

SOCIAL ENTREPRENEURSHIP PROGRAM

PROJECT SYNTHESIS

1. **Country:** Dominican Republic
2. **Project Number:** DR-S1009
3. **Project Name:** Business and Financial Model for the Sustainable Cultivation of Macadamia by Small Agricultural Producers
4. **Executing Agency:** For the reimbursable financing component: Banco de Ahorro y Crédito ADOPEM S.A. For the nonreimbursable technical-cooperation component: Comercializadora Los Montones S.A.
5. **IDB Unit:** Multilateral Investment Fund (MIF)

6. **Financing Amount and Source:**

	<u>IDB</u>	<u>Local</u>	<u>Total</u>
Reimbursable financing:	US\$475,000		US\$475,000
Technical Cooperation:	US\$210,000	US\$140,000	US\$350,000
Total:	US\$685,000	US\$140,000	US\$825,000

7. **Goal and Purpose:**

The purpose of the project is to help increase the incomes of small producers in the Dominican Republic. The project's main objective is to implement a business and financial model that enables small producers to diversify their production toward the cultivation of macadamia as a nonseasonal crop with higher value and greater productivity; and gain access to high value markets.

8. **Description:**

In order to achieve these objectives, two components will be financed: a reimbursable financing component for US\$475,000 that will be executed by Banco ADOPEM; and a nonreimbursable technical-cooperation component for US\$350,000 (IDB: US\$210,000 and the company's local contribution of US\$140,000), which will be executed by Comercializadora Los Montones.

- ***Reimbursable financing component***

It will be used to grant long-term agricultural loans to small agricultural producers interested in starting to grow this crop, for the purchase of inputs and macadamia tree seedlings. The estimated average amount of the loan is US\$2,375, which will include the amount required to purchase a minimum of 200 certified macadamia tree seedlings and the cost of the inputs needed to establish the crop and buy organic fertilizer. The loan proceeds will benefit approximately 200 small agricultural producers. When granting loans, Banco ADOPEM will use its agricultural credit methodology, policies and procedures, and will also follow the Operating and Credit

Regulations prepared for the project, which include the criteria for selecting the small producers, the terms and conditions of the loans, and the operating protocols for coordination between the Bank and the marketing company, which must be approved by their respective authorities. The project's technical files include a draft of these regulations. The loans will have a grace period for principal of three to four years, with a total payment period of six to eight years.

- ***Non-reimbursable Technical Cooperation component***

It will be executed by the company Comercializadora Los Montones and will be used to: (i) finance promotion and awareness-raising activities for small producers about macadamia growing in the project intervention area; (ii) give small producers sufficient knowledge to introduce the crop and implement the technology package on their farms, starting with the screening process and the comprehensive analysis of soils on the selected farms, as well as the provision of the technical assistance necessary to care for the plantation, which will include theoretical and practical training in workshops, field days, and demonstration plots; and (iii) help improve Comercializadora Los Montones' marketing plan with the small producers and the market in general. The technical cooperation funds will also be used to finance the establishment of a baseline and a simple monitoring system, as well as the evaluations, audits, and ex post reviews required for the project. The Plan of Operations for the technical cooperation component found in the project's technical files describes this support in greater detail.

9. Beneficiaries:

The main beneficiaries of the project will be small agricultural producers living in the municipio of San José de las Matas who are engaged in agricultural activities and have up to five hectares of land where they grow coffee or short-cycle crops (pigeon peas, beans, squash, etc.) or use for livestock or agroforestry. The families of these producers typically also work in other service or commercial activities in the rural areas, in order to diversify their sources of income since liquidity fluctuations are significant in farming, where one must wait several months between planting and harvesting times to recover the investment. The monthly incomes of these families range from roughly US\$300 to US\$350. The average family has five members who have basic education, mostly only primary education.

10. Expected results and benefits

The direct benefit of the Bank's resources will be captured by: (a) at least 200 small producers who will have access to: (i) loans with suitable terms for financing investment capital (seedlings) and working capital (inputs) to be used for the cultivation of macadamia on their plots of land; (ii) knowledge and technical assistance on the technology package required to produce macadamia under the quality standards required to sell the nuts locally, as well as internationally in the future; and (iii) linkages as suppliers of Comercializadora Los Montones for the sale of their macadamia crops; (b) Comercializadora Los Montones, which will benefit from establishing commercial relationships with the small producers once the nut harvest begins, and as a result will have sufficient quantities of raw material to grow its business; (c) Banco ADOPEM, which will benefit from new customers and growing its agricultural loan portfolio, while gaining experience in financing long-cycle crops.