriateness of expanding the number of project supported market/input centers. Make implementation recommendations.

Specifically evaluate the results of the work completed at the Big Falls rice mill. Determine reduction in milling losses, compared to 20-40 percent targeted reduction. Make recommendations for continuing actions to maintain and/or improve mill efficiency.

3. Third (In-house) Evaluation (September 1991)

The following steps will be taken:

- Evaluate project results achieved against targeted outputs, including those that may have been altered during the first two evaluations.
- Identify problems which effected implementation and what happened as a result.
- Make recommendations which could be used in other projects, concerning both the successes and problems of this project.