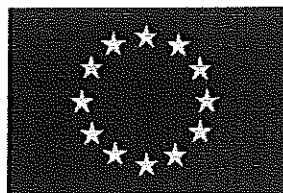


## **Annex I - Description of the Action**

**EU-UNDP programme of  
support to the modernization of local agriculture in Cuba**

**(PALMA)**

**(Programa de Apoyo Local a la Modernización del sector Agropecuario  
en Cuba)**



**Entirely funded by the  
European Union**



**Implemented by the  
United Nations  
Development Programme**

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### List of abbreviations

ACPA – *Cuban Association of Agriculture and Livestock Producers*  
ACTAF – *Association of Forestry and Agriculture Technicians*  
ANAP – *National Association of Small Farmers*  
BANDEC – *Credit and Trade Bank*  
CCS – *Cooperative for Credit and Services*  
CEDEL – *Centre for Community and Local Development*  
CITMA – *Ministry for Science, Technology and Environment*  
CLIA – *Local Centre for Agricultural Innovation*  
CPA – *Cooperatives for Agriculture Production*  
CUC – *Cuban Convertible Peso*  
CUP – *Cuban (non-convertible) Peso*  
EC – *European Commission*  
FAFA – *Financial and Administrative Framework Agreement*  
FAO – *Food and Agriculture Organization*  
FRIDEL – *Rotating Fund for Local Economic Development Initiatives*  
HEGOA – *Institute for studies on Development and International Cooperation*  
INFOCOOP – *Nicaraguan Institute for Training on Cooperatives*  
IPA – *Agricultural Polytechnic Institute*  
LED – *Local Economic Development*  
MINAG – *Ministry of Agriculture*  
MINCEX – *Ministry for External Trade and Investment Cooperation*  
PDHL – *Human Development Programme at Local level*  
R&D – *Research and Development*  
SADEL – *Provincial sub-group for supporting Local Economic Development*  
SEBRAE – *Brazilian Support Service for Small and Medium Enterprises*  
UBPC – *Basic Unit for Cooperative Production*  
UNDAF – *United Nations Development Assistance Framework*  
UNDP – *United Nations Development Programme*  
UNESCO – *United Nations Education Science and Culture Organization*

## Description of the Action

### 1. Background

#### 1.1. Beneficiary country

The country benefiting from this project is the Republic of Cuba.

#### 1.2. Contracting authority

The Contracting authority is the Commission of the European Communities, hereinafter referred to as the (European) Commission.

#### 1.3. Background to agriculture in Cuba

Cuba, which imports nearly 80% of the food it consumes, has been seriously affected by the swift and continuous increase in food prices on the international market.

In July 2008, it was estimated that an additional US\$ 1.1 billion was required<sup>1</sup> in order to import the same volume of food as 2007 (the food cost in 2007 was US\$ 1.7 billion).

Moreover, the passage of hurricanes Gustav and Ike at the beginning of September, and of hurricane Paloma at the end of October has had an enormous impact on the country's agricultural production. Estimated losses are above 10 billion USD (equivalent to 20% of GDP and 100% of exports in 2007). 700,000 tons of foodstuffs were destroyed and the country has had to resort to releasing some of its strategic reserve food stocks. The country also temporarily adopted specific measures to reduce food prices for consumers.

In Cuba, there are over 6,000 agricultural cooperatives, organised into three types: Basic Unit Production Cooperatives (UBPC), Agriculture Production Cooperatives (CPA) and Credit and Services Cooperatives (CCS). More than 42% of total arable land used in the country is in the hands of UBPC cooperatives, which are a less efficient form of production due to their administrative and resource dependence. As of last year, UBPC's were given greater autonomy, in order to match the autonomy granted to the other types of cooperatives.

Cuba has an approximately 51% of the total arable land in the country (3.3 million Ha out of 6.6 million Ha) not being utilized, thus reducing the food production capacity of the country.

An additional challenge for Cuba is the economic sustainability of food production: whereas 60% of the inputs are obtained in Cuban Convertible Pesos (CUC), 90% of sales are in (non-convertible) Cuban Pesos (CUP), by state decree, thus providing little economic incentive to farmers and cooperatives. At present, cooperatives have limited access to

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<sup>1</sup> Statement by the President of the Council of State and Ministers at the closing session of the VII assembly of the Cuban Parliament.

credits in CUP and no direct access to credits in CUC. The centralization at the national level of the decision-making process related to food production inputs reduces the dynamics and flexibility of local initiatives responding to local demand.

In order to tackle these challenges, the country has designed a new national policy and strategy for food production and management in order to deal with this dependency and food insecurity. The purpose is to increase the quantity, efficiency and quality of food production. The key strategic and catalytic elements of the new policy are:

- Transfer of the key role in food production from state-owned companies to cooperatives and individual producers.
- Decentralization of the decision-making processes related to production and distribution of foodstuffs to the municipal level.
- Development of local economic mechanisms to increase the economic incentives for farmers, through price-incentive mechanisms, and to make the production process more flexible and agile (demand-driven).
- Access to inputs and services to increase agricultural production of the cooperatives and farmers, which also includes capitalization (equipment, technology and funds).
- Increase of the food processing capacity in order to reduce food waste and create value-added potential.
- Development of the managerial capacity of cooperatives and their members through a basic business administration and cooperative management training programme.
- The state initiated in September 2008 a process of giving a maximum of 13 Ha of land per person to individual farmers and cooperatives, on a 10-year renewable usufruct basis, to be used for food production purposes. As of the end of March 2009, according to official figures, over 55,000 individuals had already been given a total of nearly 800,000 Ha. 70% of these new farmers have little or no previous experience in farming and food production. All new farmers will join a Cooperative (Cooperativa de Crédito y Servicio - CCS). This process will continue until all under-utilized land is distributed and put into production.

#### **1.4. Background to EC cooperation with Cuba**

EC cooperation with Cuba was resumed in October 2008 following several years of interruption. The first package of EC cooperation which amounts to some €40 million comprises, inter alia, this programme funded under the "food facility".

On 18 December 2008, the European Parliament and the Council adopted a Regulation establishing the € 1 billion 'Food Facility', which constitutes the main EU response to the worsening global food security situation in 2007/08. This financing decision as well as the overall plan for the Food Facility have both also been approved by the European Parliament and all EU Member States.

Addressing the period in-between emergency aid and medium - to long-term development cooperation, the Food Facility will operate for a period of 3 years (2009-2011).

The first and main batch under the food facility is to be channelled through International Organisations partners of the EU. The overall plan for the implementation of the Food Facility contains a list of 50 target countries which will receive assistance during a three year period. Following resumption of EC-Cuba cooperation, Cuba is included in this list.

In Cuba, interventions in the field of food security are not only the standing national priority, but are also at the centre of the massive national and international response to the hurricanes of late 2008. Among responses to the humanitarian needs after the passage of the hurricanes, two ECHO humanitarian response programmes totalling € 4 million were adopted and executed. In the post-humanitarian phase, an additional response programme of €7.5 million under the EC Instrument for Stability is being launched (May 2009) to allow notably for rehabilitation of the agricultural productive capacities destroyed or damaged by the hurricanes.

In addition, Cuba will also benefit from an allocation under the EC Food Security Thematic Programme (FSTP), which will be channelled through two components: (i) a contribution to the UNDP-managed PDHL programme closely coordinated with the present proposal and (ii) support to NGO initiatives in the field of agriculture selected by way of a call for proposals.

The two programmes to be implemented in partnership with UNDP will be closely coordinated and will use to all the extent possible the same local structures for implementation and the methodological tools established by the PDHL, including local strategy, multidisciplinary working groups at provincial and municipal level, specific programmatic approach negotiated with national authorities in support of the new national policy. The part of EC support to Cuban agriculture which will be implemented through NGOs will seek to complement the components implemented in partnership with UNDP, geographically and / or thematically.

### **1.5. Background to UNDP involvement in Cuba**

The United Nations Development Assistance Framework (UNDAF) in Cuba for 2008-2012 has been approved by the Cuban Government and the United Nations. The UNDAF defines five priority areas of intervention, two of which are 'Food security' and 'Local Human Development'. In both areas of intervention, the PDHL programme of the UNDP was identified as the key coordination and programmatic mechanism, fully endorsed by Cuban Authorities. The UNDAF provides a coordination framework for all UN activities in the field of Food Security. At the same time the UNDP Country Programme Document (CPD), that defines the priority areas of intervention of UNDP with the Cuban Government for the same period 2008-12, also identified four areas of action, one of which is "Human Development at the Local Level".

The UNDP-managed PDHL programme is a multi-donor programme with currently over 40 different donors from bilateral, multilateral and decentralized cooperation. Partner coordination and harmonization within the programme is ensured at local level by sharing the same methodological tools developed with the support of PDHL: projects supporting

priorities identified in the local strategy, local implementation and monitoring of the local strategy done by the multidisciplinary working groups, one in each municipality and province. At national level coordination and harmonization is ensured by the National Coordinating Committee (CNC), formed by the government and UNDP, with the participation of the donors and partners involved in the programme. The PDHL framework programme is managed by the CNC structure, with the operational support of the PDHL national office. It was recognized in the international<sup>2</sup> event held in Havana last September 2008, that one of the most important results of the PDHL experience is that it did translate the donors willingness to coordinate into an effective operating strategy, composed by different local projects, with sound impact and specific results.

PDHL contributes to the achievement of the Millennium Development Goals. It constitutes a programmatic reference framework in which the country's development processes are articulated within local projects that are supported by international cooperation.

## **1.6. Donor coordination and mid-term EC support**

Given the fact that the programming framework between Cuba and the EC is only being defined, parties have agreed, in the immediate aftermath of the resumption of their cooperation, to jointly identify priorities for co-operation on the basis of respective development policy priorities and in coordination with other development partners in Cuba.

In this context, Cuban authorities have identified food security as their major development policy priority. The present project is therefore fully in line with the priorities set by the Cuban Authorities.

Other donors in Cuba include UN family agencies, as well as bilateral co-operation from Canada, Switzerland, Japan, and other countries. On the side of the EU, Spain and Belgium already have bilateral co-operation programmes, and other Member States are preparing to resume co-operation through bilateral or multilateral channels. A number of European NGOs is active in areas related to agriculture.

## **2. Objectives**

The general objective of the programme is to decrease the country's dependency on imported food, hence reducing the negative effect of food price rises by increasing agricultural production through support to cooperatives, individual farmers and the related local entities of rural municipalities.

The specific objective of the programme is to increase local food production and food access by implementing an economically sustainable strategy focused on cooperatives, individual farmers and decentralized food production management in 27 pilot municipalities.

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<sup>2</sup> The event, II International Meeting "Multilateral Framework and Decentralized Cooperation for the MDG: 10 years of PDHL" was held in Havana in September 2008 with 226 participants from 23 countries, including representatives of 10 national governments and 45 multilateral, bilateral and decentralized international cooperation organizations.

### **3. Methodology**

The overarching methodology to be used in this project is the development of food security and decentralized management in model municipalities, as these goals are envisioned in the new national policy, with the main focus on individual farmers (especially new farmers) and cooperatives.

The project will build on the approach and organisational set-up of the above-described "Human Development Programme at Local Level" (PDHL), an existing multi-donor programme managed by UNDP and fully endorsed by the Cuban authorities. The PDHL has been active in Cuba for a number of years and has acquired a very strong foundation at the local level in the municipalities where it is active.

#### **Identification and formulation phase of activities under this project at provincial and municipal levels**

The PDHL methodology put in place a participatory needs assessment process which is facilitated by a multidisciplinary working group in each municipality. The result is a local strategy which identifies the local priorities to be supported and negotiated at the national level between the Cuban government and the international cooperation actors through consensus building mechanisms.

On this project, PDHL-supported local structures (Municipal and Provincial Working Groups) will be activated in the initial phase of the project in order to guarantee a permanent flow of information towards the potential beneficiaries and concerned institutions at local level, as well as to offer relevant feedback to the project managers providing them with data and useful elements to modulate the intervention, taking into account and adapting it, when necessary, to specific conditions of each geographical area.

An initial round of workshops will take place in each of the five provinces involved in the project, in order to inform local stakeholders about the project objectives, implementation modalities and how these potential beneficiaries can apply. The format for the formulation of project proposals will be also presented during these workshops.

Similar workshops will be held in each involved municipality. This will mark the start up of the identification process which will allow to identify, prioritize and formulate each local project proposal at municipal level, following the established criteria and format supported by the working groups. This process will last for around one month and will culminate in a round of province-level workshops, during which every involved Municipality will introduce its own project proposal.

On a more specific basis, the methodology to develop the identification and planning of local projects within each of the involved municipalities will be the PDHL one, used and proved as an effective one all along its ten years of work in the 63 municipalities and 8 Cuban provinces supported by the programme. Its main working steps are:

- ❖ Identification of a working team (Municipal Working Group), to articulate and coordinate the process of identification, planning and formulation. Technical responsibility of this group will lie in the MINAG local representative designated for this task.



- ❖ Primary data collection at municipal level and related to food security, specifically emphasizing food production.
- ❖ Consultations with the main stakeholders in the field of food security, in order to identify obstacles and potential solutions
- ❖ Organization of a municipal workshop, convened by the Municipal Government, with the participation of all organizations and entities involved (State agriculture enterprises, cooperatives, associations like ACTAF, ACPA, ANAP, universities, local study institutes, other municipal representatives, etc.) in view of helping formulate the municipal proposal on the bases established by the municipal working group.
- ❖ Drafting and approval of the proposal by the Municipal Administration Council.
- ❖ Delivery of the proposal to the Provincial Government (Provincial Working Group) and to the provincial MINAG representative for their review and endorsement.

Once the proposals from all the municipalities are ready, a provincial workshop will be organized. During this provincial event, every municipality will present its own proposal for discussion, analysis and evaluation by provincial concerned bodies, counting on the participation of MINAG, MINCEX, EC and UNDP.

#### Implementation phase at provincial and municipal levels

Proposals formulated by the municipalities will be approved by the Steering Committee of the project. This will mark the end of the identification and formulation process and the beginning of the implementation stage, following the mechanisms traditionally developed and strengthened by UNDP/PDHL in Municipalities and Provinces. Municipal and Provincial Working Groups, representing the government and territorial entities and including participation of MINAG representatives, will directly monitor the execution and follow-up of the project, on the basis of local project management procedures approved by Municipal and Provincial Authorities in the framework of the UNDP/PDHL methodology.

#### **4. Activities**

As a general introduction to the project activities it is worth recalling how PDHL local planning methodology works.

A clear definition of the sectors of activities is provided in this document. However, the detailed definition of activities to be implemented in each municipality will be the outcome of the local planning process, which will start when the first round of workshops has taken place, and which will end within the first two months of project implementation. This approach of letting the specific activities come out of a participatory planning process is an integral part of the core methodology of this project and one of its core features. This approach additionally minimises problems deriving from a time-gap between formulation and implementation of identified priorities.

Once the identification/formulation process has concluded, the detailed list of actions per Municipality will be submitted to and approved by the project Steering Committee including the Commission.

This project aims to achieve three key results through the realisation of ten corresponding activities:

### Expected Result 1

The first component of the project deals with food production capacities in the target municipalities.

Expected Result	Activities
1. Enhanced food availability via strengthening the food production capacities of 27 pilot municipalities.	1.1. Development of cooperatives' and individual farmers' productive capacity.
	1.2. Training of cooperative members and individual farmers in food production techniques, business administration and cooperative management.
	1.3. Access to credit for cooperatives and individual farmers.
	1.4. Provision of municipal services for production.
	1.5. Creation of local basic food processing industries.

The objective is to provide the resources, knowledge and capacities needed by cooperatives and individual farmers in order to increase the production of food at local level. A comprehensive study by the Ministry of Agriculture (MINAG) in 2007 assessed the critical situation of agriculture in Cuba, identifying the main problems with respect to food production:

- The deterioration of equipment and infrastructure for food production at the local level.
- Limited access to funds and capital for financing food production.
- Lack of knowledge in cooperative administration and management.
- Weak or non-existent local services supporting food producers.
- High levels of food waste.

The activities to be developed in order to reach the expected result are:

### 1.1. Development of cooperatives' and individual farmers' productive capacity:

The objective of this activity is to develop and increase the food production capacity of the local actors involved in food production. It will be achieved by facilitating access to production inputs, equipment and the rehabilitation of the productive infrastructure. During the formulation phase at the municipal level, participatory programming workshops will be held with food production entities, identifying the priorities, inputs and equipment needed in each of the 27 target municipalities.

Production inputs include tools, equipment, seeds, livestock feed, fertilizers and raw materials. The local agricultural innovation system of community seed production, diversification and certification of high quality seeds will be supported by the municipalities in which the agricultural activities are undertaken.

This activity will be carried out with the support of the local government, the municipal delegation of the Ministry of Agriculture, and entities representing cooperatives and individual farmers: the Association of Forestry and Agriculture Technicians (ACTAF), the Cuban Association of Agriculture and Livestock Producers (ACPA), and the National Association of Small Farmers (ANAP), which are Cuban NGOs that support the Ministry of Agriculture in its strategy for the development of cooperatives and agricultural decentralization.

### 1.2. Training of cooperative members and individual farmers in food production techniques, business administration and cooperative management:

The objective of this activity is to improve capacity (in terms of administrative and managerial tools), efficiency (in terms of production/productivity) and organization of the cooperatives involved in the project.

Based on the participatory needs assessment conducted by the cooperatives, in coordination with the Ministry of Agriculture, the training plan will focus on five key aspects:

- Food production techniques;
- Business administration;
- Accounting;
- Cooperative management;
- Principles and rules of the cooperative movement;

Training on how to improve production techniques will be provided by national specialists together with FAO specialists or other relevant international experts on the ground. In order to improve the efficiency and organization of the cooperatives, training will focus on administrative and managerial knowledge and techniques. The activity will be carried out based on the previous experience gained by the PDHL programme in 6 provinces, in partnership with the Centre for Research on Cooperatives, based at Pinar del Río University, which is the leading research institution in Cuba dealing with the development of cooperatives and has extensive experience in cooperative management training and the principles of the cooperative movement.

This activity will be implemented in partnership with international entities with highly relevant prior experience and achievements.

First, HEGOA, an Institute for Development Studies based at the University of the Basque Country in Spain<sup>3</sup>. This institute has extensive knowledge and background in the areas of business administration and entrepreneurship training. They also have considerable experience working with cooperatives in the eastern provinces of Cuba.

Second, in the area of cooperative development and management, the partnership will be with the Social Business Network, a UK charity, together with its Nicaraguan partner Infocoo, an association of cooperatives. The involvement of the Nicaraguan counterpart is highly relevant because of the close resemblance between Central American and Caribbean contexts and earlier-established exchanges. In February 2008, in the framework of the PDHL, an exchange mission to Nicaragua by Cuban managers in charge of cooperatives at the Ministry of Agriculture was carried out to learn about the Nicaraguan experience. The mission was successful and 18 "lessons learned from Nicaragua" have since been incorporated in the Cuban national strategy. For over 25 years, the Social Business Network and Infocoo have developed the best cooperative experiences and will assist in general issues related to cooperative management.

ACTAF and ACPA will also participate in this activity through technical support.

Documents and material for the training are already in its first stage of development, based on the experience of the PDHL programme.

### 1.3. Access to credit for cooperatives and individual farmers:

Based on the experience of an existing mechanism developed by UNDP/PDHL, called FRIDEL (Rotating Fund for Local Economic Development Initiatives<sup>4</sup>), the purpose of this activity is to adapt the credit scheme to best fit the characteristics of the Cuban agricultural economic system. The goal is for the FRIDEL to be an instrument for the implementation of the new national strategy on food production by facilitating cooperatives' access to capital, through price-incentive mechanisms.

In order to achieve this, the Ministry of Agriculture, BANDEC and the UNDP/PDHL have been working together during the last few months to adapt the FRIDEL mechanisms to best fit the characteristics of the current Cuban agricultural economic system.

FRIDEL is a hard-currency credit instrument aimed at facilitating sustainable local economic development. It aims at implementing economic initiatives capable of mobilizing local resources and knowledge. Local economic actors like cooperatives, local state enterprises, individual farmers or artisans are eligible to access credit. The initiatives are selected on the basis of criteria such as employment generation (with an emphasis on women), utilizing endogenous resources, value-added chain production, positive environmental impact, sustainability and commitment to the community.

<sup>3</sup> For a complete list and justification of external sub-contractors/partners (European and non-European) to be involved in the project implementation, see annex II.

<sup>4</sup> See Annex IV

This local economic development tool was conceived within the framework of the PDHL-Cuba program and it is currently the first and only hard currency credit scheme supported by international cooperation in Cuba. It has been active for six years. The implementing entity is BANDEC (Credit and Trade Bank), one of the only two Cuban banks with a presence in all the municipalities and with expertise in national and local business development. UNDP has used BANDEC as its implementing partner for the credit scheme since 2001 on the basis of the financial agreement signed on June 20<sup>th</sup> 2000 (see Annex IV).

Under the food facility, the FRIDEL credit approval mechanism will work at the local level (municipal-provincial) through a technical committee composed of BANDEC, the Municipal Office of the Ministry of Agriculture, and the PDHL Local Working Groups. It will use the current business plan methodology and planning tools developed for the FRIDEL. An estimated but flexible amount of credit will be put at the disposal of each pilot municipality.

Every potential beneficiary will have to prepare a business plan that will show the financial sustainability of the requested loan, and how the loan is consistently inserted into the overall project aims and coherent with its expected results.

SADELS (Sub-groups for Support to Local Economic Development, a branch of provincial working groups specifically dedicated to LED-concerned institutions) will provide the technical expertise needed at provincial level to support project beneficiaries (individual and cooperatives) in the preparation of their project proposals. The SADELS membership will be reinforced and enhanced in order to guarantee the participation of new members whose expertise is deemed useful for the good implementation of the project.

At the national level, the partner to implement this activity will be BANDEC and the Economy and Business Department of the University of Havana, which has five years experience working with the PDHL programme on credit management. Resources dedicated to credit under the food facility project will be managed through a specific bank account and a separated administrative and financial control, in order to ensure the effective visibility of its use and results.

At the international level, the partner will be SEBRAE (Brazilian Support Service for Small and Medium Companies, an entity of the Brazilian government), which has worked in Cuba on the development of the FRIDEL with the PDHL since 2003 and has achieved outstanding results.

On this micro-credit component, UNDP undertakes to obtain technical clearance from UNDP Regional Advisor, where appropriate.

The full absorption of the allocation earmarked for micro-credit activities requires certain conditions to be in place. However, in case these conditions do not materialise fully or in time, and this activity can not be implemented, a re-allocation of the corresponding funds can be considered, and a proposal to this end be presented by the UNDP to the Commission.

The MINCEX-UNDP Agreement on the creation of FRIDEL is provided within the Appendices.

#### 1.4. Provision of municipal services for production:

The objective of this activity is to foster and strengthen the capacity of the municipal entities so they can provide the required services on time and of the highest quality.

Two of the most innovative elements of the new national policy and strategy on food production and management are:

- The decentralization to the municipal level of most of the food production decision making and capacity.
- The reorganization of the production roles, by which state-owned enterprises have assumed the role of providing the necessary services to cooperatives and individual farmers for the production of food.

In the participatory needs assessment of the programming workshops to be held in each municipality, the main services to be supported by the programme in each municipality will be identified. Services to support production will include 'production incentive shops' for producers offering such things as tools and inputs, plant health services, organic fertilizers and heavy machinery support on a temporary basis if needed. The main partner for the implementation of this activity will be the Ministry of Agriculture and municipal state enterprises.

#### 1.5. Creation of local basic food processing industries:

The purpose of this activity is to increase food processing capacity in order to reduce food waste and create value-added potential. Pilot cooperatives will be selected, based on the criteria of production capacity, food availability and management excellence, to receive basic machinery for primary processing of fruit and vegetables. In some territories the percentage of food spoilage has been 10%, thus it is both a national and local priority to process as much food as possible, in order to avoid loss.

The expertise input of FAO, ACTAF and ACPA in this area will be to develop feasibility studies and provide the appropriate technical assistance.

#### The outputs of these activities are:

1. 11,000 new farmers have access to unused arable land and have increased their food production capacity by having access to inputs, services, tools, and technical assistance.
2. 170 pilot cooperatives and their members are provided with capital (in terms of access to equipment, technology and funds) and have augmented their food production potential by using tools, machinery, equipment, technology and credit.
3. At least 80% of the pilot cooperatives have elaborated a business plan for their operation and use it in order to mobilize funds.

4. Food processing production lines are introduced, installed and put into operation in at least 130 pilot cooperatives, reducing food waste and increasing value-added foods.
5. Managers and technicians of 170 pilot cooperatives use and apply business administration and cooperative management techniques and tools in their daily activities.
6. Municipal investment is made in infrastructure and services that are directly related to fostering food production.

### Expected Result 2

The second component of the project deals with the development of agricultural markets and governance of the agricultural sectors in the target municipalities.

Expected Result	Activities
2. Improved governance of the agricultural sector and improved agricultural markets (to increase food accessibility) in 27 pilot municipalities through the implementation of a decentralized management plan to integrate productive players with the distribution and sales entities, using and applying the mechanisms available in the new national strategy.	1. Capacity development of municipal institutions in charge of planning, management and coordination of food security.
	2. Development of the food self-sufficiency plan at the municipal level.
	3. Strengthen of the municipal system of storage, distribution and sales.

The objective is to guarantee the optimal functioning of the entire food security cycle at municipal level, from production to consumption, using the tools put in place by the new national policy on food production and management.

The activities to be developed in order to achieve this expected result are:

#### 2.1. Capacity development of municipal institutions in charge of planning, management and coordination of food security:

This activity, under the leadership of the municipal government and the municipal office of the Ministry of Agriculture, will support and enhance the municipal institutions by developing their capacity to plan, manage and coordinate the strategy.

The new national policy and strategy for food production and management has created municipal offices of the Ministry of Agriculture. With general supervision and oversight from the municipal government, the municipal delegation is responsible for coordinating the different municipal institutions and entities which deal with food security, in order to articulate and make an efficient use of the resources for the production of food. The basic premise is that the food produced by the municipality remains in the municipality to be consumed by the local inhabitants (with some exceptions for products that are in short supply). In order to

develop this activity, the main partner will be the Centre for Community and Local Development (CEDEL). CEDEL is a research centre that is part of the Ministry of Environment, Science and Technology (CITMA) which has worked in partnership with PDHL for a number of years in the theme of strategic municipal planning and has extensive experience and knowledge with regards to community and municipal capacity development processes.

Concretely, training on Strategic planning and support to management capacities improvement, through provincial work-shops involving Municipal institutions, will take place.

## 2.2. Development of a food self-sufficiency plan at the municipal level:

With the capacity developed by the first activity, the project will work with the municipal institutions in order to elaborate the self-sufficiency plan ('plan de autoabastecimiento' in Spanish). These plans not only aim at guaranteeing a certain quantity of food for the municipality, but also deal with municipal food gathering, distribution and accessibility. This mechanism, whose creation was approved by the national strategy but has yet to be developed and implemented, is an ideal instrument for an integrated locally-driven approach to the problem of food accessibility and supply. ACTAF support will play an important role in this activity, given its experience and already defined methodology to accompany municipal authorities in formulating their "Plans for municipal agriculture development".

## 2.3. Strengthening of the municipal system of storage, distribution and sales:

With the aim of fulfilling the entire food security cycle once the self-sufficiency plan has been formulated, and given the experience of local project implementation by the PDHL programme in the last couple of years, the key element is the process from food production to the consumption mechanism already developed by most of the municipalities. The project will insist particularly on supporting storage, distribution, and specific elements of community sales.

Thus, this activity will support these systems by assisting the rehabilitation and improvement of the material conditions and administrative capacities of these municipal systems to better store, distribute and commercialize foodstuffs.

### The outputs of the activities are:

1. 27 strategic municipal Self-sufficiency plans elaborated and implemented.
2. 27 Decentralized municipal offices of the Ministry of Agriculture strengthened and operating.
3. 27 Municipal storage and distribution systems strengthened and operating.
4. The strengthening of social safety net systems, via price incentives for selling food to social entities (special stores to ensure community access to goods, hospitals, schools, etc).
5. An increase in the quantities of food distributed to the local population by the municipality.



6. An increase in the number of beneficiaries who are assisted through food supply by municipality.

### Expected Result 3

The third component of the project deals with agricultural vocational training, which is a fundamental medium to long-term objective that needs to be addressed immediately.

Expected Result	Activities
3. Enhanced agricultural vocational training in 10 pilot municipalities as an integrated approach for increasing the quality and quantity of skilled agricultural workers that are needed by the local economy.	1. Development of the agricultural vocational training strategy at the municipal level.
	2. Capacity development of the municipal Agricultural Polytechnics.

The objective is to create the conditions that are necessary to renew the agricultural workforce in the medium term. A minimum of 5 years is needed in order to obtain verifiable indicators, since the agricultural vocational training process lasts 4 years. Moreover, the strategy must first foster the motivation and willingness of the secondary student to choose this vocational training, from a variety of possibilities of more services-oriented vocational training. The fundamental problem is that almost half of the work force in the agricultural sector (cooperatives, individual farmers and state-owned enterprises) is over 50 years of age, and the agricultural vocational training schools (Agricultural Polytechnic Schools, IPAs in Spanish) are not able to fill their admission capacities, even the minimum admission numbers to cover the retirement of agricultural workers. This expected result is to be achieved through two activities:

#### 3.1. Development of the agricultural vocational training strategy at the municipal level:

In synergy with another interagency project under the leadership of UNDP and which will begin to be implemented in three months in two pilot municipalities, the local authorities, both the municipal government and the municipal office of the Ministry of Education, with the support from the national authorities and UNESCO, will create a methodology that will elaborate, with the participation of both those working in the educational sector (teachers and educational administrators) and those working in the food production sector (cooperatives and individual farmers), the municipal strategy for the development and improvement of the agricultural vocational training system.

#### 3.2. Capacity development of the municipal Agricultural Polytechnic Institutes:

The objective is to create capacities at the level of IPAs to train youngsters on subjects related to agriculture in order to replace present ageing workers.

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This output also contemplates improvement of the capacity, both academic and material, of the IPAs which are presently in very poor condition. 10 of the 27 municipalities will be selected for the implementation of this capacity building activity.

In this case, participants will be the Ministry of Education and IPAs

The outputs of the activities are:

1. 10 agricultural vocational schools are improved in 10 municipalities.
2. Municipal agricultural vocational training strategies are elaborated and implemented in 10 pilot municipalities.
3. At least 150 workers receive short-term training and 70 students receive vocational training in each vocational school.

For the development and implementation of these activities, the project will rely on the following existing structures and instruments, which already form part of the PDHL programme:

- The recently created decentralized municipal offices of the Ministry of Agriculture. They have the autonomy to facilitate and deal with all municipal entities related to food production. This is the key instrument within the decentralized process.
- Municipal Working Groups. Created by the municipal government, these multidisciplinary groups are composed of specialists from the different institutions and organizations of the municipality, with the aim of facilitating an integrated approach to local development. They are part of the UNDP/PDHL methodological approach to local development and have been used by the local governments for ten years.
- Strategic Municipal Self-sufficiency Plans. These plans aim not only at guaranteeing a certain quantity of food for the municipality, but also deal with municipal food gathering, distribution and sales. These self-sufficiency plans, whose creation was approved by the national strategy but have yet to be developed and implemented, are ideal instruments for an integrated locally-driven approach to the problem.
- Local Centres for Agricultural Innovation (CLIA). This is a local agriculture innovation system of bio-diversification and certification of high quality seeds which is run by farmers and receives technical support from national R&D centres.
- Credit scheme for agricultural development. Based on an existing FRIDEL mechanism developed by UNDP/PDHL, this credit scheme will be adapted to best fit the characteristics of the Cuban agricultural economic system.
- Vocational training system at the municipal level which includes agricultural training.

## **5. Management and Implementation Arrangements**

The Commission's implementing partner for this project is the United Nations Development Programme, through its office in Cuba. The project will be implemented on the basis of a signed contribution agreement between the EC and UNDP, which will be in line with the provisions of the EU-UN Financial and Administrative Framework Agreement.

The UNDP undertakes to ensure that necessary funds are transferred to the field in a timely fashion to support the activities of the project, allowing notably that project staff is paid regularly and in a timely fashion, and allowing for rapid purchases of equipment and materials to be funded under the project.

### **5.1. Project location**

The project's activities will take place in Cuba. Project's headquarters will be located in Havana. The target provinces are Pinar del Río, Sancti Spiritus, Granma, Guantánamo and Santiago de Cuba.

### **5.2. Project period**

The duration of this project will be 30 months as from the start date of the eligibility period defined in the contract. Activities undertaken outside of the eligibility period defined in the contract will not be eligible for financing under this project.

### **5.3. Project organisation**

#### **5.3.1. Steering committee**

Based on UNDP programme management procedures, a Steering Committee will be created in order to monitor the execution of the programme, with periodical meetings defined by their members. The Steering Committee will include as core members MINAG/MINCEX, the EC Delegation and the UNDP, and may include other national implementation partners, such as ANAP ACTAF and ACPA. The secretariat of the Steering Committee will be ensured by UNDP..

#### **5.3.2. Project partners**

The Ministry of Agriculture is the project technical counterpart. The UNDP, with funding from the project, will provide professional, technical and financial inputs for the project and will undertake day-to-day managerial supervision of the implementation arrangements. A Project Implementation Unit shall be established, which will prepare reports on project implementation, keep records and inventories of all project assets, prepare all documents relating to project activities and all tender documents for procurement of goods and services, and review bids before award of contracts.

At the provincial and local levels, management and implementation arrangements will be based on municipal and provincial working groups. An organization chart is provided within the Appendices.

### 5.3.3. Participating institutions and stakeholders

Partnerships have been established with Cuban and international entities with proven experience and knowledge. All of the following partners are already working with UNDP in the framework of the Human Development Programme at Local Level (PDHL) and will be actively involved as participating institutions also in this project:

- Ministry of Agriculture (MINAGRI) will be the leading partner in terms of the strategic vision, project implementation and lessons learnt. The participation will include the vice ministers and different national directors in charge of the relevant project topics, and at local level the municipal ministerial delegates will be involved.
- Ministry for International Trade, Investment and Cooperation (MINCEX) will be a general partner, both at national level and for local activities (provincial delegates of the ministry).
- Municipal Governments will be the lead partner in terms of project implementation and management at municipal level.
- The Economy and Business Department - University of Havana. Their participation will be based on their previous experience in developing a "cooperative management unit" which gives economic and accounting services to the cooperatives.
- Research Centre on Cooperatives from Pinar del Río University: It is the leading research institution in Cuba for the development of cooperatives and has extensive experience in cooperative management training and in regards to the principles of the cooperative movement.
- National Institute of Agro Sciences (INCA). It is a research and development centre of the Ministry of Higher Education and is the leading academic entity of the local agricultural innovation system.
- Cuban Association of Forestry and Agriculture Technicians (ACTAF) and Cuban Association of Agriculture and Livestock Producers (ACPA), National Association of Small Farmers (ANAP): These two Cuban NGOs support the Ministry of Agriculture in the strategy for the development of cooperatives, farmers and the agricultural decentralization strategy.
- Centre for Community and Local Development (CEDEL). It has extensive experience and knowledge on the community and municipal capacity development processes. It is a research centre that is part of the Ministry of Environment, Science and Technology (CITMA).
- FAO: The specialized UN Agency which provides technical assistance and expertise in food production.
- HEGOA: University Institute of Cooperation Studies, from the University of the Basque Country, Spain. This institute has extensive knowledge and background in the areas of

business administration and entrepreneurship training. They also have considerable experience working with cooperatives in the eastern provinces.

- SEBRAE: Brazilian Support Service for Small and Medium Enterprises. Since 2002 SEBRAE has been supporting the implementation of FRIDEL credit scheme in terms of training to both applying enterprises and to related government officials. Part of SEBRAE success in Cuba has to be related to similar socio-economic conditions between Cuban and Brazilian rural realities.
- INFOCOOP: Nicaraguan Institute for Cooperatives. In February 2008 UNDP/PDHL facilitated an exchange mission with Nicaragua of Cuban managers in charge of cooperatives at the Ministry of Agriculture to learn about the Nicaraguan experience. The mission was a success and 18 lessons learned by Cuba are now being implemented in the national strategy. For over 25 years, these entities have developed the best cooperatives experiences and will assist in general issues related to cooperatives management.
- Social Business Network. A UK charity that has supported and helped the development of the Nicaraguan cooperative sector for 15 years and can provide extensive knowledge on commercialization, quality management and general administration of cooperatives.

#### Role of the partners within the project

Partner	Activity	Role
Ministry of Agriculture	All in general	will be the leading partner in terms of the strategic vision, project implementation and lessons learnt
Ministry of International Investment and Cooperation	All in general	will be a general partner, both for national implementation and local activities
Municipal Governments	All in general	will be the leader partner in terms of project implementation and management at municipal level.
The Economy and Business Department - University of Havana	Capacity development for municipal institutions responsible for local planning and coordination of the food production and accessibility. Training on business administration, business plan, market studies, entrepreneurship	Technical experts

Research Centre on Cooperatives from Pinar del Río University	Training on cooperative management.	Technical experts
National Institute of Agro Sciences (INCA)	Community seed production, supporting the local agriculture innovation system of diversification and certification of quality seeds.	Technical experts
Cuban Association of Forestry and Agriculture Technicians (ACTAF), Cuban Association of Agriculture and Livestock Producers (ACPA) and Small Farmers National Association (ANAP).	Access and distribution of production inputs: quality seeds, fertilizers, tools and work equipment. Rehabilitation of productive infrastructure Horizontal knowledge management regarding experiences among municipalities Capacity development for food processing with the cooperatives and producers.	Local implementing partners and technical experts
Center for Community and Local Development (CEDEL)	Integrated and participatory planning at municipal level.	Technical experts
FAO	Related Training on production issues to the cooperatives and producers.	Technical experts
HEGOA	Training on business administration, business plan, market studies, entrepreneurship	Technical experts
SEBRAE	Capacity building related to small and medium enterprises (business plans, financial services management)	Technical experts
Social Business Network INFOCOOP	Provision of services for production and cooperative capacity development. Access to credit for cooperatives and producers.	Technical experts

#### 5.4. Project staff

Project staff will perform their activities on the basis of their job descriptions provided hereunder.

Programme Officer: The Programme Officer will ensure the monitoring of the project from UNDP (National Staff).

Finance Associate: The Finance Associate is responsible for the financial implementation of the project and will ensure the effective execution of financial services and processes and transparent consumption of financial resources (National Staff).

Finance Assistant: The Finance Assistant is responsible for the daily execution of financial services and payments (National Staff).

Administrative Assistant (2): The Assistant will support the general implementation of the project. (National Staff).

Project Manager: the Project Manager will coordinate the different components of the project and will be the Chief Technical Advisor of the project to the Implementation Unit based on the Ministry of Agriculture. This person will also be the key contact person for the Commission for this project on a daily basis (International staff).

Area Manager (3): The Area Manager will ensure the soft implementation of all the activities of the project within the territory in accordance with project workplan. The Area Manager will be the Technical Advisor of the Municipal and Provincial Working Groups, in charge of the implementation and management of the activities of the project. The Area Manager will be directly supervised by the project manager. There will be one Area Manager in Pinar del Río province, one in Sancti Spiritus Province and one in the Eastern Provinces, based in Granma. (International staff).

Programme Coordinator (PDHL), half-time: The Programme Coordinator is responsible for the management of the PDHL programme, and will for one half of his working time oversee the use of the PDHL methodology in this project, as well as ensure overall consistency of the approach towards the achievement of the expected results. He/she will provide advisory support to the Project Manager. (International Staff)

International Consultants: International Consultants participating in the project will come mostly from the international partner institutions already identified and will be hired on a fee-base contract. Assignments of international consultants (profile, duration, beneficiary institution) will be agreed in the Steering Committee via a biannual plan.

## **6. Monitoring and reporting**

The EC Delegation to Cuba and the UNDP office in Cuba will jointly oversee the implementation of this project in view of achieving the expected results and ensuring that activities are implemented consistently with this proposal.

UNDP will submit to the Commission for approval:

- An **inception report**, at the end of the first three months of the project. The inception report will notably include an overview of the execution of the activities so far undertaken, resources, a work programme for the subsequent period, and indications on likely financial savings or shortcomings.
- An **interim report** every three months following the same format and contents of the inception report.
- A **mid-term report**, at the end of the first half of execution of the project (15 months)<sup>5</sup>.
- The **final report** will be prepared in accordance with Article 2 of the General Conditions.

Any report produced within the scope of the present contribution agreement will be prepared in accordance with the relevant provisions of its Annex 2 - the General Conditions, and may draw from the Joint Guidelines on reporting obligations under the FAFA, agreed by the EC and UN and available here:

[http://ec.europa.eu/europeaid/work/procedures/implementation/international\\_organisations/other\\_documents\\_related\\_united\\_nations/index\\_en.htm](http://ec.europa.eu/europeaid/work/procedures/implementation/international_organisations/other_documents_related_united_nations/index_en.htm)

All reports shall be submitted in hard copy and electronic format (as a single MS Word file). UNDP shall also provide the Commission electronic and hard copies of training material prepared under this project.

Reports will as appropriate be circulated to the Cuban counterparts and discussed in the Steering Committee.

In addition to these reports, meetings between the Implementing Partner and the Commission's Project Manager or other appropriate Commission services will be organized as frequently as necessary.

### **Needs assessment and evaluation:**

There will be a mid-term external and a final review of the project. The Commission may, additionally, choose to evaluate the "food facility" overall, in which case relevant aspects of this project would be reviewed alongside projects funded by the food facility in other countries as part of a single assignment.

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<sup>5</sup> This report will substitute the 5th interim report.



On the basis of observations during the first half of the project as well as the results of the mid-term review the project team will produce as thorough as possible an analysis of the capacities of the counterpart services at operational and central level. This will lead to detailed recommendations on further needs of the counterpart services at central and local level, including equipment needs. Recommendations of this report will be presented to the Steering Committee who will carefully take them into account when deciding on any possible project reorientations, or in the mid-term programming of related cooperation programmes.

## **7. Visibility**

In accordance with the visibility provisions under the EC-UN Financial and Administrative Framework Agreement (FAFA) and with the Joint visibility Guidelines For EC-UN Actions in the Field approved in April 2008, the EC and the implementing organisations will work together to ensure appropriate visibility actions for the programme as a whole, as well as for specific interventions and activities under the programme.

Standards regarding visibility will be derived from the "EU visibility guidelines for external actions" [http://ec.europa.eu/europeaid/work/visibility/index\\_en.htm](http://ec.europa.eu/europeaid/work/visibility/index_en.htm).

The project should submit within three months following the signature of the contract a complete visibility and communication plan for the project. Inter alia all equipment and material to be purchased under this project, all reports and publications produced under the project, all seminars / workshops organised in the framework of the project, and all mention of the project in media and communication, will clearly identify the project and all associated outputs as entirely funded by the EU, in partnership with UNDP as implementing partner.

The Cuban authorities in particular the Ministry in charge of Cooperation (MINCEX) will be associated to the elaboration and implementation of the project's visibility plan.

## **8. Budget**

The total budget of the operation is 11,700,000 EUR. The detailed budget is annexed.

The contribution from national and local organization on the project is valued at some 3,000,000 of Cuban Pesos (CUP). This contribution will notably finance salaries of local and national staff in charge of the implementation of the project, technical assistance, equipments, machinery, productive inputs, infrastructure, and other project related resources.

## **Appendices**

1. Project logical framework
2. Project workplan
3. Organization chart of the project
4. Agreement FRIDEL
5. Detailed budget