

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**GUYANA**

**SOCIAL ENTREPRENEURSHIP PROGRAM (SEP)**

**EXECUTIVE SUMMARY**

**SOCIAL ENTREPRENEURSHIP PROGRAM TO SECURE  
LIVELIHOODS OF SMALL FARMERS THROUGH IMPROVED  
PRODUCTION AND MARKETING**

**(GY-S1002)**

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**ABBREVIATIONS**

CHF/PARTNERS	CHF/Partners in Rural Development
CIDA	Canadian International Development Agency
EU	European Union
POU	Program Operational Unit
GDP	Gross Domestic Product
ICG	Inter-community group
IFAD	International Fund for Agricultural Development
NGO	Non-Governmental Organizations
SEP	Social Entrepreneurship Program
SFLP	Small Farmer Livelihood Program
UNDP	United Nations Development Program
USAID	United States Agency for International Development
WBS	Work Breakdown Structure

## I. BASIC PROJECT INFORMATION

### A. Executing Agency

1.1 CHF/Partners in Rural Development- Guyana (CHF/Partners)

### B. Amount and Source of Financing

	<u>IDB</u> <u>US\$</u>	<u>CHF/Partners (CAD\$)</u>	<u>Total US\$</u>
Non-Reimbursable Financing:	600,000	CAD\$ 74,750 (US\$ 65,000 approx.)	665,000
Technical Cooperation:	<u>230,000</u>	<u>CAD\$692,582 (US\$602,245 approx.)</u>	<u>832,245</u>
<i>Sub-Total:</i>	<i>830,000</i>	<i>CAD\$767,332 (US\$667,245 approx.)</i>	<i>1,497,245</i>
COFAB Admin. Fee (5%)		<u>CAD\$ 40,284 (US\$ 35,030 approx.)</u>	<u>35,030</u>
<b>GRAND TOTAL</b>		<b>CAD\$807,616 (US\$702,275 approx.)</b>	<b>US\$1,532,275</b>

Source:

IDB: Fund for Special Operations (FSO)

The local counterpart resources will be provided by co-financing from the Canadian International Development Agency (CIDA) in Canadian Dollars ("CAD\$") equivalent to approximately US\$702,275.

### C. Terms and Conditions

1.2 **Project Period:** The Program will have an execution period of 48 months and a disbursement period of 54 months. This amount of time is necessary in order to ensure an adequate level of organization at the community and household level and for the results of the project activities in productive and commercial activities to begin to have an impact.

### D. Declaration of No Objection

1.3 The government of Guyana, through a letter from the Ministry of Finance, dated September 5, 2006, declared its no objection to the program.

### E. The problem to be addressed and the opportunity for the Bank

1.4 The proposed Social Entrepreneurship Program represents an excellent opportunity for the Bank to respond to the specific needs in Guyana with respect to: (i) the extensive poverty of small-scale non-traditional farmers; (ii) the inadequate integration of productive activities and market opportunities of these small farmers; and (iii) the lack of institutional capacity and professional services in the country.

#### 1. Poverty among small-scale non-traditional farmers

1.5 Guyana is one of the western hemisphere's least populated and poorest nations. It has a population of about 765,000, with 35% of its populace living below the poverty line and 19% in extreme poverty. Less than half of the population has access to potable water.

- 1.6 **Non-traditional agriculture generates income for poor rural farming households:** Agriculture is the mainstay of the Guyanese economy, accounting for around 25% of GDP, half the exports and one-third of employment. Thus, agriculture is key to both employment generation and poverty eradication. *Non-traditional agriculture* carried out by smallholder farmers is the major source of sustenance for poor rural families. Small farmers produce almost all of the country's fruits and vegetables and 80% of the grains, and the export potential of these farmers is relatively untapped.<sup>1</sup> Additionally, there are several niche markets for locally consumed products whose demand is unmet with local production. An example is carrots, for which Guyana must import over 90% of its internal consumption.
- 1.7 Yet non-traditional farmers are the most poverty-stricken group in Guyana, with nearly one-half of their households in poverty. Over 56% of those in the poorest quintile are in the agricultural sector. While as a group these small farmers feed the nation, as households their livelihoods are least secure. Given that approximately 70% of Guyana's residents live in rural households in coastal and near riverain areas, and are primarily dependent on income generated from non-traditional agricultural related activities, it is necessary to promote activities to improve their productivity, access to markets for their products and increase their incomes.
- 1.8 Non-traditional agriculture is characterized by: (i) subsistence farming systems that are small in scale, use a low level of technology and are labor intensive; (ii) a tendency to stick to traditional agricultural practices; and (iii) an absence of support services to encourage and assist farmers to adopt improved methodologies for increasing production, productivity and access to markets. Another factor that exacerbates these difficulties is poor drainage of agricultural lands. The majority of the productive lands are in areas that are below sea level, and are easily prone to flooding in heavy rainy seasons. As a result of these limitations, small farmers are unable to consistently produce the adequate quantities of high-quality non-traditional agricultural products required in export markets, and in some cases even to satisfy the country's own needs of some agriculture products.

## **2. Inadequate integration of productive activities and market opportunities**

- 1.9 Non-traditional small-scale farmers are largely considered poorly-resourced, disorganized and independent family units that have been unable to participate in the synergistic benefits of integrating production, processing and marketing of their produce. The large majority produces small quantities, poor quality and a very limited variety of crops (grains, legumes, vegetables and fruits). Similarly, agri-business and agro-industrial activities within the sub-sector are mostly in the hands of small, poorly resourced independent operators, grappling with a supply chain that is characterized by lack of organization and association, low productivity and high post-harvest losses.
- 1.10 Non-traditional farmers also have very limited access to markets. As a result, they tend to focus on growing a limited variety of staple crops that they know to have a readily available local market with a reasonably consistent, although low, price. This sometimes

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<sup>1</sup> Guyana exported 78 different non-traditional agricultural products in 2002, and non-traditional exports have been growing at an annual 6% rate since 1993. However, it still has a low base of only US\$5 million in 2004.

results in an over-supply of certain crops that must be discarded or dumped in local markets, resulting in further losses for these producers. These farmers are also hampered by an absence of effective market information regarding volumes and quality required and current market prices, allowing trade intermediaries to set disadvantageous prices. The private sector, a key player in many developing countries in providing markets for and encouraging development of new products, is still quite limited and lethargic in Guyana. Despite this, some local agribusiness entrepreneurs have begun to attempt to connect market demands with productive opportunities for small farmers, and a small group of prominent business owners have indicated their interest in purchasing non-traditional crops and products from poor farmers. But these kinds of market alliances require much coordination, information sharing, building trust and reliability between buyers and producers, and the adoption of market-driven principles in the productive and commercial activities.<sup>2</sup>

### 3. Lack of institutional capacity and professional services

- 1.11 Another problem that significantly limits Bank's ability to support improvements in the sector are the weaknesses found in local institutional and professional capacities. The development context in Guyana is substantially different than many other countries in Latin America and the Caribbean as a result of very poor economic performance and a resultant high level of out-migration, particularly among those with higher education levels<sup>3</sup>. Similarly, after almost three decades of centralized management of the economy, only since the early 1990s has the private sector begun to emerge in the country and it still suffers from a lack of dynamism, creativity and persistence. Among the general population, there is a pervasive culture of waiting for the government to take action rather than to try to resolve problems with self-determination, private initiative and cooperative action. These factors have contributed to an underdeveloped civil society, weak local grassroots organizations and an expectation that external financial assistance will imply no cost and few, if any, conditions. Local organizations are highly dependent on donations and unable, and often unaccustomed, to contribute counterpart resources to co-finance joint initiatives. Especially in the poorer areas of the country (outside the capital city of Georgetown) there are very few organized groups of producers and even fewer NGOs or other organizations that promote community and economic development, severely limiting any possibility of competitive selection for project funding.
- 1.12 This set of factors has seriously hindered the Bank's ability to channel available funding from the Social Entrepreneurship Program (SEP) to worthy income generation or poverty reduction projects in Guyana. Very few local institutions are sufficiently competent, able to prepare satisfactory project proposals and have adequate absorption capacity to qualify for SEP financing. Most are unwilling to accept *reimbursable* financing (the large majority of SEP funds), have no counterpart funds, or require funding in amounts that are too small to justify the Bank's cost of project design, preparation and processing. As a result, the Bank has not been able to identify or approve any SEP projects in Guyana since

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<sup>2</sup> The Project Concept Document for GY-L1007 "Agricultural Diversification Program" states that the potential successful agribusiness in Guyana appear to be those which aim upon niche markets, take advantages of the country's relative abundance of land and water, minimize on logistics costs, use easily adopted technology packages and do not require intensive management skills.

<sup>3</sup> According to the IMF, Guyana has the highest level of "brain drain" in the Americas.

1987, despite the obvious need for this type of project and the high demand for non-reimbursable resources for social entrepreneurship initiatives<sup>4</sup>.

- 1.13 These aspects are also significant in any attempt to provide consulting or professional services to rural groups, since there are very few qualified private institutions and/or individuals with high-level technical skills available to provide services who are not already working for international agencies. Therefore, the ability for rural groups to directly access capable consultants to provide technical assistance is minimal and highly problematic. For this reason, the most simple and effective way to provide technical services to rural communities or groups is directly through the technical and community development field staff of established development agencies that have gained the trust of and developed working relationships with these beneficiary groups and communities.

#### **4. A SEP Project Financing Program as a cost-effective and feasible solution**

- 1.14 In this context, the most feasible and cost-effective way for the Bank to invest SEP resources to respond to the pressing needs of small-scale, non-traditional farmers in Guyana with activities that will improve their productivity, competitiveness and incomes, is through a non-reimbursable project-financing program managed through a local organization. Through a decentralized project-financing mechanism that utilizes the installed capacity and field experience of an established community development organization, the Bank will be able to support a number of smaller-sized productive projects in Guyana that respond to the specific productive, organizational and marketing needs of poor farmers. It would also promote a locally-operated model of project management that contributes to strengthening the organizational and operational capacity of grassroots farmers groups who will directly benefit from the SEP funding.
- 1.15 In order to identify the ideal executing agency for this operation, specialists from SDS/MSM, COF/CGY and RE3/OD6 surveyed the operational, technical and administrative capacity of a number of possible local executing agencies and selected the NGO “*CHF/Partners in Rural Development*”. This selection was based on its longstanding track record in Guyana in strengthening local grassroots organizations, in-depth knowledge and network of contacts in the area of rural development, the technical capacity and commitment of its staff, noteworthy references from other bilateral and multilateral development agencies in Guyana regarding its work and the institution’s willingness to contribute significant counterpart resources to the project, obtained from the Canadian International Development Agency (CIDA).
- 1.16 The counterpart resources to this project, in the amount of CAD\$807,616, will be provided by CIDA to the IDB, and the Bank will disburse them to the executing agency. An Administrative Arrangement for a Joint Financing Program (“JFP”), under the Cooperation Framework Agreement between Canada and the Bank (GN-2202), accompanies this grant cofinancing contribution administered by the Bank. The administration of this contribution will be consistent with operational procedures included in document CC-5732.

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<sup>4</sup>

The last productive projects of this type financed in Guyana were in 1980 and 1981, under the Small Projects Program. The last project approved, in 1987, was a microfinance project.



## II. THE PROGRAM

### A. Objectives

- 2.1 The goal of this program is to contribute to the reduction of rural poverty in the coastal and near riverain regions of Guyana<sup>5</sup>. Its purpose is to provide productive, marketing and capacity building services, materials and equipment to assist poor small farmer groups to increase their incomes by selling their produce through new market linkages, through the establishment of the Small Farmer Livelihood Program (SFLP) that will finance efficient, sustainable and market-driven projects.<sup>6</sup>
- 2.2 The program is the first SEP project to be implemented in Guyana, and it will provide an excellent opportunity for the Bank to finally apply its SEP resources to contributing to poverty reduction and sustainable livelihood improvement in the country.

### B. Description

- 2.3 The Program has two components: (i) a **non-reimbursable Financing** component; and (ii) a **non-reimbursable Technical Cooperation** component.

#### 1. Non Reimbursable Financing Component (IDB: US\$600,000; Local US\$65,000):

- 2.4 This non-reimbursable component<sup>7</sup> will be used to establish a “responsive project fund” that will finance approximately 15 productive/commercial initiatives (projects) that will deliver technical assistance, training and productive or commercial inputs to selected small farmers groups, in response to their specific needs identified through participatory diagnostic exercises. The projects to be financed will address a range of needs and constraints at the household and farm levels. This “responsive fund” will seek to facilitate farmers’ access to the inputs they require for improving their productive, value-added and commercial technologies and methodologies in non-traditional farming, as well as access to improved marketing linkages, and hence will ensure increases in their incomes and improvements in their livelihoods. The local counterpart of US\$65,000 in cash will be contributed by CIDA.
- 2.5 Project budgets will range from US\$25,000 to US\$50,000, with an expected average of about US\$44,000<sup>8</sup>. The use of the funds in each project will vary according to the

<sup>5</sup> Guyana’s administrative regions are numbered, and the targeted regions will be Regions 2 through 6. These are located along the coastal belt and near riverain areas of the country where there is a combination of productive potential, access to highways and ports, population density of rural farmers, and communities that meet the poverty criteria established in the project. See the map in DOC 4 in the technical files.

<sup>6</sup> One of the key principles of the program will be to orient and support the small farmers to produce non-traditional crops for which unsatisfied market demand already has been identified, and to link the producers’ groups with these market opportunities. While there are some limited opportunities in the local market, it is likely that a large part of the production and market linkages will be oriented to export markets.

<sup>7</sup> The use of non-reimbursable resources for productive and investment activities in this particular case is justified based on: (i) the lack of repayment capacity of the final beneficiaries (see paragraph 1.12); (ii) the high transaction cost of a reimbursable operation with such small project amounts; (iii) the lack of local capacity to effectively intermediate this type of resources; and (iv) the program’s poverty reduction objectives.

<sup>8</sup> This amount is based on previous experience of CHF/Partners in developing similar projects.

needs of each beneficiary group. As examples, the funds could be used for small-scale production or packaging equipment, productive inputs or materials, water management (pumps, sprinkler irrigation or drainage), post-harvest storage, or local extension services in specific productive issues, among others. Up to a maximum of 5% of project costs could also be used for a community-based field promoter to help organize project activities in the field, and/or for an accounts clerk to help organize the financial and accounting records of the beneficiary group.

- 2.6 CHF/Partners has had significant experience in Guyana managing such small project funds through the previous capacity building projects funded by the Canadian International Development Agency (CIDA)<sup>9</sup>. For this program, the Project Team and CHF/Partners have adapted CHF/Partners' selection criteria and project management guidelines to meet the specific needs of this financing program that will have a clear productive and commercial focus. The community and household selection criteria, as well as the project selection criteria are detailed in the Operating Regulations, found in the program's technical files.
- 2.7 The **project selection criteria** will include the following: (i) demonstrates clear and logical link between productive activities and identified market opportunities; (ii) clearly defined indicators and tangible results in increasing small farmer income from non-traditional agriculture; (iii) all small farmers have equal access to participation in project activities, regardless of gender, ethnicity, age or religion; (iv) includes aspects of sustainable management of natural resources and utilization of clean technologies; (v) clarity of logic in relationship between project components; (vi) feasible plan for sustainability of project impacts at household or cluster level; (vii) high probability of sustainability of income and technological improvements; (viii) includes clear plans for data gathering for the purpose of monitoring and reporting results; (ix) was designed using a participatory approach; (x) the planned duration is between 9 and 18 months, with an average of 12 months; and (xi) required funding amount is between US\$25,000 and US\$50,000.
- 2.8 CHF/Partners will use its significant field experience and proven community assessment tools to identify approximately 45 communities that have the most interest and potential to benefit from the proposed project activities. The communities will be organized into "inter-community groups" (ICGs) of about 3 communities each, based on geographic proximity and common productive or commercial issues that require attention. These ICGs will be the beneficiary groups of the proposed projects. CHF/Partners will then form "networks" of 3 ICGs each, in the five administrative regions selected, which will serve as common conduits for training, technical exchanges and other learning purposes. Once CHF/Partners identifies a feasible project that meets the selection criteria, CHF/Partners will work with the beneficiary communities and networks to carry out a baseline survey of the households and communities, and write up a project document. The project document will follow the format and content of the example included in Annex V in the technical files<sup>10</sup>. While

<sup>9</sup> CHF/Partners has managed two CIDA grants in Guyana: "Building Community Capacity Project" (BCCP), Phases I and II, during the period of 1995 to present.

<sup>10</sup> All project documents will include a narrative portion that describes the problem to be resolved, project justification, target population, time frame, implementation methodology, sustainability, environmental and social issues and human resources required. It will also include a Logical Framework with measurable indicators, a detailed budget, a Gantt chart schedule of

the individual projects will be approved internally by CHF/Partners-Guyana, the IDB and CIDA will approve the Program's annual work plans, periodically review the projects that have been approved, and utilize the mid-term and final evaluations to conduct a review of the approval process used and the extent to which the selected projects have satisfactorily met the established selection criteria. The Operational Guidelines present additional information on this process.

## **2. Technical Cooperation Component (IDB: US\$230,000; Local US\$602,245):**

- 2.9 The purpose of the technical cooperation component is to provide *direct technical assistance and training services* in productive, commercial and capacity building issues to the beneficiary households, communities and productive networks. In general, this component will support activities aimed at improving production methods and technologies, group organization, product quality, value-added and identifying and establishing new marketing linkages. The provision of this direct technical assistance and training will require two key inputs: (i) an *operational project team* (human resources) that will carry out all of the activities, from the identification of the communities, households, networks and projects, to the coordination and delivery of the services to be provided, accompaniment of project execution, and monitoring and evaluation of project results<sup>11</sup>; and (ii) *financial resources* for technical assistance services in specific areas of production, processing, packaging, marketing (in areas in which CHF/Partners may not have specific technical expertise), field travel expenses of the operational team, collection and dissemination of market information, training workshops, technical learning exchanges among farmers and processors, establishing alliances with key sectoral stakeholders, environmental analysis and monitoring, as well as audits and evaluations of the program<sup>12</sup>.
- 2.10 CHF/Partners will cover the entire cost of the *operational project team* during the four-year implementation period of the program. This team will consist of a Program Coordinator, three technical field facilitators, and an administrative-financial assistant. CHF/Partners will also cover all administrative costs during the life of the program. The funds to cover all of these incremental expenses will come from CIDA.
- 2.11 The Bank's Technical Cooperation resources will cover the costs of the field-level technical assistance to beneficiary groups, market information, training workshops and materials, environmental consultancies, field travel of the operational project team, and program audits and evaluations. The Operating Regulations provide more detail about how these funds will be used, managed, monitored and reported.

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activities, a disbursement schedule and a "Work Breakdown Structure" (WBS) that details the activities required to reach the expected results.

<sup>11</sup> The cost of this component is significantly higher than what is usually included in a SEP project-financing program because the methodology is completely different. In this case, CHF/Partners technical staff actually executes the projects at the field level, rather than just supervising projects implemented by local organizations with their own staff.

<sup>12</sup> These items are included in the TC and not in the project budgets in order to: (i) provide economies of scale with combined activities that may reach several clusters; (ii) improve quality control of hiring of key consultants; (iii) not overburden beneficiary groups with procedural issues; and (iv) finance general activities that have benefits across several projects (market studies, exchange visits, extension services, etc.)

### **C. Sustainability and results of financial analysis**

- 2.12 The project-financing mechanism itself will function during the period that it receives funding from the Bank and other sources. While the program is the first of its kind in Guyana and will operate for four years with funding from this operation, it is likely that CHF/Partners could continue to operate the program beyond this period with additional resources from other donors, based on the lessons learned and results of this pilot phase.
- 2.13 The benefits of the projects will be sustainable at the community and household levels through mechanisms that will be incorporated into the design of each project. All approved projects must include a plan for ensuring the sustainability of its activities once project funding has terminated. Also, the projects must clearly demonstrate their additionality with respect to the productive and commercial activities of the beneficiaries at the time of project start-up. As examples, the sustainability of projects might be ensured through increased production and sales of agricultural produce through sustainable new market linkages that increase farmer incomes, or through the profitable operation of a small processing and packaging unit for vegetables, fruits or grains that increases the value added and/or quality of locally produced crops and opens up new channels for increasing sales and incomes.

### **D. Expected Results and Capture of Benefits**

- 2.14 In order to measure the capture of the Program's benefits by the target population (groups of low-income, small-scale, non-traditional farmers) the following indicators have been established for the end of the execution period: (i) 1,200 small farmer households that participate in the program increase their farming income by an average of 20%; (ii) over 70% of the 1,200 participating small farmers are successfully selling over 40% of their agricultural produce through new market linkages; (iii) approximately 90% of small farmer households benefit from new potential market linkages through processing, quality improvement or other activities; (iv) 1,200 small farm households form new and effective partnerships with extension services, research institutes, financial institutions, and government production and marketing programs; (v) 15 inter-community groups and networks have access to specific technical assistance as specified in project agreements; (vi) at least 15 projects, valued at a total of US\$665,000 have been financed, providing direct benefits in production, value added, processing, marketing, sales and income to the selected target group. CHF/Partners will report on the progress toward achieving these indicators in their progress reports and evaluations.

### **E. Bank Strategy in the Sector**

- 2.15 The Bank's strategy in the sector supports the Government of Guyana's (GOG) objectives of the National Development Plan and the Poverty Reduction Strategy to increase productivity and diversify the country's export base. The Bank's country strategy (GN-2228) identifies the need for Guyana to accelerate and sustain economic growth, based on support for the development of the private sector, expanding productive infrastructure and environmental sustainability, among others. This proposed SEP Financing program fits well into both the GOG and the Bank's

strategies, as it will contribute to agricultural diversification, improved production and productivity of small-holder farmers that represent that large majority of agricultural producers, and the introduction of new small-scale productive infrastructure and equipment, in an environmentally sustainable manner.

- 2.16 Additionally, this program will clearly complement the strategy and activities to be supported in GY-L1007 “Agricultural Diversification in Guyana”, which will include a component to support private sector entrepreneurship in agribusiness value chains in the areas of fruits and vegetables (pineapple, squash, peppers and plantains) and livestock. The CHF/Partners and SEP Program will seek to coordinate activities at the level of small-holder farmers in order to develop their productive capacity, product quality and marketing linkages in order to become organized groups of suppliers to some of the agribusinesses supported in GY-L1007.

#### **F. Cooperation with other international development agencies**

- 2.17 During the identification and analysis missions, the project team held several meetings with other international development organizations that are supporting programs in Guyana that promote community development and agricultural diversification. These organizations include the United Nations Development Program (UNDP), the European Union (EU), the International Fund for Agricultural Development (IFAD), the United States Agency for International Development (USAID) and the Canadian International Development Agency (CIDA). Through these meetings, the project team was able to gather information about current and pending programs that these organizations are supporting to develop the productive and commercial capacity of small-scale non-traditional farming in poor communities, and to share the strategy and work plan of this program. During project execution, the Bank and CHF/Partners will seek to coordinate the program’s activities with on-going and new efforts promoted by these donors that may be complementary. Furthermore, since CIDA will be co-funding this program, and will participate in program review and evaluation activities, CHF/Partners will ensure very close coordination of the program’s activities with both CIDA and the Bank.

#### **G. Summary of the Social and Environmental Review**

- 2.18 The Committee on Environmental and Social Impact (CESI) reviewed the project profile in its meeting 24-06 on June 16, 2006, with the recommendation that the project document clarify the potential environmental impacts of the program’s sub-projects and possible actions to mitigate these risks. These are addressed in the following paragraphs.
- 2.19 **Social Inclusion and Ethnic Diversity:** Guyana has a very ethnically mixed population. CHF/Partners will seek the active participation of people from all the ethnic groups in the program’s area of influence. CHF/Partners will also hire project staff who can work sensitively within this context to ensure satisfactory project implementation, especially in the rural communities. Furthermore, training materials will be developed in such a way as to make them inclusive of and acceptable to all ethnic groups in Guyana. Progress reports will include information about all of these aspects.

- 2.20 **Environment:** Given that the program will finance productive and commercial projects in an estimated 45 rural communities, it is likely that some part of these projects might result in environmental impacts related to the introduction of new species, the application of new fertilizers or pest control measures and the implementation of new water management techniques to improve drainage or install small irrigation systems. One of the selection criteria for the projects is the inclusion of techniques for the sustainable management of natural resources and utilization of clean technologies in any productive activity. As such, projects will include training and technical assistance in the utilization of sustainable agricultural methods, including the use of organic fertilizer, integrated pest management, crop association, reduction of slash and burn practices, rational use of agrochemicals, and others. Additionally, the program's budget includes resources to hire an environmental consultant who will carry out an environmental assessment of each project and provide recommendations to CHF/Partners and the participating households about how to mitigate any risks identified. Furthermore, the potential environmental impact of each project will be assessed using the CIDA environmental assessment form, prior to project approval. Finally, the mid-term evaluation (see paragraph 2.28) will assess the actions taken to mitigate the risks identified in a sample of projects.

## **H. Special Conditions**

- 2.21 As conditions prior to the first disbursement of resources from the Non-Reimbursable Financing Component and the Technical Cooperation Component, CHF/Partners will present to the Bank's satisfaction: (i) the initial work plan for the program's first year of implementation, including a disbursement forecast; (ii) the final version of the Operating Regulations for the program, approved by CHF/Partners and CIDA; (iii) the final version of the standard project agreement format to be signed between CHF/Partners and the beneficiary groups; and (iv) written evidence of CIDA's approval to co-finance the Program under the conditions presented in this proposal.
- 2.22 In order to commit more than 30% of the resources of the Technical Cooperation component, CHF/Partners must have begun implementation of at least 3 projects approved by the Project Selection Committee. The procedures for project approval are detailed in the Operating Guidelines.
- 2.23 **Revolving Fund and disbursements:** Because the program will require sufficient liquidity to hire technical assistance and carry out program start-up activities, the Bank will establish a revolving fund of up to 30% for both components.
- 2.24 **Procurement of goods and services:** CHF/Partners will carry out all procurement in compliance with Bank policies and regulations. The procurement of goods and services and the hiring of consultants will be carried out by CHF/Partners in accordance with Bank's policies (Documents GN-2349-7 and 2350-7). For the hiring of consulting services, CHF/Partners will use the procedures based on cost and quality. The procurement of goods will use price comparison procedures. The procurement plan will be reviewed every 6 months. Considering that the procurement of goods and services will not require international bidding, and CHF/Partners has considerable experience in procurement with international cooperation funds and well-developed procurement procedures, the Bank's Country Office will assess the possibility of

allowing for an ex-post review of procurement and consulting contracts, in accordance with the guidelines presented in the documents GN-2350-7 and GN-2349-7.

## **I. Reporting, Evaluations and Audits**

- 2.25 **Monitoring:** During the execution of the program and within 60 days of the close of each calendar semester, the CHF/Partners will present *progress reports* to the Bank. These reports will include progress in the following areas; (i) the accomplishment of the program's objectives (Logical Framework), with emphasis on increases in sales and income from agricultural activities; (ii) execution of the program's annual work plan and budget; (iii) formation and functioning of productive ICGs and networks in each region; (iv) potential market opportunities and linkages identified and established with private sector marketing, processing and/or industrial companies or providers; (v) number, location, size and basic characteristics of projects financed; (vi) the training and technical assistance services provided to project beneficiaries; (vii) alliances around productive, value-added and marketing activities with key stakeholders in small-scale non-traditional farming identified and established; (viii) information on the relationships and coordination with participating stakeholders institutions; (ix) number, productive size and characteristics of the households that have benefited from the projects; (x) results of the environmental assessments carried out for each project; (xi) information on the ethnic representation of the program staff and final beneficiary groups; and (xii) problems encountered in the period and actions taken to resolve them. A final report will be presented within 60 days of the end of the disbursement period. This final report should contain a summary of the results (outcomes) obtained compared with the program's original objectives, including impact on sales of non-traditional agricultural products and increases in agricultural incomes through the program's activities.
- 2.26 The Bank will review the progress reports, and in the case that significant deficiencies are found in the implementation of the program, the Bank will not authorize further commitments until the CHF/Partners has taken the appropriate action to correct the situation.
- 2.27 **Evaluations:** Using Bank resources from the Technical Cooperation Component, the Bank, in coordination with CIDA, will contract consultants to carry out a mid-term and final evaluation of the program. The mid-term evaluation will be carried out 24 months after the program's first disbursement or when 50% of the resources have been disbursed, whichever comes first. A final evaluation of the program will be undertaken once 95% of the program's funds have been disbursed. Both of these evaluations will take into account the information obtained in the baseline surveys conducted of each household and community prior to project implementation.
- 2.28 The mid-term evaluation will assess, at a minimum: (i) the program's response to the originally identified problems that it attempted to address; (ii) progress in increasing agricultural incomes for project beneficiaries as well as the degree to which their market access has been improved for non-traditional crops; (iii) the level of fulfillment of the program's performance indicators from the Logical Framework, with emphasis on the number of projects financed, the number of beneficiaries and the establishment of new market linkages; (iv) lessons learned and recommendations to improve

program implementation; (v) the extent to which the projects approved by CHF/Partners have effectively met the established selection criteria; and (vi) the institutional capacity of CHF/Partners in implementation of the program. The mid-term evaluation will also include an analysis of a sample of projects in which the ex-ante environmental assessment identified potential environmental risks and recommended action to mitigate those risks. Of this sample, the mid-term evaluation should include an ex-post analysis of the actions that were taken to mitigate the risks identified and the results of those actions.

- 2.29 In addition to the issues mentioned above for the mid-term evaluation, the final evaluation will measure and document: (i) the outcomes of the program for the beneficiary groups included in the mid-term evaluation; (ii) the fulfillment of program's objectives; (iii) lessons learned; (iv) the level of sustainability of the projects' productive and commercial investments and results; (v) the possibility and feasibility of expansion of the program with additional resources in the future; and (vi) the extent to which environmentally sound technologies were adopted by producers in each project.
- 2.30 **Audits.** Annual audits will be carried out on the non-reimbursable Financing Component. The funds for these audits will be included in each project budget. CHF/Partners will also present to the Bank, within 120 days following the close of each fiscal year, its annual financial statements. Likewise, a final audit of the Technical Cooperation component will be carried out at the end of the implementation period, in which the use of Bank funds and the counterpart contribution will be verified. The cost of the audit of the Technical Cooperation will be covered by the Bank's resources from this component.

## **J. Risks and Mitigants**

- 2.31 The three main risks associated with the program are: (i) that the recent rash of flooding in many coastal communities could continue during the implementation period and thus endanger the production of the non-traditional crops promoted in the program; (ii) that the participating small farmers do not adequately adapt to the more rigorous conditions of producing for higher-quality markets that will allow them to increase their incomes; and (iii) that the potential new productive and commercial alliances and linkages between agroprocessors or marketing initiatives and small farmers suffer from lack of trust that could limit the viability of these business relationships.
- 2.32 While the chance of weather patterns that result in floods cannot be reduced by the program, CHF/Partners can take other measures to reduce their possible negative impact. For example, CHF/Partners will make all attempts to include in the design of the productive projects the improvement of field drainage, the selection of crops that can be grown and harvested before the heavy rains arrive, and the implementation of improved agricultural practices that reduce the vulnerability of crops to potential flood conditions.
- 2.33 In order to reduce the risk of the farmers' inadequate response to market quality and quantity requirements, CHF/Partners will place major emphasis on the careful analysis



and selection of only those small farmer households that demonstrate a clear willingness and potential to change their productive practices to meet market demands. Project agreements with producer groups and households will also require that the selected farmers commit to applying the suggested agricultural techniques (seeds, planting, plant care, harvesting, post-harvest handling, etc.) that will allow them to meet the quality standards that the buyers may require.

- 2.34 CHF/Partners will promote open and transparent business relationships between the small farmers and the buyers, through joint meetings to discuss the roles and responsibilities of each party. CHF/Partners will also assist the farmers to draw up clear agreements with the buyers regarding these responsibilities, and will monitor the compliance by all parties, helping to mediate between the two where issues or problems might arise. This is expected to be a continuing process as there is not a lot of successful experience in Guyana in establishing this type of business relationships, and there exists a high level of mutual mistrust between small farmers and potential buyers or processors.

**K. Exceptions to Bank Policy**

- 2.35 None