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SURINAME

**SUSTAINABLE MICROENTERPRISES IN RURAL COMMUNITIES IN SURINAME THROUGH
MICROFRANCHISING**

(SU-M1018)

DONORS MEMORANDUM

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INDEX

I. EXECUTIVE SUMMARY.....	1
II. BACKGROUND AND RATIONALE.....	6
III. OBJECTIVES AND COMPONENTS.....	8
A. Objectives.....	8
B. Components.....	9
IV. COST AND FINANCING	12
V. PROJECT IMPLEMENTATION.....	13
A. Executing Agency	13
B. Executing Mechanism	14
VI. MONITORING AND EVALUATION.....	14
VII. BENEFITS AND RISKS.....	15
A. Beneficiaries.....	15
B. Risks	16
VIII. ENVIRONMENTAL AND SOCIAL REVIEW	16

ANNEXES

ANNEX I	Logical Framework Matrix
ANNEX II	Budget Summary
ANNEX III	Quality for Effectiveness in development (QED)

APPENDICES

APPENDIX I	Draft Resolution
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INFORMATION AVAILABLE FROM THE TECHNICAL FILES OF THE MIF

PREPARATION

ANNEX III	Detailed Budget
ANNEX IV	Procurement Plan
ANNEX V	Diagnostic of Executing Agency's Needs (DNA)
ANNEX VI	Operating Regulations
ANNEX VII	Preliminary List of Milestones

ACRONYMS

ASW	Authorized Service Workshop
BOP	Base of the Pyramid
DATSUN	Datsun Suriname NV
EA	Executing Agency
FOB	Fonds Ontwikkeling Binnenland
IDB	Inter-American Development Bank
MIF	Multilateral Investment Fund
LAC	Latin America and the Caribbean
PSR	Project Status Report
OR	Operating Regulations
YAMAHA	Yamaha Motors Corporation

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I. EXECUTIVE SUMMARY

Executing Agency:	Suriname Fonds Ontwikkeling Binnenland (FOB)		
Country:	Suriname		
Beneficiaries:	The Project is expected to directly benefit 150 mechanics (inclusive of men and women) through the operation of the Authorized Service Workshop (ASW). Approximately 15,000 people from 30 communities in the interior of Suriname will also benefit by having access to reliable engines maintenance services.		
Financing:	MIF (nonreimbursable)	US\$	820.000
	Counterpart:	US\$	560.000
	Total:	US\$	1.380.000
Project Objectives:	The <i>goal</i> of the project is to contribute to raise the incomes of rural population in Suriname by using microfranchises as a tool to build entrepreneurial capacity. The <i>purpose</i> of the project is to test and validate a microfranchising methodology for engine maintenance in communities of the three interior districts of Suriname.		
Execution and disbursement periods:	Execution Period: 36 months Disbursement Period: 42 months		
Special contractual clauses:	As a condition of first disbursement: (i) the Operations Manual will be prepared by FOB and approved by the MIF local specialist; (ii) the project coordinator will be hired by FOB; and (iii) an agreement will be executed between FOB and Datsun, formalizing both parties commitments to provide technical and financial support to the project.		
Exceptions to Bank Policies:	None.		
Environmental and social review:	The project was reviewed, cleared and classified under “C” by ESR review 35/11.		

II. BACKGROUND AND RATIONALE

A. Problem Statement

- 2.1 According to the Census of 2004, 13% of Suriname inhabitants live in the three interior districts, where Maroons and Indigenous people make up the majority of the population. Maroons make up 16% (36,060) of the total population in Suriname and Indigenous people 4% (5,781)¹. There are six Maroon (Bush African American population) and four main Indigenous (Amerindians) tribes, who are living in more than 150 villages in the interior.
- 2.2 The lack of local job opportunities is arguably the biggest development challenge in the interior of the country. The unemployment rate of over 50% is also a direct result of the few existing possibilities for local community members to develop skills and start their own businesses. According to the Ministry of Education, there are only 89 primary schools in the areas where Tribal Groups live. After completion of primary school the majority of the children do not have access to secondary or vocational education.
- 2.3 In addition, given the geographical configuration of the country, communities in the interior are very dependent on the use of small engines for daily transportation (business, educational, medical, and occupational uses), energy, and water distribution. Virtually all river transport is provided by private canoes (korjalen) and there are hundreds of boatmen working on the many rivers that surround Suriname and its interior. In addition, the Department of Energy Provision in the Interior reports that of the 150 off-grid villages, 93 have generators with no direct access to technical staff. Finally, water distribution in the communities is mainly provided by small water pumps connected to larger aggregates².
- 2.4 Given this dependency and no technical staff on site or nearby to repair these engines in case of malfunctions, life within these communities can be severely disrupted when engines break down. Operators usually resort to self taught methods of repair and maintenance to keep engines running. In addition, local technicians who might have some rudimentary capacities, have no opportunities to expand their skills or to invest in an adequately laid out and equipped repair shop and stocked inventory of spare parts. Finally, the lack of a proper engine reparation also involves environmental hazards for the communities, as small oil spillages are frequent and no appropriate collection mechanisms exist for broken down engine, thus generating hazardous waste.

¹ Support for Sustainable Development of the Interior. Report on Community planning and consultation for IDB. November 2009.

² The present project will coordinate activities with the project SU-M1019, “*Introduction of sustainable business models in Suriname rural electrification*” that aims to support sustainable provision of energy in the interior of the country.

B. Justification of the proposal.

- 2.5 Acknowledging the demand in rural areas, Yamaha Motor Corporation developed³ the Authorized Service Workshop (ASW) model to provide a network of local service providers in three key areas: service, spare parts and sales. ASWs are established in remote areas not covered by traditional Yamaha distributors. Yamaha considers this strategy important in terms of improving customer confidence in their products, as well as to cover the demand of Yamaha services in many areas of underdeveloped countries. In practice, the ASW model has proven difficult to implement in some countries due to the need to adapt the methodology to the reality of low income entrepreneurs and remote communities.
- 2.6 In this context Datsun Suriname, the local distributor of Yamaha in Suriname⁴, started to consider the adaptation of the ASW model to the Surinamese reality. Datsun's goal was to make the ASW model more accessible for low income entrepreneurs (Maroons and Indigenous populations) in the communities of the interior. With the help of the Suriname Fonds Ontwikkeling Binnenland (FOB), a foundation specialized in working in the interior of the country with both indigenous and maroon populations, a process of investigation on best practices lead to the microfranchising approach as a tool for refining the ASW model to the local context.
- 2.7 Microfranchising is a fairly new business model with high potential to serve as a tool for economic empowerment of the low income population. It is based on the replication of an existing successful business that provides potential microfranchisees (usually low-income microentrepreneurs) with the tools and support they need to run a profitable business, thus removing the creative burden and other risks associated with starting up a business. Tested successfully in a number of developing countries of Asia, Africa and also LAC, microfranchising puts a strong emphasis on creating economic and social outcomes for individual microfranchisees, while also seeking to create value for established microfranchisor businesses.
- 2.8 Using experiences of other microfranchising initiatives (such as Vision Spring and IRC⁵) and lessons from other ongoing MIF initiatives (such as JA-M1023), the project will refine and adapt the ASW model to better serve rural communities. For this purpose, a more flexible and cost efficient structure, based on a central hub and two satellites per ASW, will be developed to expand the scope of the model and to enhance logistics and operating costs.
- 2.9 Accordingly, the project will help to prove the effectiveness of microfranchising as a tool, not only to provide access to engine services, but also to generate business opportunities and to improve the quality of life of low income isolated rural communities. Regarding income generation and job creation, the project will

³ Yamaha started piloting the ASW model in 2009. However as Yamaha representatives explained to MIF design team, the expansion of the model has been limited for the reasons detailed in the document.

⁴ Yamaha, through its local distributor Datsun Suriname NV is the predominant boat engine brand in Suriname with a market share of 80% according with data provided by the EA.

⁵ Please see: <http://www.visionspring.org/home/home.php> and <http://www.rescue.org/resource-file/irc-youthworks-microfranchising-project-evaluation> for further information on these initiatives.

support the creation of stable job opportunities in the interior communities through the consolidation of the workshops as microfranchises. In this respect, the project will provide the beneficiaries (particularly male and female youth) with the necessary technical and entrepreneurial skills and support for setting up and running a small business. Such businesses are expected to provide sustainable and profitable opportunities for the mechanics, therefore supporting their families and improving their quality of life.

- 2.10 The project will also play a key role in facilitating access to lower cost and better quality engines (generators, outboard engines and water pumps). In addition, the project will help to reduce the costs of repair and distribution, making transportation more reliable and influencing in the long run better outcomes overall in health and education, helping to improve the standard of living of the people in these communities.
- 2.11 This project is consistent with the objectives of the MIF agenda for “*promoting microfranchising as a tool for raising income and building entrepreneurship*” part of the AMC (Access to Markets and Capabilities) unit. The objective of this agenda is to catalyze the development and promote the adoption of microfranchising models to benefit low income population. The project will contribute to the agenda by developing a microfranchising model to provide services in isolated rural communities, increasing the incomes of low income population. In addition, the project will be the first one of the agenda that will collaborate closely with a private sector company in developing microfranchises. The project is also consistent with the IDB Country strategy with the Republic of Suriname (2011-2015) in different areas of the private sector development program.
- 2.12 The initiative has high potential to be replicated in other Caribbean countries, as well as in other countries in the region. In this respect, the project will systematize, package and disseminate the refined business model in alliance with Yamaha Motor Corporation.

III. OBJECTIVES AND COMPONENTS

A. Objectives

- 3.1 The *goal* of the project is to contribute to raise the incomes of rural population in Suriname by using microfranchises as a tool to build entrepreneurial capacity. The *purpose* of the project is to test and validate a microfranchising methodology for engine maintenance in communities of the three interior districts of Suriname.
- 3.2 To facilitate achievement of the stated goal and purpose, the project includes four key components: (i) market analysis and ASW microfranchise model building; (ii) piloting ASW initiatives and refining the model; (iii) expansion of the refined ASW model; and (iv) creation and transfer of knowledge, dissemination, and expansion plans for other countries.

B. Components

Component I. Market analysis and ASW microfranchise model building. (MIF US\$85.000; Counterpart US\$5.000).

- 3.3 The objective of this component is to set the foundations for the project implementation. First, a comprehensive market analysis will be conducted in order to identify the most suitable geographic locations/communities for the establishment of the ASW, taking into account local small engine markets as well as demand characteristics. It will also identify the profile and basic skills that potential microfranchisees in those communities should possess to run his/her own business. It will also identify different barriers to project participation and successful business operation for both male and female microfranchisees. Market analysis will involve community focus groups, one-on-one interviews, market surveys and meetings with influential community leaders that include both male and female participants. Second, based on the market analysis results, a specific microfranchise model will be built for Yamaha-Datsun Surinam, defining clearly the customer segment, microfranchisee profile, microfranchisee recruiting method giving equal opportunity to for inclusion to women and men, training system, branding & marketing strategies, ongoing support mechanism for microfranchisees, communication channels between the microfranchisor and the microfranchisees, revenue-cost model, start-up cost/financing mechanism, among others. To this end, an international experts in microfranchising will be hired, who will work with Datsun-FOB team in the implementation of this component. Datsun-FOB team's internal capacity will be strengthened significantly both by the knowledge transfer from the expert and also through "learning by doing".
- 3.4 Activities under this component will be as following: (i) conduct a comprehensive market analysis; (ii) build a specific microfranchise model for Yamaha-Datsun Surinam, including its business plan; and (iii) elaboration of a sustainability plan to enhance the financial and institutional continuity of the model after project completion.
- 3.5 Main expected results are: (i) 50 potential communities analyzed for the establishment of an ASW; (ii) Datsun-FOB has developed a strategic framework and operational procedures; (iii) 150 mechanics have been selected and trained to work at ASW; and (iv) 80% of the beneficiaries are part of the tribal communities. (Amer-Indian and Maroons).

Component 2. Piloting ASW initiatives and refining the model. (MIF US\$227.500; Counterpart US\$126.500).

- 3.6 The objective of this component is to carry out a pilot experience of Yamaha-Datsun microfranchise model, and building on its results and lessons, refine the model in preparation for a full rollout. According with this goal, operational manuals, training curriculum (covering both technical and business skills training) and promotional/marketing materials for the microfranchisees –all in English and the local language- will be fully developed. Yamaha Corporation will provide intensive technical training to Datsun staff in engine maintenance and repair, who in turn, will have acquired the capacity to train an extensive number of ASW microfranchisees.

- 3.7 The structure of the ASW will consist of a Hub and two satellites. The Hub will be the main workshop, providing repair services, spare parts and sales to the rural communities with more population. In addition to the Hub and to expand the outreach of the model, “satellite repair shops” will be developed in smaller rural communities that will provide basic repair services and spare parts.
- 3.8 Each ASW is expected to be operated by three certified mechanics, while each “satellite repair shop” is expected to be run by one mechanic (2 satellites per Hub are initially being considered) that will be trained and supported by the “hub” ASW mechanics. This “hub-satellite” dynamic has high potential to generate positive externalities through the technical and vocational training that the mechanics in isolated areas will receive. Once the pilot experience with the first five ASW and their respective “satellite repair shops” is completed and the lessons in terms of what worked and what didn’t are clearly captured, the ASW microfranchise model will be accordingly refined, in preparation for the rollout. An international expert in microfranchising will work with the FOB/Datsun Surinam team to execute this component.
- 3.9 Activities under this component will be as following: (i) Develop operational manuals, training curriculum (including financial literacy for the microfranchisees) and promotional/marketing materials that respond to the distinct needs and realities of men and women microfranchisees as well as to the cultural differences and languages of the interior communities; (ii) Carry out a capacity building program on engine maintenance & repair for Datsun staff; (iii) Launch the pilot experience with five ASW and their respective “satellite repair shops”; (iv) Refine the microfranchising business model; (v) Adapt operational manuals, training curriculum and promotional/marketing materials, based on the refined microfranchise model; (vi) pilot investments in: premises, tools, and spare parts fund⁶; (vii) promoting community innovations, connected with the ASW workshops, through the implementation of human center design initiatives in the communities; and (viii) design a financing methodology for Datsun.
- 3.10 Main expected results are: (i) a refined Yamaha-Datsun microfranchise model and adapted manuals, training materials and marketing materials for ASW microfranchisees; (ii) 25% increase in income for ASW mechanics versus comparable opportunities; and (iii) a methodology to facilitate financing to the ASW from Datsun has been defined

Component 3. Expansion of the refined ASW microfranchise model. (FOMIN US\$143.000; Counterpart US\$385.000).

- 3.11 The objective of this component is to expand the refined ASW micro-franchising model to an additional 75 workshops in the interior, in order to consolidate the model and to develop a sustainable network of ASW. The component will focus on consolidating the ASW by strengthen their businesses through an ongoing support from Datsun-FOB in terms of technical and business skills training, branding & marketing strategies/materials, an open communication channel for consultations &

⁶ These pilot investments will be financed with local counterpart resources.

problem solving, and working capital financing opportunities. The component will also incorporate the creation of a network of ASW, both Hubs and Satellites, to promote the exchange of best practices and to reinforce the mechanics in their operations. Through the component, Yamaha will be providing technical assistance and support to Datsun to consolidate its capacities as microfranchisor of a network of ASW. Finally, and in order to increase the business revenues of the ASW by facilitating their access to working capital (spare parts and small engines), specific financing will be provided by Datsun under the developed methodology of consignment.

- 3.12 Activities under this component will be as following: (i) establish new ASW and their respective “satellite repair shops”, (ii) provide an ongoing support to the ASW microfranchisees; (ii) put in place a working capital financing mechanism for the microfranchisees; (iii) create a national ASW network and design an action plan for knowledge sharing.
- 3.13 Expected results of this component are: (i) 25 new ASW and 50 “satellite repair shops” are created; (iii) 90% of the ASW continue in fully operations at the end of the project; and (iii) a national ASW network is created, its governance structure is defined and action plan is implemented.

Component 4. Knowledge creation, dissemination and expansion plan for other countries. (FOMIN US\$75,000; Counterpart US\$10.000).

- 3.14 The objective of this component is to document in an exhaustive and analytic way the creation, expansion and sustainability process of the ASW microfranchise refined methodology. This knowledge systematization should allow to: (i) draw key lessons from the experience for future initiatives; (ii) help to narrow down the currently existing knowledge gap in the field of microfranchising; and (iii) compare this model with others developed through MIF projects in this area.
- 3.15 The alliance with a large multinational company, such as Yamaha Corporation, with substantial presence the region, will give the project high visibility among companies with similar characteristics, providing clear demonstration effects. Once the adopted microfranchise model proves to be successful and sustainable, the potential to expand the program in other countries within and outside of the region will be significant.
- 3.16 Activities under this component will be as following: (i) develop a ASW microfranchise toolkit for external dissemination; (ii) design and carry out an outreach/communication plan; and (iii) conduct a regional market research to assess potential replicability of the model in other countries.
- 3.17 Expected results of this component are: (i) ASW microfranchise toolkit is developed and validated; (ii) communication strategy is implemented; (iii) a study on the potential replicability of the microfranchise model in other countries is developed in collaboration with Yamaha; and (iv) at least 5 Yamaha Distributors express interest in implementing the ASW microfranchise model.
- 3.18 **Audiences.** The project will seek to reach the following audiences in order to share the knowledge generated through the pilot experience with the microfranchises: (i)

Yamaha Distributors in LAC; (ii) socially responsible large and medium manufacturing enterprises in the Region whose products require maintenance-technical services, encouraging them to pilot and scale profitable service oriented microfranchises at the base of the pyramid market, and (iii) NGOs, foundations and social enterprises in other countries in the Region with communities with similar socio-economic conditions and the trend of using small engines, encouraging them to promote, test and implement microfranchising initiatives oriented to this population.

- 3.19 **Knowledge return.** This will be the first MIF micro-franchising project to test an innovative service-oriented microfranchise that will also involve a large multinational manufacturing company as a strategic partner and counterpart. This project also includes thorough, gender-sensitive market analysis and training tools and will create business opportunities for women in a traditionally male-dominated sector. As such, it is expected that the project will generate a relevant knowledge return with high potential to influence other similar actors to adopt similar approaches as part of their business strategies.
- 3.20 **Knowledge product.** The main knowledge product will be a Yamaha-Datsun microfranchise toolkit for external dissemination, focused on: (i) a detailed account of the key elements and processes carried out to design, pilot and rollout the microfranchise, (ii) lessons learned and recommendations based on what worked and what didn't in each phase, (iii) the impact that the project generated at the income level of the microfranchisees, as well as at the revenue level of the microfranchisor that assures the sustainability of the business model. Annually held Yamaha LAC Distributors Convention is expected to be a strategic venue where this knowledge product can be widely disseminated, raising the interest of other dealers to implement a similar program in their respective countries. Outreach to other Yamaha LAC Distributors will also be done through direct contact and/or the use of Yamaha internal communication channels (i.e. newsletters). The project will devise a plan to replicate the model in other countries where the company has a strong presence, based on a regional market research and analysis of existing demand.

IV. COST AND FINANCING

The total cost of the Project is US\$1.380.000 of which US\$ 820.000 will come from the MIF and 560.000 from FOB (of which at least 50% will be cash contributions). FOB counterpart will be through contributions from Datsun Suriname NV, and in kind contributions from Yamaha Motor Corporation.

Budget Items in US\$	FOMIN	LOCAL COUNTERPART	TOTAL
Component I: Market analysis and ASW model building	85,000	5,000	90,000
Component II: Pilot ASW initiatives and refine the model	227,500	126,500	354,000

Component III: Expansion of the refined ASW model	143,000	385,000	528,000
Component IV: Creation of knowledge, dissemination and expansion plan to other countries	75,000	10,000	85,000
Administration	172,700	33,500	206,200
Audit and ex post reviews	25,000		25,000
Evaluations (Mid-term and final)	10,000		10,000
Contingencies	23,000		23,000
SUBTOTAL	761,200	560,000	1,321,200
<i>Percentage</i>	57.61%	42.39%	
Impact evaluation account (5%)	38,060		38,060
Agenda Account	20,740		20,740
TOTAL	820,000	560,000	1,380,000

4.2 The program execution period will be 36 months with a disbursement period of 42 months. Disbursements of grant funds will be done in accordance with the Bank and MIF policies and procedures.

V. PROJECT IMPLEMENTATION

A. Executing Agency

- 5.1 The Suriname Fonds Ontwikkeling Binnenland (FOB) will be the executing agency for the project. FOB is a public foundation operating under the Ministry of Rural Development whose goal is to improve the socio-economic conditions of the people living in the interior, in order to develop self-sustaining rural economies. The organization is well recognized in the country for its knowledge and capacity for working with Suriname's rural communities, and in particular with the Maroon communities, which together with the indigenous populations, are the main target beneficiaries of this project.
- 5.2 Given the above, the implementation structure of the project will be led by FOB that will provide socio-cultural knowledge of the interior communities. Datsun, as microfranchisor, will provide services, technical support and assistance to the ASW (microfranchisees). Finally, Yamaha will participate in the project by providing general technical assistance to Datsun and by implementing specific discounts and other incentives for the expansion of the model. A detail agreement will be signed between FOB and Datsun, formalizing both parties' commitments to provide technical and financial support to the project.
- 5.3 A steering Committee formed by representatives from Datsun, the MIF country specialist, and FOB will be created, with all the members with voting power. The steering Committee will be the entity that will oversee and direct the implementation of the project, taking the ultimate strategic and financial decisions. The Steering Committee will meet at least once every month the first year of the project, and once every two months for the rest of the term of the project.
- 5.4 **Intellectual property.** The project was originated as part of the ASW methodology developed by Yamaha Motor Corporation. In this respect, the refined methodology that will be developed by this project must be understood as a consubstantial part of

such broader methodology, particularly in terms of technical components and manuals. Therefore, Yamaha will own the intellectual property rights on the ASW methodology. However, in which respects to the business model (the creation of the hub and Satellite scheme), and in order to promote the replication of this scheme in other regions and initiatives, the IDB/MIF will have the intellectual property of all materials related to such business model.

B. Executing Mechanism

- 5.5 To facilitate implementation of the proposed project, a Project Executing Unit (PEU) will be set up at the FOB offices in Paramaribo. This unit will include a project coordinator supported by an accountant and administrative assistant. The PEU will be responsible for technical implementation as well as project management, together with reporting and administration tasks related to IDB/MIF requirements. The PEU will receive logistic, technical and operational support from Datsun Suriname. The project will support Datsun with a Technical and Training Coordinator, that will be responsible for coordinating the initial activities of Datsun in its role as microfranchisor.
- 5.6 **Disbursements by results:** Project disbursements will be contingent upon the achievement of milestones, which will be agreed between the Executing Agency and the MIF along with their means of verification. Achievement of milestones does not exempt the Executing Agency from the responsibility to reach the project's objectives (indicators in the logical frame). Under the modality of Performance and Risk-based Project Management, disbursements will be made through an advance of funds, through which the required resources will be disbursed according to project expenses needed, related to costs budgeted in the annual plan.
- 5.7 **Procurement and Contracting:** For the procurement of goods and contracting of consulting services, the executing agency will apply IDB policies (GN-2349-9 and GN-2350-9) and the Procurement Guidelines for Technical Cooperation issued within IDB policies. Before engaging in procurement and contracting for the project, the executing agency shall submit a Procurement Plan, which will be reviewed and updated annually for consideration by the IDB. All procurement processes will be reviewed on an ex post basis, except for the procurement processes of the first four critical consultancies which will be reviewed ex ante.

VI. MONITORING AND EVALUATION

- 6.1 **Monitoring and PSR.** The MIF in the IDB Country Office in Suriname will be responsible for supervising and monitoring the project, and will be assisted by the project team. FOB will be responsible for presenting Project Status Reports (PSRs) to the MIF within thirty (30) days after the end of each semester. These reports will contain information on project execution, achievement of milestones, and completion of project objectives as states in the logical framework and other operative planning instruments. The PSR will also describe project issues encountered during execution and outline possible solutions. Within 90 days after the end of the execution term, the EA will submit a final Project Status Report to the MIF, which will highlight results achieved, project sustainability, and lessons learned. To effectively evaluate

the program and monitor project results and outcomes, a Data Gathering/Monitoring System will be established by the Executing Agency. This system should include the data from the baseline study conducted in Component 1 to determine the socio-economic status of the beneficiaries before program intervention. To help FOB to establish a monitoring information system, a specific consultancy has been included in the project to support data collection and socio-economic and geographic information on the beneficiaries.

- 6.2 **Evaluations.** The project will be subject to a midterm evaluation, by consultants hired by the MIF in Suriname, to be carried out 18 months after the first disbursement or after 50% of the MIF resources have been disbursed, whichever occurs first. This evaluation will measure: (i) progress in achievement of results such as improvement in the financial services provided by FOB to small businesses; (ii) difficulties encountered in project execution, and proposed solutions; (iii) availability of a baseline and monitoring and evaluation system; and (iv) lessons learned and recommendations for effective project implementation and enhancing replicability. In measuring these factors, the indicators given in the Logical Framework (Annex 1) will be taken into consideration. A final evaluation will be undertaken by external consultants contracted by the MIF in Suriname. The evaluation will be done three months after the end of project execution. For the final evaluation, consultants will consider, among other items: (i) an analysis of the outcomes achieved in relation to the baseline and the objectives in the logical framework; (ii) the sustainability and profitability of the ASW; (iii) progress towards achievement of impacts on socio-economic indicators of the beneficiaries; and (iv) the expanded impact of the operation to other entities and communities. Reports and surveys from external monitoring and evaluation consultants will go directly to the IDB COF in Suriname.
- 6.3 **Financial reporting and supervision.** FOB will establish and maintain adequate accounts of its finances, internal controls, project files and accounting systems, according to the financial management and auditing regulations and policies of the IDB/MIF. As per the Diagnostic conducted, the Executing Agency ranked as medium level; therefore, it needs strengthening in project management and financial reporting. During project execution, the executing agency will prepare annual financial reports and submit them to the Bank. In addition, the IDB/MIF will hire independent auditors to conduct the audit after two years of execution as well as at the end of the project. Supervision role will also include ex-post review of the fiduciary responsibilities (financial and procurement) of the Executing Agency. The cost of these services will be covered with MIF resources.

VII. BENEFITS AND RISKS

A. Beneficiaries

- 7.1 The direct beneficiaries of the project will be 150 male and female habitants, mostly youth and from tribal communities (Amer-Indians and Maroons), of interior of Suriname. Other beneficiaries of the project will be the population living in 30 communities of the interior (an estimate of 15,000), that will have access to better transportation, electric generation and water pumps. Indirect beneficiaries will be 65,000 people living in the three departments of the interior of Suriname.

- 7.2 The project will support the participation of women as mechanics in the ASWs and will be structured in such a way to enable their equal participation in beneficiary selection, training, and project implementation. According to a previous experience with an ASW in India, women's participation as mechanics is not only possible under the model, but they also provide more reliability and consistency in the services provided as compared to male mechanics. SHDTTF has validated that, even though some cultural considerations need to be addressed on a village-by-village basis, the participation of women, as mechanics will be enhance the project's ultimate economic goal of raising incomes in the rural beneficiary populations. .

B. Risks

- 7.3 One initial risk is related with the difficulty and costs of operating the interior of Suriname. In this respect, because of the isolation of the communities and the lack of infrastructure in the area, operations in the interior of Suriname are not only costly (need to arrange express trips and lack of economies of scale), but also many times uncertain due to factors such as weather conditions, level of water in the rivers and deficient communications to coordinate activities, amongst other issues. To mitigate this risk, first SHDTTF will count with the support of Datsun to facilitate the project activities. Secondly, the selected locations for ASW will need to have a minimum level of infrastructure to avoid unsustainable costs and disconnection with the ASW network, being the hub-satellite structure a useful tool to optimize relationships and to expand the operations.
- 7.4 A second risk is related to the challenges of working and coordinating with 30 communities, many times with very different cultures and characteristics (Indigenous populations and Maroons). To mitigate this risk, SHDTTF will forge partnerships with institutions with credibility in the interior that will facilitate access to key leaders of the communities to facilitate the project operations. In addition, training materials will be cultural sensitive (pictograms and similar), and the trainers will receive specific formation about the cultural reality of the interior.
- 7.5 A third risk is related to the challenged cultural norms that may result by placing women in traditionally-male dominated enterprises, which could lead to domestic violence and imbalance to traditional power structures within communities and households. To mitigate this risk, SHDTTF will be trained in gender-responsive programming, and the project will take a systematic approach to researching gender roles and responsibilities in the villages and designing a culturally sensitive model that promotes women's participation as mechanics and managers.

VIII. ENVIRONMENTAL AND SOCIAL REVIEW

- 8.1 This project is expected to have a positive social and environmental impact by contributing to the development of the communities of the interior of Suriname by facilitating access to better transportation services and by creating job opportunities, therefore bringing sustainable opportunities to the communities of the interior of Suriname. Regarding the environmental impact, the project is expected to reduce the pollution caused by the engines due to malfunctioning and inefficient maintenance. Specifically, the training and the environmentally sound disposal of

oil during engine repair, will be additional elements that will contribute to the positive environment impact of the project. According to the Environmental and Social Review, this project was classified as “C”.