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EL SALVADOR

**GREENHOUSES 2.0: TECHNOLOGY ADOPTION AND INNOVATION FOR SMALL
FARMERS IN EL SALVADOR**

(ES-T1346 AND ES-G1006)

ADDENDUM TO DONORS MEMORANDUM

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GREENHOUSES 2.0: TECHNOLOGY ADOPTION AND INNOVATION FOR SMALL FARMERS IN EL SALVADOR

(ES-T1346 and ES-G1006)

Change in executing agency, expansion of target population, and adjustments to results matrix

The Office of the General Manager of IDB Lab hereby requests approval from the Donors Committee to (i) change the project executing agency from Canasta Campesina Agricultural Production Cooperative and Limited Liability Association (ACPACAC) to Acceso Oferta Laboral – Productos de El Salvador, S.A. de C.V. (“AOL, S.A. de C.V.” or “ACCESO”); (ii) expand the target population; (iii) adjust the work plan and budget; (iv) adjust the conditions precedent to the first disbursement; and (v) adjust the results matrix.

Pursuant to the IDB’s Operations Administration Regulations OA-430, section 1.3, and OA-421 (III. A, 3) these changes require approval by the Donors Committee.

This document is being distributed for approval by the no objection procedure, in accordance with the Regulations of the Donors Committee of the Multilateral Investment Fund, Part II, Section 5 (document MIF/GN-123-5).

I. BACKGROUND

- 1.1 On 18 March 2022, project ES-T1346 & ES-G1006 “Greenhouses 2.0: Technology Adoption and Innovation for Small Farmers in El Salvador” was approved. It seeks to raise the incomes of small producers through the transformation and digitalization of the fruit and vegetable production system in El Salvador with a clear gender focus and incorporating agroecological practices into the production process.
- 1.2 The COVID-19 pandemic has affected and accentuated the challenges the agrifood sector faces. Climate change is one of the main factors that will impact global agricultural production in the future, especially in the case of small and medium producers. In El Salvador, fresh produce (fruits and vegetables) continues to be marketed by traditional means involving a long intermediation chain, very limited information at the field level, and scant coordination of distribution and delivery logistics. Post-harvest handling losses (including during the marketing process) are extensive. In addition, producers are widely scattered and fragmented and have few mechanisms for coordination or information flows. Meanwhile, the digital gap the sector is experiencing becomes a productive, financial, and commercial weakness that has a direct impact on the competitiveness of agricultural enterprises and the quality of life of small farmers.
- 1.3 Against the backdrop of this emergency, ACPACAC has indicated to IDB Lab that its institutional priorities have changed, and this shift would reduce the level of relevance and urgency that IDB Lab requires for implementation of the project. As a result, ACPACAC formally communicated to the Bank its decision to decline executing the project.
- 1.4 Faced with the need to select a new executing agency to more strategically focus project execution, thereby promoting the achievement of its objectives and the

prospects for scaling it up, IDB Lab requested an extension of the period for fulfilling the conditions precedent until 29 January 2022. The Chief of IDB Lab's Discovery Unit approved that request on 18 October 2022.

- 1.5 Following the relevant search and analysis process, IDB Lab found what it considers to be a strategic partner for executing the project in the new context: AOL, S.A. de C.V. (ACCESO). Alongside ACCESO, IDB Lab has worked to adapt the project to ensure that its implementation was duly consistent with the new context resulting from the economic emergency caused by COVID. Accordingly, the target population for the project was adapted, together with the work plan, so as to cover the universe of platform workers, with a particular focus on the most vulnerable workers.

II. PROPOSED CHANGES

2.1 *Change in executing agency*

- 2.1.1. ACCESO will enable small farmers in El Salvador to fairly participate in high-value national and international markets. At present, ACCESO offers small farmers a “one-stop shop” to remove all the barriers they encounter in trade with formal markets. Unlike traditional development programs, ACCESO partners with farmers for the long term, supporting their entire trajectory, while they grow until they reach their full potential and prosper. ACCESO's holistic “seed to market” approach is proven to increase farmers' revenue by an average of 250%, not only lifting them out of poverty but also providing income levels that prompt them to decide to remain in their communities. ACCESO has operations in Colombia, El Salvador, and Haiti, and in recent years it has included innovations and technology in its offering, to promote its interventions and deepen the impact on small farmers.
- 2.1.2 ACCESO also creates long-term jobs for vulnerable women and young people through processing centers in the community alongside farmers' production and ensures that all workers in local food systems receive a fair wage. ACCESO promotes direct connection to the market, providing large buyers with a single, transparent system and a reliable way to source high-quality products from small farmers at scale. ACCESO's model is very market-oriented, and farmers' offerings very closely aligned with demand. It is constantly innovating to develop new products and services that meet the ever-changing needs of markets.
- 2.1.2.1. ACCESO is the ideal partner for implementing a project like this, since its proven “seed to market” model strengthens agricultural production systems, improves revenue and livelihoods—particularly for young people in rural areas—and boosts the economic empowerment of women, helping to reduce irregular migration. ACCESO's holistic model uses a market systems-approach, leveraging existing initiatives by relevant public and private actors and closing major gaps to promote change in agricultural systems.

Through the “seed to market” model, ACCESO examines failures in agricultural production systems to create sustainable livelihoods, focusing on factors that hinder competitiveness, resilience, and inclusion. ACCESO, working with stakeholders of interest, identifies specific activities to overcome production system constraints and offer sustainable, market-driven solutions aligned with existing initiatives and demand. In El Salvador, ACCESO implements this

model, sustainably linking thousands of farmers and agricultural system workers with dozens of buyers, thereby improving their livelihoods and strengthening food systems and supply chains.

The market link that ACCESO has facilitated using this model has enabled El Salvador's largest supermarket chain, Súper Selectos, to cut its fruit and vegetable imports by at least 40% and to locally supply 100% of unprocessed produce to the 84 restaurants in the Subway chain in El Salvador. This approach has allowed more farmers, agricultural workers, and women to remain in their communities and prosper, instead of turning to irregular migration in pursuit of a better quality of life. Participating farmers have seen their income increase an average of 275% to 600%, with average monthly income of nearly US\$600.00. Agricultural workers hired by the farmers served by ACCESO have more consistent work schedules and higher wages (wages grew over 100%).

2.2 Expansion of the target population

- 2.2.1. The original project was aimed at raising the incomes of the small producers and suppliers of the Canasta Campesina Agricultural Production Cooperative and Limited Liability Association (ACPACAC) and enhancing the organization's sustainability. With the change in executing agency and shift in focus, an expansion is proposed, to benefit small farmers, farmers' association, and cooperatives that supply ACCESO in the Departments of Santa Ana, Ahuachapán, Sonsonate, Chalatenango, La Libertad, San Salvador, and La Paz for farmers who have a production area of up to two *manzanas* (14,000 m²) and a production volume that enables them to market their produce in the formal market.
- 2.2.2. Accordingly, the project team thinks the scope of the target population needs to be expanded for this project, to include farmers in the aforementioned departments, with a particular focus on looking to market their products in traditional formal markets and on e-commerce platforms, with the aim of at least 25% to 35% of the beneficiary population being women. Furthermore, through the [Extensio](#) platform, ACCESO's digital field agent, information will be included on regenerative agriculture and agroecological practices, to complement traditional agricultural production.

2.3 Adjustment of the work plan and budget

- 2.3.1. The project team, alongside ACCESO, has been working to adjust the work plan, and its associated budget, to optimize achieving the project's objectives, given the strengths of the new executing partner and proposed expansion of the target population. The main activities to be carried out under the project, together with the budget associated with the new work plan, are described below.
- 2.3.2. To help achieve the established target and objective, the project is divided into three main components: (i) precision agriculture and climate resilience; (ii) value chain innovations to improve market linkages; and (iii) packaging, sustainability, and scalability of the model.
- 2.3.3. Components: The components, as well as the budget items associated with them, have been adjusted to not only reflect the change in executing agency, but also and particularly to gear the intervention to the new timeline and challenges

identified in the operation. The team considers that these changes strengthen the project's original components, with a particular focus on the most vulnerable. In particular, the following changes, by component, are being made:

2.3.4. Component I: Precision agriculture and climate resilience

- 2.3.4.1.1. The objective of this component is to provide technical assistance to farmers and make available a revolving credit fund for agricultural inputs and materials, which can include procuring technology, depending on the production system. The main activities to be carried out under this component include: (a) a technical assistance program for farmers through technical advisors. Women's participation will be promoted when identifying program beneficiaries. The technical assistance to be provided includes a focus on traditional agriculture, incorporating agroecological and regenerative agriculture measures; (b) farmers joining digital technical assistance platforms using the two digital tools, [FarmForce](#) (technicians use this platform to capture information from the farmers receiving technical assistance, such as: registration sheet, georeferencing, plot photographs, surveys, etc.) and [Extensio](#) (this platform works as a digital field assistant used to send communications via WhatsApp or SMS to registered farmers, such as: weekly weather forecasts, based on the georeferencing, advice on good agricultural practices, pest control recommendations, etc.); and (c) revolving credit program for farmers that will be available to the beneficiary population for procuring agricultural inputs and technology, in accordance with the technical team's recommendations and validations.

The main outcomes of this component are providing traditional and digital technical assistance to 1,125 farmers and providing financing to at least 243 farmers, 35% of whom are projected to be women.

2.3.5. Component II: Value chain innovations to improve market linkages

- 2.3.5.1.1. The objective of this component is to market the crops of farmers aided by the project.
- 2.3.5.1.2. The main activities to be carried out under this component include: (a) arrangements for marketing agricultural products through e-commerce platforms and traditional sales channels; and (b) marketing the crops of the farmers receiving assistance, through activities to provide samples and tastings to clients, agricultural product promotions, and promotional visits to businesses that sell the products.
- 2.3.5.1.3. The main outcomes of this component are the establishment of at least 23 commercial partnerships on e-commerce platforms and traditional sales channels and the marketing of crops in the formal market.

2.3.6. Component III: Packaging and sustainability of the model

- 2.3.6.1.1. The objective of this component is to monitor the outcomes of the business model implemented under the project, identifying success stories that can be documented and presenting lessons learned from project implementation.

2.3.6.1.2. The main activities to be carried out under this component include:
(a) document the business model for linking production with marketing; and
(b) recapping lessons learned from project implementation.

2.3.6.1.3. The main outcomes of this component are a report with the business model implemented that includes at least two success stories and a report with lessons learned.

2.3.7. Evaluation of outcomes

2.3.7.1. A multiyear evaluation is expected to be conducted, to monitor the project's progress and expected impact. A monitoring system will be established to identify indicators of early success, to track whether it is feasible for the intervention to produce the outcomes targeted by the project. An outcome assessment is expected to shed light on the project's effects on variables of interest, using different quantitative and qualitative methodologies.

2.3.8. Budget

2.3.8.1. The project's summary budget to accompany this amendment is provided below. No disbursements have been made to the operation's initial executing agency (ACPACAC) to date.

Components	IDB Lab		AOL, S.A. De C.V. (ACCESO)		TOTAL	%
	Contingent financing	Nonreimbursable	In cash	In kind		
Component 1: Precision agriculture and climate resilience	\$130,000.00	\$255,924.75	\$235,297.14	\$6,887.76	\$628,109.65	75%
Component 2: Value chain innovations to improve market linkages	\$0.00	\$14,075.25	\$41,705.82	\$0.00	\$55,781.07	7%
Component 3: Packaging and scalability of the model	\$0.00	\$0.00	\$11,598.98	\$0.00	\$11,598.98	1%
Project administration	\$0.00	\$0.00	\$96,972.38	\$29,730.61	\$126,702.99	15%
Evaluation	\$0.00	\$0.00	\$17,398.47	\$0.00	\$17,398.47	2%
TOTAL	\$130,000.00	\$270,000.00	\$402,972.78	\$36,618.37	\$839,591.15	100%
Pari Passu	48%		52%		100%	

2.4 Adjustment of conditions precedent to the first disbursement

2.4.1. The original project had as conditions precedent to the first disbursement of the nonreimbursable technical cooperation: (i) selection of the project coordinator, and (ii) development of the work plan (financial plan, procurement plan). With the change in executing agency and expansion of the project's scope, these conditions are maintained. The conditions precedent for the contingent recovery investment financing set forth in the term sheet attached to the original Donors Memorandum also apply.

III. DISCLOSURE

- 3.1 The project team, with the assistance of the Office of Institutional Integrity, conducted integrity due diligence on the project, and no elevated identity and reputational impact risks for IDB Lab were identified.

IV. REQUEST TO APPROVE THE AMENDMENT

- 4.1 This addendum requests the Donors Committee's approval to amend the original Donors Memorandum for "Greenhouses 2.0: Technology Adoption and Innovation for Small Farmers in El Salvador" (ES-T1346 and ES-G1006), changing the original executing agency from Canasta Campesina Agricultural Production Cooperative and Limited Liability Association (ACPACAC) to Acceso Oferta Laboral – Productos de El Salvador, S.A. de C.V. ("AOL, S.A. de C.V." or "ACCESO"), and the (ii) expansion of the target population; (iii) adjustment of the work plan and budget; (iv) adjustment of the conditions precedent to the first disbursement; and (v) adjustment of the results matrix.
- 4.2 The project team confirms that (i) the necessary extensions have been secured for signature of a new agreement, (ii) the integrity analysis was performed on the new executing agency for which approval is being requested; and (iii) the proposed changes are material changes and therefore require approval by the Donors Committee.

V. RECOMMENDATION

- 5.1 Bearing in mind the changes in the project context, in particular the change in executing agency as a strategic project actor, the opportunity to improve the project's scope and impact, and the potential acceleration of the intervention's planned scale and impact, the Office of the General Manager of IDB Lab recommends that the Donors Committee approve the amendment to the Donors Memorandum.