

PROJECT PROFILE
SOCIAL ENTREPRENEURSHIP PROGRAM
GUYANA

Title:	Social Entrepreneurship Facility to Secure Livelihoods of Small Farmers through Improved Production and Marketing
Number:	GY-S1002
Project Team:	Phillip Walcott (COF/CGY); Juan Carlos Perez-Segnini (LEG/OPR); Dieter Wittkowski (SDS/MSM), Team Leader.
Executing Agency:	CHF/Partners In Rural Development (PRD)
Financing Plan:	BID: Technical Cooperation (Non Reimbursable): US\$ 200.000 BID: Non-Reimbursable Financing US\$ 600.000 PRD: <u>US\$ 400.000</u> Total US\$1.200.000
Source of Funds:	Net Income from the Fund for Special Operations (FSO)

I. The Problem and the Opportunity

- 1.1 Guyana is a small country with a population of approximately 750,000 living in a total area of almost 215,000 square km. More than 36% of Guyana's citizens live on less than US\$1.40 a day, while more than 19% of them are considered critically poor (income of <US\$1/day¹).
- 1.2 **The importance of non-traditional agriculture for rural income generation:** The sugar and rice industries are at the forefront of agricultural activity in Guyana and benefit from significantly higher levels of institutional and other support than non-traditional agriculture. However, the non-traditional agriculture sector provides sustenance to the rural poor. Non-traditional farmers are among the poorest in Guyana and while as a group, they feed the nation, as households their livelihoods are least secure. Given that approximately 70% of Guyana's residents live in rural (coastal and near riverain) households, and are primarily dependent on income generated from non-traditional agricultural related activities, a greater emphasis is needed on developing the sub-sector in order to improve farming households' standard of living and quality of life.
- 1.3 **Specific limitations in non-traditional agriculture:** 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 farmers to adopt improved methodologies for increasing production and productivity. As a result, Guyana is unable to consistently produce the adequate quantities of high-quality non-traditional agricultural products required in the North American and Caribbean markets and to satisfy its own needs of some agriculture products.
- 1.4 **Deficient integration of productive activities:** Non-traditional small-scale farmers are largely considered poorly resourced, disorganized and independent family units that have been unaffected by the synergistic benefits of integrating production, processing and marketing of their produce. The large majority produce small quantities, poor quality and a very limited variety of crops (grains, vegetables and fruits). Agri-business and agro-

industrial activities within the sub-sector are 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, high post-harvest losses, high prices to consumers and unreliable supplies chains.

- 1.5 **Limited access to markets and market information:** Non-traditional farmers have very limited access to markets and to market information. As a result, they tend to focus on growing a limited variety of crops that they know to have a readily available market (e.g., bora, egg plant) with a reasonably consistent price. A few venture into more exotic crops but these tend to be of limited quantity. The non-traditional farmers are also hampered by an absence of effective market information, allowing trade intermediaries to set disadvantageous prices. The Government of Guyana has made some improvements in provision of better market information and market access for non-traditional farmers, but the impact thus far has been limited, as resources are scarce and the needs are so wide spread. The Private Sector, a key player in many developing countries in providing markets for and encouraging development of new products, is limited in Guyana and is likely to remain so for some time as the investment climate in the near future looks problematic. Despite this, a few prominent business owners have indicated their interest in purchasing non-traditional crops and products from poor farmers. Motivated partly by a willingness to help their fellow countrymen, they also recognize the opportunity such products present from a business perspective. This project will attempt to secure the livelihood of poor non-traditional farmers, through improving their product lines and production costs and opening conduits to new or better markets through productive chains, in conjunction with a variety of Government, private sector and other actors.
- 1.6 **Scarce supply of professional services:** The development context in Guyana is substantially different than many other countries as a result of very poor economic performance and a resultant high level of out-migration, particularly among those with higher education levels². These factors are significant in any attempt to provide consulting or professional services to rural groups, since there are very few persons with high-level technical skills available to assist in the development of the project who are not already either working for international agencies or one of the other higher paying donor projects. Therefore, the ability to access capable consultants to provide technical assistance is minimal and highly problematic. For this reason, any development support to rural groups must be provided directly by technical and project staff of established development agencies. Furthermore, in the poorer areas of the country there are very few organized groups of producers and even fewer NGOs or other organizations that promote community and economic development.
- 1.7 Within this context, the Guyanese non-governmental organization CHF/Partners in Rural Development (“*CHF-Partners*”) proposes to apply its significant expertise in participatory and community-led rural development with the poorest communities in Guyana to identify and provide technical assistance to approximately 10 networks of poor non-traditional farmers, helping them to increase their incomes and improve their livelihoods through improvements in non-traditional agricultural productivity, production management, product quality, value added and market access.

²

According to the IMF, Guyana has the highest level of “brain drain” in the Americas.

II. The Proposed Solution

- 2.1 The goal of this funding facility is to contribute to economic development and rural poverty reduction in Guyana, through the financing of productive and commercial initiatives that provide small-scale farmers with sustainable and efficient services aimed at improving agricultural productivity, value added, product quality and market linkages. The project will be carried out in the regions 2, 3, 4, 5 and 6 (administrative regions in Guyana are numbered).
- 2.2 **Operational Mechanism:** Due to: (i) the complete lack of institutional structure and capacity at the rural level to prepare proposals to respond to competitive bidding processes; and (ii) the extreme difficulty in identifying and contracting local consultants to provide external technical assistance and other services to disperse groups of small farmers; this project will require a unique operational mechanism in order to be effective and successful. As the project executing agency, CHF-Partners will use its 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.³ The communities will be organized into “clusters” of about 3 communities each, based on geographic proximity and common productive or commercial issues that require attention. CHF-Partners will then form “networks” of 3 clusters each, in the five administrative regions selected.
- 2.3 Once organized in these networks, CHF-Partners will use participatory methods to determine the capacity building needs of each cluster and network, and will then develop each cluster’s ability to use participatory development instruments to identify farmers’ priorities and constraints for improving productivity, product quality, value added and market access, and to generate sustainable ways of delivering these. It is expected that CHF-Partners will use this information to develop approximately 10 productive/commercial initiatives (sub-projects) that will be supported with technical assistance, training and productive or commercial inputs provided by CHF-Partners to the groups.
- 2.4 To each of these 10 subprojects, CHF-Partners will provide capacity building assistance in the form of: (i) technical assistance; (ii) training; and (iii) a “responsive fund” at the community level. 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, and hence their incomes and livelihoods. It is basically a project financing facility that will allow each subproject to acquire materials, equipment, inputs or other services required to meet its individual productive or commercial objectives. This “responsive fund” will be established with **\$600,000 of non-reimbursable financing from the Bank**, and \$25,000 from *CHF-Partners* (likely to be obtained from CIDA). It is estimated that each subproject would receive about US\$62,500 in support from this fund, on average.
- 2.5 The subprojects to be financed will address a range of needs and constraints at the household and farm levels. CHF-Partners has had significant experience in managing such sub-project funds through the previous projects funded by the Canadian International Development Agency (CIDA). Criteria and guidelines for the sub-project fund management have been

³ Among others, some of the criteria to be used to identify these communities include demonstrated interest in actively participating in project activities, productive potential, absorptive capacity, willingness to contribute resources to the project, etc. These criteria will be clearly defined in the analysis mission.

tested and refined over the life of a number of sub-projects. It is expected that the same guidelines, modified to address any Bank-specific requirements, will serve to meet the needs of this project.

- 2.6 CHF-Partners will also assist the participating farmers' groups to determine opportunities to tap into markets, either directly or through linkages with value chains. Based on this determination, CHF-Partners will provide them with the necessary capital, capacity building, extension, technical and equipment support under each subproject. Potential and existing agro-marketing and agro-processing businesses willing to form partnerships with farming households will be identified and enlisted. After identifying the constraints of these companies to meet volume and quality requirements of their domestic and international markets, CHF-Partners will seek to provide them with technical and capacity building support to expand their production and marketing so that they are able to absorb the products of the farming households. CHF-Partners will then facilitate partnerships with these companies that will benefit the clusters.
- 2.7 CHF-Partners will also provide assistance to build and maintain alliances and collaboration between the non-traditional farming groups, private sector companies, entrepreneurs and government support agencies involved in agricultural production, processing, research and marketing.
- 2.8 The Bank would also provide **US\$200,000 in Technical Cooperation** funds, which CHF-Partners would use to provide *direct technical assistance services* to the selected communities, clusters and networks as explained in paragraphs 2.2, 2.3, 2.6 and 2.7. The services to be covered with the IDB funds include all of the field-level support in needs identification, capacity building, training, market linkages, coordination with other actors, identification and application of new techniques and technologies and monitoring and evaluation. This amount will cover fees for extension services (eg., agricultural extension persons), monitoring and evaluation, costs of workshops and meetings, materials and supplies, networking, market linkage and all program related travel for both CHF-Partners staff, extension people and other stakeholders.
- 2.9 CHF-Partners will contribute US\$375,000 to cover all of the administrative costs, as well as the cost of all project personnel, (estimated at 5 persons including the Field Director, three capacity building specialists and one support person.). These funds will likely be obtained from CIDA.
- 2.10 **Expected Results:** The expected results are: (i) approximately 1,800 poor small-scale farmer households will have increased their income by 20%; (ii) 15 community productive networks will be able to identify and respond to farmers' needs through participatory approaches; (iii) 90% of participating farmer households improve their agricultural productivity by at least 40%; (iv) 90% of small-farmers are successfully selling their produce through new market linkages; and (v) small farmers are successfully integrated with key productive and commercial stakeholders in the non-traditional farming sector.

III. The Implementing Mechanism and Institutional Aspects

- 3.1 CHF/Partners in Rural Development (CHF-Partners) is a locally-registered NGO in Guyana, which has been experimenting with and supporting networks of nascent groups in rural

Guyana for the past 11 years. It is the Guyanese arm of the Canadian NGO “Canadian Hunger Foundation – Partners in Rural Development” (CHF/PRD). CHF-Partners was selected because it is the only NGO in Guyana identified by the IDB as having the experience, technical, administrative and financial capacity needed to carry out capacity building, productive and commercial activities required to improve the livelihoods of the rural poor. CHF-Partners has a permanent office in Georgetown, with 12 Guyanese professionals and support staff. Its long-term presence in Guyana has enabled it to build up significant local knowledge, expertise, contacts and networks, and a cadre of local specialists. The organization has also developed policies, practices, guidelines, manuals and other tools to support organizational capacity building, based on lessons learned from its field work. Many of these tools are requested and shared with other voluntary organizations in Guyana, including donors such as European Union, USAID, UNAIDS, and UNICEF, which have used them to establish strategic directions and operational guidelines for their small project funds. CHF-Partners’ instruments for organizational assessments, project monitoring, results-based management and evaluation have also been used and adapted by others in Guyana to meet their own specific needs in these areas. CHF-Partners’ main source of funding in Guyana is from CIDA, and manages an annual budget of about US\$1 million in funding for other projects.

IV. Social and Environmental Impacts and Proposed Measures

- 4.1 Positive impacts in social inclusion will be obtained through the active participation of women and different ethnic groups in all project activities. The project will have a positive impact on the quality of life of a significant number of poor rural farm households. It will significantly increase their livelihood assets and better prepare them for the shocks and stress that recent unpredictable weather patterns have introduced to farming communities in Guyana. Improved farming methodologies and technologies will reduce the amount of annual land clearing that occurs under slash and burn agriculture. Technical assistance provided will include environmental aspects such as reducing the use of agrochemicals and introducing sustainable farming techniques.

V. Special Issues

- 5.1. The project team will pay special attention to the following issues in the analysis of the operation: (i) amount, source and feasibility of increased counterpart financing; particularly for the “responsive fund”; (ii) verification of the operational, financial and administrative capacity of CHF-Partners to carry out the proposed activities; (iii) proposed plans and mechanisms to ensure the sustainability of project’s results; (iv) indicators and systems for measuring household-level economic and social benefits; (v) selection criteria for participating communities and/or farmer groups; (vi) environmental and social impact of farmers activities financed through the program; and, (vii) systems to measure the effectiveness of project expenditures as opposed to administrative expenses for the executing agency.

- 5.2. The following is the estimated timeline for project analysis and preparation:

Analysis Mission:	June 2006
CRG:	September 2006
IDB Board of Directors:	October 2006

Approved by: Antonio Vives, SDS/PEF

Date: June 12 2006