

Attachment B - Program Description

I. INTRODUCTION

US Government (USG) assistance in Paraguay is aimed at improving stability and security by strengthening democratic institutions and rule of law, increasing economic opportunities for vulnerable groups, encouraging a more efficient business environment and institutionalizing reform. USAID's role in Paraguay is to strengthen democracy and addressing the underlying inequality in Paraguay by promoting more effective government institutions and greater economic inclusion of women, the disabled, and the rural poor particularly in the Northern Zone of the Country.

The inequality in Paraguay is experienced in the traditional exclusion of Paraguayan citizens to shape their own government and contribute to the country's economic development, thus influencing the high levels of corruption and low levels of investment and business growth. In order to address this issue, economic growth activities of the USAID Mission have been integrated into the primary goal of supporting democratic practices, given that peace and democratic practices rarely flourish in an environment of deep poverty and substantial gaps between rich and poor.

USAID/Paraguay has established the following Program Purpose and Sub-Purposes for this 5 year economic growth activity:

Program Purpose: Increased inclusive and sustainable economic development for small-scale producers, especially vulnerable populations.

- Sub-purpose 1: Increased net income of small-scale producers' organizations and enterprises through value chains and market access.
- Sub-purpose 2: Increased employment and business opportunities for women.

II. GEOGRAPHIC FOCUS

For Sub-purpose 1, the program will mainly focus on the northern zone departments of Canindeyú, Amambay, Concepción, and San Pedro, which experience high poverty levels. These departments show lack of government presence, services, and general security. Notwithstanding, there are other departments that also undergo high poverty levels (Caazapa: 56.6%, Guaira: 45.5%, and Caaguazu: 44.8%), which could also participate depending on the identification of common value chains and the interest of the private sector in sourcing from them.

Targeted technical assistance on focused policy issues impacting the rural poor, including women, will be targeted in these same geographic areas, on a national level, or wherever the opportunity presents itself.

For Sub-purpose 2, the program will work at the local level and also national level. Complementing the activities of this project, the Women's Leadership Initiative with Higher Education for Development via the University of Florida will provide women with leadership qualifications for the agriculture sector. While the main agriculture program (Sub-purpose 1) will seek to advance women's participation in value chains in the targeted geographic areas, the Women's Leadership Initiative may be more national in focus.

III. PROBLEM STATEMENT

The main problem to be addressed through this program will be how to make agricultural value chain development inclusive of the rural poor, especially in Paraguay's northern zone. Based on an understanding of the causes for the low level of apparent connectivity between small agricultural

producers and producer associations, and those associations and respective markets, the program will work to strengthen the poor's ability to participate in and benefit from markets.

The low level of agricultural yields, far below those of developed nations, and below most of their peers in Latin America, further complicates the plight of the rural poor, especially small agricultural producers in the Northern Zone. For a number of crops, a 50 increase in yield would be an entirely reasonable expectation if good agricultural practices and more low cost technologies were implemented.

Connected to the issue of poor agricultural yield is access to credit (predominately adequate agricultural loans), weak agricultural associations and cooperatives, little involvement of private sector (agri-businesses), poor rural infrastructure, all of which continues to plague small-scale producers in rural Paraguay.

Gender gaps are another dimension of rural poverty. This is most evident in patterns of employment and income, access to resources, control over assets and decision-making, access to justice and freedom from violence (gender-based violence), and health care – particularly in more rural areas.

While understanding the tangible constraints to being able to improve productivity and access markets is critical, equally important is to understand the (dis)incentives in the market or value chain system for investing in improvements. Even where the poor have access to resources, if risks are too high and returns from investing are too low, adoption of new technologies and practices will not happen. For women, risks and incentives are particularly important to address if they are to benefit from value chain participation

The Government of Paraguay (GOP) currently lacks the capacity to address these issues and to provide key social and economic opportunities for vulnerable populations, particularly for poor and women in rural communities in the Northern Zone. The GOP lacks critical, targeted technical assistance to respond to windows of opportunity to advance policies that promote opportunities for the rural poor, especially women and youth. This program will have a particular focus on these populations to assure inclusion and generate economic opportunities.

IV. DEVELOPMENT HYPOTHESIS

The development hypothesis supporting this program states that sustainable economic development can be achieved by increasing economic inclusion of small agricultural producers and women into market-driven value chains through participation in more capable producer organizations. This will also improve leverage support from local governments and private sector firms.

Providing focused and specialized technical assistance to producer organizations will provide the GOP with just-in-time help to improve policies to help the rural poor, especially women, youth, and indigenous peoples.

The concept of “market-driven” will be the core of this program; therefore the technical approach will be focused on key aspect such as:

- Starting with market demand and working backward to solve problems that stand in the way of satisfying that demand
- Producing what can be sold, rather than trying to sell what is being produced
- Focusing on specific, transactional problems identified while trying to establish linkages between real buyers and producers (as opposed to having generic solutions for everyone, like access to credit, etc.)
- Building trust and establishing long-term, sustainable relationships b/w buyers and sellers
- Managing towards specific indicators (sales, jobs, income, investment, etc.)
- Defining demand as actual buyers (purchase orders, etc.), as opposed to generic statistical analysis or market studies.

USAID experience with "anchor firm" and other methodologies under Paraguay Vende and Paraguay Productivo might offer other/different points for really fleshing out and defining "market-driven" or "demand-driven" or similar concepts as a central focus for this program. The main assumptions under this hypothesis are the following:

- Integration of small-scale producers into value chains and providing links to markets, access to the resources needed to compete in and benefit from markets, and the right incentives created by a conducive enabling environment will lead to an increase in net incomes and, as a result, a reduction of poverty in targeted areas.
- Assistance aimed at achieving aggregation and economies of scale, whether through producer organizations or brokers or other culturally acceptable means, will directly benefit small-scale producers and enhance added value, access to market, and prices they receive for their products.
- The adoption of good agricultural practices and better natural resource management will improve productivity, sustainability, and resilience of farming.
- The access of rural women to roles of leadership and participation in agribusiness will improve rural empowerment and the quality of life of their families.
- Increased collaboration with local governments and the private sector will generate investments that support value chains.
- Targeted technical assistance will generate improved policy in the rural sector, benefitting the poor, and women respectively.
- The program will not directly support marketing of products; instead it will rely on organizational partners to do that.

V. TECHNICAL APPROACH

Methodology:

The recipient will implement this program focused on the following key guidelines:

- Work with producer organizations:

In order to facilitate selection of producers and delivery of services to them, the recipient will work closely with private sector firms, cooperatives, and producers organizations in the relevant regions and value chains. In addition, the recipient will work with cooperatives and/or producers organization to strengthen their capacity for self-management and their ability to provide value-added services to their members such as technical assistance, group purchasing programs, marketing programs, etc. Not only will this leverage the resources of the project, but it will also ensure the ongoing provision of services and a stronger market "ecosystem" after the program ends.

- Promote economic inclusion of indigenous peoples:

Under a market-based approach, there is currently no incentive for the private sector to seek productive relationships with indigenous communities. Language barriers, geographic isolation, deficient infrastructure, health, and education services, and lack of organization present obstacles for their incorporation into traditional business models. The recipient will promote inclusive value chain development through a) strengthening organization and representation of indigenous peoples working in agricultural production; b) connecting indigenous populations with the private sector and local governments; and c) providing direct technical assistance to level the playing field between indigenous communities and other small producers.

- Develop alliances with financial institutions and private sector:

While many different types of producer organizations exist in Paraguay, many lack effective internal organization, cohesiveness, and connection to the private sector and financial resources. Private firms have historically invested substantial resources in improving production techniques of small-scale producers linked to their businesses. Under the previous economic growth program, private firms invested 27.7 million USD over three years, and expressed interest in expanding their efforts in this area. Access to credit has been also an enormously important and effective part of Paraguay Productivo project, and the design team considers this to be an essential part of the new program design. Financial capital and credit are the fuel for commerce – without working and investment capital, businesses encounter substantial difficulties in the day-to-day conduct and expansion of their business activities. Paraguay Productivo developed relationships and agreements with several financial institutions to provide training to credit officers, enabling them to better understand the cash flows for various crops and the credit needs of the small farmers. Through those efforts, many small producers were able to obtain much-needed access to credit. When credit officers understand the credit needs and cash flows of small-scale producers they are much more capable of evaluating their ability to repay a loan, and tailor loan products to their cash flow needs. This program will leverage the foundation established by Paraguay Productivo and continue to work with private sector and financial institutions to encourage the extension of credit and services to small agricultural producers, as well as cooperatives and agribusinesses which will stimulate demand and employment in the value chains.

- Identification of value chains:

The specific value chains will be determined during the program implementation, based on opportunities and a selection criteria set to be defined. The recipient will develop a set of criteria for purposes of evaluating and selecting appropriate value chains. The USAID/Paraguay mission will review and approve the criteria, as well as the value chains selected by the recipient, maintaining flexibility for new demand or partnership possibilities. The recipient will provide to the Mission the data for each value chain in an easy-to-read format so that the Mission can easily compare across value chains and across criteria, and understand the logic for selecting one value chain over another.

Illustrative but not be limited to, the evaluation criteria shall include the following aspects for the selection of value chains:

- Existence of demonstrable market demand for the selected product.
- Opportunities for import substitution and/or export expansion,
- Magnitude of opportunity for yield improvement;
- Potential for substantial increase in income (revenue less cost of production) per producer;
- Relative potential profitability per hectare of value chain to the farmer (compared to other value chains);
- Level of initial investment required by farmer;
- Willingness of private sector firms to participate and invest in the sector and in program activities;
- Access to appropriate infrastructure and markets;

- Develop selection criteria:

The recipient will periodically evaluate proposals and requests from the private sector and producers organizations based on criteria to be finalized during the initial stages of the program. However, key components of those criteria will be, but not limited to:

- relevance to value chains and/or geographic regions where the program has activities;
- magnitude of the economic impact of the proposed projects on the surrounding area (in the form of small producer income and/or generation of direct off-farm formal employment for the rural poor, and women);
- cost-effectiveness of the proposed projects; as well as

- the percent of funding provided by the private sector or other sources;
- identification of specific demand (buyer) and targets;
- potential impact on women, youth, and indigenous peoples.

- Sub-grants to implement agribusiness plans:

Establishing a fund and an evaluative process up-front will enable the recipient to respond to agribusiness plan requests from the producer's organization in a flexible manner. However, in order to ensure that the objectives of the program are fulfilled through these investments, criteria need to be established up-front which govern which types of projects could receive sub-grant funds for implementation. A notional amount of \$50,000 - \$100,000 per program is anticipated, based on the total sub-grant budget included in the recipient's final cost application.

The recipient will describe its approach to, and how it will manage, the competition and award of sub-grants in line with USAID best practices and the Paraguayan situation. The recipient will design an approach to grant-making that is cost effective and designed to be responsive to the needs of value chain development activities; and procedures for identifying and approving proposals that are not onerous and ensure flexibility. The recipient will establish a cost-effective system for awarding and managing sub-grants, and will emphasize the application of alliance principles to leverage private investment, financing, and encourage public-private implementation partnerships.

The recipient will maximize the use of experienced organizations as the vehicles to managing the sub-awards program. The use of sub-awards will be included by the recipient as one of the tools to achieve program results. USAID will approve the actual selection of all sub-recipients under this agreement. All sub-awards must comply with 22 CFR226.5 Sub-awards.

- Productive Co-Investment Fund:

Certain value chains will also require additional investment in productive assets (such as collection centers, cold storage tanks, processing/production facilities, etc.) to expand production and generate growth and employment which will benefit the rural poor. The program will seek out appropriate opportunities for co-investment in small-to-medium sized productive capital assets and provide matching funds to stimulate that investment. It is expected that the private and/or public sectors will provide at least 50% of the funds for each of these projects, with the remainder provided by funds set aside by the program. Based on the total budget for the Productive Co-Investment Fund included in the recipient's final application, a notional amount of \$50,000 - \$100,000 per program is anticipated. Where appropriate, the recipient will also facilitate and stimulate the provision of credit to finance these investments, both through agreements with financial institutions as mentioned above, or agreements and partnerships with other entities.

The USAID/Paraguay mission will review and provide technical approval for the criteria, as well as the investment projects selected each year by the implementing partner. The recipient will provide to the Mission the data for each investment program in an easy-to-read format such that the Mission can easily compare across prospective projects and across criteria, and understand the logic for selecting one investment program over another.

- Leverage additional funds:

The recipient will develop alliances with private sector firms and cooperatives to leverage program resources with private sector resources. For the purpose of this agreement leverage is defined as financial and in-kind contributions/investments which enable the achievement of substantial results. Leverage could include resources from joint ventures and commercial partnerships among others. However, it must not include sales, sales contracts, or purchase agreements. The recipient will quantify separately the leverage which will be provided in terms of cash and in-kind contributions. The total estimated leverage funding to be provided by the recipient is included in Section A.4 "Award Budget". Financial resources can also potentially be leveraged from the two bi-national hydroelectric power authorities, Itaipu (Paraguay - Brasil) and Yacyreta (Paraguay - Argentina), by working with local governments. Where appropriate, the recipient will also facilitate and stimulate the provision of credit to

finance these investments, both through use of the Mission's existing Development Credit Authority program, as well as through separate agreements with financial institutions as mentioned above. Finally, agreements and partnerships with GOP entities may be developed by the program team for purposes of leveraging additional capital to further the larger goals of the project.

Components:

The following section outlines the recipient's Technical Approach for this economic growth project.

Program Purpose: Increased inclusive and sustainable economic development for small-scale producers, especially vulnerable populations.

Given the totality of the circumstances and the drastic needs of the rural poor in the Northern Zone, USAID/Paraguay has prioritized working with agricultural associations and cooperatives to most effectively reach small-scale producers and promote economic growth in the Northern Region. The main focus will be on communities in the departments of Canindeyú, Amambay, Concepción, and San Pedro. The size of the target population will be around 20,000 small-scale producers, which represent near 20% of the total small-scale producers in the Northern Zone (and around 10% of the total small-scale in the country). Within this target population, the recipient will generate increased income for 20 to 30 indigenous communities, representing approximately 3,000 individuals or near 10% of the total indigenous population in the region.

The recipient will support agricultural systems that promote inclusivity, sustainability, and profitability for the small-scale producers. They may include, but not limited to, various value chains within a comprehensive range of agribusiness options (agricultural, forestry, animal farming, other alternative products, etc.), and markets (domestic, regional, international)

The recipient will consider promoting partnerships and maximizing leverage from the national, departmental and municipal government, the private sector, and other partners as a top priority. It will also integrate local governance strengthening as a means of supporting value chain development.

The program will focus on six basic concepts:

- The program will be driven by markets. Markets will provide the sustainability for interventions and will be the lens through which activities are prioritized (as opposed to, for example, looking at illicit activity locations). Markets will also be the door through which we seek to leverage the private sector.
- The program will focus mainly on the agriculture value chains sector with small-scale producers. That focus will include value added activities in a number of selected agribusiness enterprises. These could take the form of value-added processing of primary commodities or production of secondary products.
- The program will strengthen the capacity of small-scale producers' organizations and associations. It will not be providing direct on farm assistance to farmers, and will not directly support marketing of products; instead it will rely on organizational partners and private sector to provide technical assistance.
- The program will seek an inclusive gender approach recognizing that families are often the basis for agricultural production. It may mean that the recipient will intentionally identify value chains in which women play very active roles.
- The program will incorporate a rights-based approach to promoting the economic inclusion of the most vulnerable sector of the population in Paraguay: indigenous peoples in the Northern Zone. The program will stimulate greater inclusion within agricultural value chains for the benefit the rural indigenous communities in the region.
- The program will address the underlying governance challenges that hinder economic inclusion in the Northern Zone and catalyze institutions that promote long-term sustainable local economic development.

A transversal theme of the program will be the focus on the participation of women in the formal labor force, particularly in the agricultural sector, by promoting women's leadership and addressing the gender gaps prevalent in the rural areas. For inclusion of the rural poor to be truly broadly based, not only does the main rural development program have to fully integrate women into the value chains, there also needs to be a more intentional focus on women's leadership. As per USAID/Paraguay's current agreement with the Women's Leadership Initiative under Higher Education for Development (HED) and a sub-grant to the University of Florida, working with Paraguay's national university, the recipient will work with women to assure that the country has a sustainable program assuring women's participation in the agriculture sector well after this five year period ends. The recipient will coordinate activities with the Women's Leadership Initiative for this project, principally for component of: Greater capacity and empowerment of women in agricultural value chains on and off farm (Sub-purpose 2, Output 2.1).

Given the Development Hypothesis, the following sub-purposes will result in the overall program purpose. Expected outputs are clearly outlined below, including illustrative activities and results to be implemented by the recipient.

Sub-purpose 1: Increased net income of small-scale producers' organizations and enterprises through value chains and market access.

Strengthening producer group associations and cooperatives and other productive enterprises that promote agricultural productivity and sustainability of small-scale farmers, is a key way to accelerate employment creation (on and off farm) and income generation for significant groups of people, particularly rural poor, indigenous peoples, and women. By building capacity within these associations and cooperatives, allowing them to coalesce and formalize into sustainable, profitable, and inclusive organizations, they will leverage economies of scale and enhance their capacity to take advantage of both horizontal linkages with other producer groups and vertical linkages with key "anchor" firms and input suppliers. This program will explore each association's and cooperative's technical, economic, and financial viability through an interactive process of capacity building pertaining to the strengthening of their ability to conduct to marketing, sales, investment, technical assistance, and financial strategies.

The fostering of the development of these producer associations, and cooperatives, in terms of membership, organizational management capabilities, and ability to provide value-added services to their members will be prioritized by the recipient. These value-added services will include the provision of technical assistance to farmers, joint marketing of crops, procurement of inputs, and possibly the provision of shared mechanized services as appropriate. The recipient will focus its efforts on how to work closely with local cooperatives both as a conduit to facilitate delivery of services to producers in a cost-effective manner, as well as to build local capacity within the cooperatives themselves.

The principal objective of the program is to generate on-farm income in agricultural value chains, and it will also seek to generate off-farm employment where possible through the expansion of existing agro-industries, or introduction of new, agro-processing facilities in the region, but only for value chains that include small producers. These could take the form of value-added processing of primary commodities or production of secondary products. To facilitate the expansion of agro-processing in the region, the program will seek to stimulate the expansion of credit and also manage a co-investment fund which will provide matching grants to selected projects.

The program will provide technical and other assistance, as appropriate, that will foster implementation of economic and environmentally sustainable agricultural practices. The recipient partner shall determine which agricultural practices will be promoted, along with the methodology for facilitating their implementation by small producers. While these practices in their specifics may vary based on value chain and location, it is expected that they will include (but not be limited to) the following techniques: water management, soil preparation, soil management, including direct planting (siembra directa), use of fertilizers including "green manure", use of improved seed varieties, conservation agriculture, crop rotation strategies, appropriate spacing of plants, and inter-cropping, organic production, climate change adaptation systems, natural resources management, integrated pest management, agroforestry, use of

low-cost irrigation technologies, production planning, both at the farm level and at the cooperative, association, or comité level, etc.

The technical assistance to be provided by the recipient will include not only agricultural training to improve production but also financial training (how they can access credit, what the supply in the market is, and how to do business plans focused especially towards women) where appropriate. This financial component will aim to facilitate access to credit to producers' organizations members that participate in the selected value chains. The program may provide technical assistance to borrowers and lenders. Bank technical assistance may include helping bank staff revise their evaluation methodologies and/or develop new products.

In regard to the technical assistance provided to producer's organizations, the recipient will consider incorporating various successful components of formers projects in the implementation of activities for this program. Such components will likely include the following:

- Connecting small scale producers to market opportunities through selected value chains,
- Encouraging and stimulating market linkages (sales/marketing and logistical support, as well as procurement support for key inputs) between input providers, producers, cooperatives and organizations, processors, supermarkets, and exporters,
- Improving farm-level yields and product quality through technical assistance,
- Connecting producers to credit where appropriate.
- Exploring and promoting inexpensive small producer crop insurance programs (covering a variety of perils such as hail, frost, drought, and excessive rain).
- While "classroom" training may form a component of the technical assistance provided to beneficiaries, the program shall prioritize "hands-on" training and technical assistance methodologies over classroom/academic training,

Ensuring appropriate consideration of existing community participation practices, indigenous communities will be engaged – in many cases for the first time ever – with local governments, the Ministry of Agriculture, and producers associations, to collaboratively define value chains in which communities have a comparative advantage and could feasibly insert themselves. Many indigenous communities already produce honey, medicinal herbs, and a variety of other fruits and vegetables that are in demand. By increasing and improving the quality of their supply, reducing transaction costs through leveraged local government and private sector investments in infrastructure, and developing mutual trust between indigenous communities and buyers, the project expects to facilitate sustainable productive relationships that generate significant income for these vulnerable groups.

Complementarily, targeted interventions from the recipient with related public institutions and local governments will support a policy and governance environment to promote small producer development. Significant investments are necessary on the part of the municipal, departmental and national governments to improve the business climate within municipalities for the private sector and cooperatives to contribute to broader economic growth mainly in the Northern Zone.

Local governments typically have equipment and own fiscal resources, as well as other funds that come from royalties and compensation (from Itaipu, Yacyreta, others). If informed by the concrete demands of social actors (producer organizations) and economic agents (companies/exporters or agro-industrial) and articulated into viable business plans, these resources may be applied to infrastructure on rural roads, hubs for distribution of products/inputs, and other services that can support the selected value chains.

However, local governments currently lack the capacity to promote local economic development and address the issue of economic inclusion for vulnerable populations in rural communities in the Northern Zone. For the abovementioned investments to be effective, local governments must develop their capacity to plan, procure, and manage them. If they are engaged with local producers and private sector counterparts and understand the challenges they face, local and regional governments can play an important role in elevating critical rural development policy concerns. They are also pivotal actors in constructing an investment-friendly climate that is not hindered by perceptions of corruption, instability,

and lawlessness. Recognizing the multiple challenges and disincentives for private sector investment in the region, strengthening the role and capacity of local and regional governments is essential for reaching the project goal and ensuring sustainability of efforts.

Agro-industrial and commercial enterprises, pushed by internal and external demands are constantly looking for new suppliers in areas that are traditionally dominated by small agricultural producers. Companies are willing to invest their own resources, as evidenced in former USAID Projects *Paraguay Productivo*, *Paraguay Vende*, and FMB/DAP's *Alianza San Pedro Sostenible*, to promote appropriate technologies and offer guidance in terms of quality, food safety and good agricultural practices. Using a market-based approach, the recipient will foster alliances with private sector firms to get their commitment to support producers' organizations, in order to improve added value and prices of agricultural products, as well as market access. Rural women and youth will also benefit from job skills training to improve off-farm employment opportunities in the agribusiness value chains.

USAID/Paraguay seeks to increase the Paraguayan governments' and the private sectors' direct involvement in program implementation by leveraging planned investments, particularly in productive infrastructure to support selected value chains. Investing in small agricultural infrastructure for irrigation, warehouses, packing plants, or roads will contribute to increased productivity, and these infrastructure projects can be funded with the leverage resources to be provided by the applicant and its partners.

This sub-purpose will be achieved through the following sub-components:

Output 1.1: Strengthened internal capacity of producer organizations or other productive enterprises that promote small-scale farmers, including indigenous peoples, and agro-processors.

Illustrative activities but not limited to:

- Baseline studies on landscape of producers organization in the area of the projects (survey of cooperatives, associations, committees, others small-scale producers organizations).
- Institutional support to producers' organizations for organizational development (strategic planning, management, administration, sustainability plan, etc.).
- Technical assistance to producer organizations to improve women inclusion and incentives.
- Coordination with local governments, municipalities, and others institutions and projects.
- Value chain studies and market research to identify opportunities and challenges.

Illustrative results: but not limited to:

- Strengthened vertical and horizontal linkages in smallholder-dominated value chains, while fostering win-win relationships between vertically and horizontally linked actors or firms, while also strengthening the internal capacity of producer organizations (that are proven to benefit their members) or other productive enterprises that promote small-scale farmers and agro-processors.
- Improved capacity of producers' organizations (technical, administrative, commercial, and organizational).
- Increased and improved participation of small-scale producers, indigenous peoples, and women in organizations.
- Increased access of producers' organizations to grants for implementation of business plans for value chains.
- Improve coordination of producers' organization with local government and other institutions.
- Access to financial resources from public and private institutions is improved.
- Producer organizations have improved capacity for negotiation of prices.

Output 1.2: Increased agricultural productivity and sustainability of small-scale farmers

Illustrative activities but not limited to:

- Technical assistance to small-scale producers that enables them to implement sustainable agricultural and natural resource management practices.
- Technology transfers on climate change adaptation and promotion of agricultural insurance systems
- Technical assistance in Good Handling Practices for agricultural products, and strengthen existing TA private providers.
- Technical assistances in management of water resources based on the USAID' Water and Development Strategy, 2013-2018
- Technology Packages, Equipment & Supplies for agribusiness (agricultural inputs suppliers).
- Technical assistance for business plan elaboration in selected value chains
- Technical assistance and agreement with financial firms to provide credits.
- Financial support through grants and/or access to credits for implementation of selected business plans of producer's organization.
- Technical assistance for marketing and selling products thru producers' organizations, cooperatives and private sector.

Illustrative results but not limited to:

- Increased agricultural productivity and sustainability of small-scale farmers, through improved access to the resources needed to increase productivity and improved incentives for investing in productivity
- Improved agricultural practices, natural resource management, and water resource management.
- Productive areas and yields are increased.
- Improved adaptation and resilience of small farms to climate change extreme events (frost, drought, floods).
- Handling Practices of packed, handled, and stored in safest manner are improved.
- Strengthen supporting markets for selected value chains, making agronomic, extension, business development and financial services more affordable and accessible to value chain actors
- Increased value and quality of agricultural products.
- Value chains are improved based on the implementation of business plans, created credits to small-scale producers, to buy inputs or invest in new production.
- Local and regional market access increased.
- Income of small-scale producers increased through sales.

Output 1.3: Development and expansion of alliances between agricultural producer organizations and private sector firms in agricultural value chains

Illustrative activities but not limited to:

- Alliances of producer's organizations with private sector for market access and resource leveraging.
- Alliances with private firm for technology transfers, training, mobile and TEC services.
- Investments for manufacturing the value-added of products.
- Contract of sales, and logistical services provision for market access.
- Alliances expanded with and resources leveraged from private firms for investments.
- Alliance and contract of sales with private firms (processor, buyers, services providers, etc.).

Illustrative results but not limited to:

- Strengthened linkages between agricultural producer organizations and private-sector lead firms in agricultural value chains
- Alliances with private sector firms are increased to support producers' organizations into the value chains.

- Technology transfer to small-scale producers is improved and increased into the value chains.
- Added value and prices of agricultural products are improved for the small-scale producers.
- Market access is improved through alliance between private firms and producers' organizations.
- Increased resource leveraged to support investments in selected value chains.

Output 1.4: Policy and governance environment strengthened through targeted interventions to promote small-scale producers development

Illustrative activities but not limited to:

- Agreements between local governments and producer organizations to improve coordination.
- Technical assistance to local government on economic development planning.
- Technical assistance and coordination with INDERT (*Instituto Nacional de Desarrollo Rural y de la Tierra*).
- Coordination and site-level integration with other institutions like MAG (*Ministerio de Agricultura y Ganadería*), MIC (*Ministerio de Industria y Comercio*), INFONA (*Instituto Forestal Nacional*), donors, and related projects.
- Technical assistance to local, departmental or national institutions of government on rural agriculture sector policy, leading to better frameworks and advancing markets for the rural poor, especially women.
- especially women.
- Strengthening the financial and human resource management capacity of local governments.
- Supporting local governments in participatory planning processes to identify local economic development priorities.
- Strengthening local and regional government capacity to guide productive sector expansion, particularly in value chains with high potential for inclusion of small-scale producers.
- Creation of Local Economic Development Units that serve as information and service hubs for different actors participating in value chains.
- Advocacy for a law requiring that a certain percentage of royalties are invested in productive sector improvements.
- Linking public sector agricultural extensionists to civil service career track to expand continuity and shift incentives towards improved public service.

Illustrative results but not limited to:

- Local government's capacity to promote economic planning and development is strengthened
- Coordination with the productive sector is strengthened.
- Local governments' collaboration with producers' organizations improved.
- Increased local, public financial resources invested in productive infrastructure.
- IDB or World Bank loan conditionality met, unleashing \$30 million for irrigation systems for the northern zone's rural poor.

Sub-purpose 2: Increased employment and business opportunities for women and youth.

In line with USAID's Gender Equality and Female Empowerment Policy, the recipient will integrate gender considerations to promote female empowerment and economic inclusion.

Gender-related discrimination in agricultural value chains is widespread, and women suffer disproportionately from exclusionary practices and economic deprivation. In rural areas especially, women are informally excluded due to lower education and higher illiteracy, as well as cultural norms that afford little power or participation to women, reflected in less access to land, lower wages, higher unemployment, and higher levels of extreme poverty

The program will improve participation of rural women in agricultural value chain activities, through setting explicit targets for increased participation of and benefit sharing for women and ensuring effective access by women to inputs, technology, and skills development.

The program will introduce female membership and leadership incentive mechanisms, gender training for male and female cooperative leaders and members, and business management and entrepreneurship training for empowerment of rural women. The recipient will also identify and reduce barriers to credit for female small-scale producers, and promote training and selection of female agricultural extension agents.

Through market research to identify off-farm and on-farm economic opportunities for women and agreements with financial firms to incentivize provision of credit, the recipient will support the implementation of new women-led agribusiness initiatives support through the producer's organizations.

This sub-purpose will be achieved through the following sub-components:

Output 2.1: Greater capacity and empowerment of women and youth in agricultural value chains on and off farm

While this agriculture program will advance women's role in value chains, another more intentionally-focused program will advance Women's Leadership Initiative. The program, to be managed by Higher Education for Development via a sub-grant to the University of Florida, will work with the National University to assure women play an important role in agriculture sector leadership in Paraguay.

Illustrative activities but not limited to:

- Training for women on leadership and entrepreneurship
- Financial support for rural girls education to improve access in technical schools
- Alliances with universities, and technical schools
- Market research on economic opportunities for women in agribusiness (off farm and on farm).
- Agreement with financial firms to incentivize provision of credit for women.
- Financial support through grants for selected business plans of women-led initiatives.
- Support of private firm for job skills training in agribusiness to rural youth and women.

Illustrative results but not limited to:

- Women's entrepreneurship and leadership skills strengthened
- Increased opportunities for technical education for rural girls
- Women's access to credit and technical assistance increased.
- Women-led agribusiness initiatives established through incentive grant opportunities
- Increased job opportunities for rural youth and women

The recipient will coordinate activities with the Women's Leadership Initiative for this component of the program.

VI. PARTNERS AND ALLIANCES

The recipient will focused to form alliances and partnerships with non-traditional partners, such us private businesses, cooperatives, producer associations, union and trade federations and development organizations, to address issues and achieve results in all components of this project. Special attention shall be given to the formation of alliances with the private sector for Sub-Purpose 1.

Specifically, the recipient is expected to describe the roles, responsibilities, expertise, and commitments of their alliance partners; and how the partners will share resources, risks and rewards, leveraging significant resources, apply proven expertise, work jointly with new and existing partners, providing access to markets agricultural products and use innovative approaches to achieve the expected results. The recipient will strive to identify a creative approach to look for potential private sector partners that are willing to enter into alliances to achieve common development and business objectives.

The recipient will treat USAID/Paraguay funding as an incentive to leverage funds from alliance partners which in combination can be used to build the foundation for sustained rural economic growth. The recipient and its alliance partners are expected to provide leverage to help establish sustainable service delivery mechanisms to rural farm and off-farm enterprises.

VII. AWARDS AND MANAGEMENT OF SUB-GRANTS

The recipient will describe its approach to, and how it will manage, the competition and award of sub-grants in line with USAID best practices and the Paraguayan situation. The recipient will design ***an approach to grant-making*** that is cost effective and designed to be responsive to the needs of value chain development activities; and ***procedures for identifying and approving proposals*** that are not onerous and ensure flexibility. The recipient will establish a cost-effective system for awarding and managing sub-grants. The recipient will emphasize the application of alliance principles to leverage private investment, and financing, and encourage public-private implementation partnerships.

VIII. GENERAL IMPLEMENTATION PLAN

Illustrative time-phased plan:

- Year 1: The first year of the program will focus primarily on strengthening internal capacity of producer organizations and other productive enterprises that work with small-scale farmers. It will also articulate alliance opportunities with the private sector, and implement baseline studies and selection criteria. This will provide a strong foundation enabling the producers' organization to implement sustainable production and value chains support to small-scale producers.
- Year 2: The second year of the program will focus on advancing the activities for increasing agricultural productivity and sustainability of small-scale farmers, and also promote greater capacity and empowerment of women in agricultural value chains on and off-farm. An important action at this stage of the program is establishing a fund and an evaluative process up-front that will enable the implementing partner to respond to agribusiness plan requests from the producer's organization in a flexible manner. Additionally, by leveraging additional resources, the program will provide funds for productive infrastructure co-investments for certain value chains that also require investment in productive assets (such as collection centers, cold storage tanks, processing/production facilities, etc.). The program will seek out appropriate opportunities for co-investment in small-to-medium sized productive capital assets and provide matching funds to stimulate that investment.
- Year 3/4: These years the program will focus on the development and expansion of alliances between agricultural producer organizations and private sector firms in agricultural value chains. At the same time policy and governance environment will be strengthened through targeted interventions to promote small producer development. Technical assistance to local government on economic development planning for co-funded productive infrastructure will be provided. Will be established alliances with and resources leveraged from private firms for investments for manufacturing the value-added of products. Implementation of selected proposals for co-funded infrastructure projects and selected proposals for business plans will continue during these years.
- Year 5: The last year the program will focus on implementing an exit strategy to ensure sustainability of the achieved results in the different components, as well as implementing a final evaluation of impacts and lessons learned. Final stage for implementation of selected co-funded infrastructure projects and selected business plans.

IX. MONITORING AND EVALUATION PLAN AND LEARNING APPROACH

Strong monitoring and evaluation (M&E) efforts to track program implementation and assess program performance is critical to determine if the desired results are being achieved. This will also allow the

mission to identify appropriate corrective measures to address implementation issues as they arise. The program's purpose is increased inclusive and sustainable economic development for small-scale producers, especially vulnerable populations. This will contribute to strengthening the capacity of producer organizations, building sustainable alliances with public and private sector institutions, and advancing the inclusion and leadership opportunities for women. To this end, the recipient will measure progress on specific activities and review contextual indicators.

Program M&E efforts will be carried out routinely by program and activity teams with the support of the program office. An evaluation of the impact of the program interventions will be performed by a third party evaluation managed through the program office. The baseline studies and beneficiary information gathered in the first 6 months of program implementation will be used to facilitate an evaluation to be conducted at the midpoint of the program and in the final year. USAID will provide input to review and approve the Statement of Work, the selected evaluator, the evaluation methodology, the sampling plan, survey and/or interview instruments, and the final report. An evaluation scope of work to procure external evaluation services will be created and competed during the first year of program implementation. The Logical Framework describes performance indicators for program implementation along with critical assumptions, baseline information, and development context statements. Additional purpose and output level indicators will be developed and used to track progress within each of the other components of the project. In order to ensure that USAID assistance makes the optimal contribution to gender equality, performance management systems and evaluations will include gender-sensitive indicators and sex-disaggregated data where applicable. The following sections outline the basis on which the project's M&E system will function.

An impact evaluation will be conducted to assess a) whether the program led to an increase in incomes among targeted small producers, and b) whether this outcome can be attributed, in part, to strengthened local governments. The impact evaluation should include a baseline assessment in Year 1, a mid-term evaluation in Year 3, and a final evaluation in Year 5.

Performance Monitoring:

USAID's Assistance Officer's Representatives (AORs) will be responsible for ensuring that the implementing partners are performing adequately and accomplishing their program description. Day-to-day monitoring of implementation progress will be the responsibility of the AOR and/or alternate AOR.

The AOR will remain in frequent communication with the recipient and he/she will inform the Agreement Officer and the EG office director or the Program Officer of any significant delays or implementation issues, so that remedial or corrective measures can be taken. The AOR will conduct site visits and request specific meetings between the program and activity staff, USAID representatives, and other stakeholders to discuss implementation of project's activities. The Program Office and the AOR will develop a uniform M&E system to collect the data and information from all implementing partners.

Program Monitoring Plan (PMP)

The recipient will work closely with the AOR to develop the PMP for the life of the program and well detailed annual work plans at the program and activity levels. The recipient will seek comments, suggestions, and input for identifying and refining activities from the participating agricultural cooperatives, public and private sector institutions, and other stakeholders. Based on the discussions between the recipient and AOR, the annual work plans can be reviewed and revised semi-annually as deemed appropriate. Achievement of outcomes will be seen through an improvement in baseline indicators that will be identified. A plan for collection of baseline data at the beginning of program implementation (and over lifetime of the project) will be developed and the baseline information will be obtained through field surveys, questionnaires, key interviews, and document reviews, etc.

This plan will be designed and tested in consultation with the cooperating organizations and implementing partners. The PMP will further define and establish performance measures to be used to monitor each level of the program results (Program Goal, Purpose, Outputs, and Inputs) and provide a precise

definition for each indicator. Output indicators will gauge whether key program and activity-level inputs are functioning and therefore contributing to achieving essential performance milestones along the M&E continuum. Output indicators are also critical to validating the accuracy of the project's working development hypothesis.

The selected key performance indicators to be identified during Program Monitoring Plan development will contribute to the Mission's overall Performance Management Plan –consistent with the ADS 203 guidance – and incorporated as an annex into the USAID/Paraguay Development Cooperation Strategy (2014-2018).

Illustrative Performance Targets but not limited to (as measured by the implementing partner):

- Value of Incremental Sales increased by 30%.
- 30% percent increase in average rural income of target beneficiary group (disaggregated to identify indigenous population)
- 30% percent increase in average farm-level yield
- Cooperatives and/or *Comités* strengthened as a result of USG assistance Resources leveraged from private sector as technical assistance to producers (30%)
- Value of agricultural and Rural Loans to new borrowers as a result of program assistance (50% increase)
- Increased participation of and benefit sharing for women in producer organization (Target to be determined based on baseline assessment).
- Women-led agribusiness increased (disaggregated to identify indigenous population) (Target to be determined based on baseline assessment).
- 3,000 indigenous individuals have applied new technologies or management practices as a result of USG assistance.

Note: These targets are expected to be achieved by the end of the project.

Illustrative Outcome/Impact Indicators but not limited to (as measured by the recipient):

- Total US\$ Value of Incremental Sales (Cumulative over baseline, collected at farm-level)
- % Change in rural income of target beneficiary group (Cumulative over baseline, collected at farm-level)
- Increase in gross margin per unit of land (disaggregated by product or value chain).
- Average % Improvement in Farm-Level Yield (per hectare or per animal) (Cumulative over baseline, collected at farm-level)
- Number of Cooperatives and/or *Comités* Strengthened as a result of USG assistance
- US\$ Value of Leverage (New Technical Assistance to Producers Leveraged Thru Private Sector (Firms/Coops) Participation in Project)
- Number of individuals who have received USG-supported agricultural sector productivity training & TA using "hands-on instructional approaches" (Female / Male)
- % of agricultural extension workers that are: Female / Male and gender disaggregation of extension clients.
- Value of agricultural and Rural Loans to new borrowers (as a result of program assistance) Gender disaggregated.
- Number of new borrowers receiving loans from financial institutions as a result of program assistance (Female / Male)

[END OF ATTACHMENT B – PROGRAM DESCRIPTION]