President’s report

Proposed loan and grant to the Republic of Guyana for the

Rural Enterprise and Agricultural Development Project
Note to Executive Board Directors

This document is submitted for approval by the Executive Board.

To make the best use of time available at Executive Board sessions, Directors are invited to contact the following focal point with any technical questions about this document before the session:

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<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>ASDU</td>
<td>Agricultural Sector Development Unit</td>
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<tr>
<td>NGMC</td>
<td>New Guyana Marketing Corporation</td>
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</table>
Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed loan and grant to the Republic of Guyana for the Rural Enterprise and Agricultural Development Project, as contained in paragraph 37.
Map of the project area

Guyana
Map of READ

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

IFAD Map compiled by IFAD
Republic of Guyana  
Rural Enterprise and Agricultural Development Project  

**Financing summary**

<table>
<thead>
<tr>
<th>Initiating institution:</th>
<th>IFAD</th>
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<tr>
<td>Borrower:</td>
<td>Republic of Guyana</td>
</tr>
<tr>
<td>Executing agency:</td>
<td>Ministry of Agriculture</td>
</tr>
<tr>
<td>Total project cost:</td>
<td>US$6.93 million</td>
</tr>
<tr>
<td>Amount of IFAD loan:</td>
<td>SDR 1.85 million (equivalent to approximately US$2.88 million)</td>
</tr>
<tr>
<td>Amount of IFAD grant:</td>
<td>SDR 1.85 million (equivalent to approximately US$2.88 million)</td>
</tr>
<tr>
<td>Terms of IFAD loan:</td>
<td>40 years, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum</td>
</tr>
<tr>
<td>Contribution of borrower:</td>
<td>US$0.85 million</td>
</tr>
<tr>
<td>Contribution of beneficiaries:</td>
<td>US$0.32 million</td>
</tr>
<tr>
<td>Appraising institution:</td>
<td>IFAD</td>
</tr>
<tr>
<td>Cooperating institution:</td>
<td>Directly supervised by IFAD</td>
</tr>
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</table>
Proposed loan and grant to the Republic of Guyana for the Rural Enterprise and Agricultural Development Project

I. The project
A. Main development opportunity addressed by the project
   1. Guyana is a small country that is well endowed with natural resources. More than 90 per cent of the population of 800,000 lives along the coast on 10 per cent of the land. Its traditional products – sugar and rice – continue to face severe challenges competing on international markets, whereas there are a wide variety of non-traditional products produced by small farmers (fruits, root crops, vegetables, spices) that have good external market potential. The Government considers that these products could represent a major economic diversification and growth opportunity for the country as a whole and poor rural areas in particular.

B. Proposed financing
   Terms and conditions
   2. It is proposed that IFAD provide to the Republic of Guyana a loan in the amount of SDR 1.85 million (equivalent to approximately US$2.88 million), on highly concessional terms, and a grant in the amount of SDR 1.85 million (equivalent to approximately US$2.88 million) to help finance the Rural Enterprise and Agricultural Development Project. The loan will have a term of 40 years, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum. The total loan will be disbursed over a period of six years, most of it from the second to the fifth project years. Administrative arrangements for loan disbursement following the regulations of the Ministry of Finance, the Bank of Guyana, the Ministry of Agriculture and IFAD are in place.

   Relationship to the IFAD performance-based allocation system (PBAS)
   3. The allocation defined for Guyana under the two PBAS allocation periods covered by the project is US$6 million.

   Relationship to national medium-term expenditure framework criteria
   4. The project is in line with the national medium-term expenditure framework.

   Relationship to national sector-wide approaches or other joint funding instruments
   5. The project is consistent with the Government’s poverty reduction, food security and agricultural diversification goals, and with its market-led approach to agricultural-sector development.

   Country debt burden and absorptive capacity of the State
   6. Among the heavily indebted poor countries, Guyana has one of the highest external debt-to-GNI ratios. Yet, given its agricultural land resources, its rural population and infrastructure, and the market opportunities that exist for its products, the country has great potential to benefit from loan funds. The provision of technical assistance and training is critical to increasing its absorptive capacity.

   Flow of funds
   7. A special account in United States dollars and a project account in Guyanese dollars will be opened at the Bank of Guyana and will be operated by the Ministry of Agriculture.
Supervision arrangements
8. In keeping with the new IFAD Policy on Supervision and Implementation Support, the project will be directly supervised by IFAD. Supervision will include the involvement of IFAD headquarters, the outposted country programme manager, and a national liaison officer.

Exceptions to IFAD General Conditions for Agricultural Development Financing and operational policies
9. No exceptions are foreseen.

Governance
10. The following planned measures are intended to enhance the governance aspects of the IFAD financing: (i) procurement, audit and supervision procedures have been agreed between IFAD and the Government; (ii) a monitoring and evaluation specialist, responsible for ensuring efficient and effective loan delivery and project goal attainment, will be a primary member of the project team; and (iii) the project emphasizes organizational strengthening and empowerment of vulnerable groups, and prepares stakeholders to participate in public policy forums.

C. Target group and participation
   Target group
11. The main target group consists of 5,200 rural households, mainly farmers and operators of micro and small-scale enterprises. The project will pay particular attention to woman-headed households, young people and Amerindian communities. Given an average household size of four members, it is anticipated that 20,800 people will benefit directly from project activities, 53 per cent of whom will be men and 47 per cent women.

   Targeting approach
12. In accordance with the IFAD Policy on Targeting, specific criteria are being applied to identify the target groups. These include: (i) farmers (both men and women) growing non-traditional crops with up to 5 acres under cultivation; (ii) operators of small-scale enterprises with no more than five permanent workers; (iii) households that have farming and rural resource-based activities as a major income source; (iv) households unable to participate in the synergistic benefits of integrating production, processing and marketing of their produce; (v) subsistence farmers; and (vi) agriculture or non-agriculture-based rural households whose young members are presently underemployed.

   Participation
13. Stakeholders took a very active part in project formulation, and the project design includes numerous mechanisms to ensure that their influence can continue during project implementation. This approach is reflected in the project’s emphasis on building strong organizations and the explicit involvement in the project of institutions such as the Rural Women’s Network.

D. Development objectives
   Key project objectives
14. The project’s overall objective is to improve the living conditions of poor rural households, especially small-scale producers and vulnerable groups, by strengthening their human, social and financial assets. Its specific objectives are to: increase the market opportunities available to small rural producers (including women); increase rural people’s capacity to produce and market non-traditional products efficiently and effectively, and to develop small-scale enterprises; strengthen the rural services available to small producers; increase access to financial and other capital services; and build human and social capacity at the community level.
Policy and institutional objectives
15. The project is in line with Guyana’s poverty reduction strategy policy. Its main policy and institutional objectives are to facilitate market development for non–traditional products and to increase the capacity of rural producers and their organizations to manage their production and marketing operations so as to access identified markets successfully and sustainably.

IFAD policy and strategy alignment
16. The project is consistent with IFAD policies and its country strategy. It targets poor rural households, with a particular focus on woman-headed households, women, young people and other vulnerable groups. It recognizes the importance of building and strengthening infrastructure, institutions and organizations, information technology and human capacity. Further, at all stages of the project, attention is paid to gender, economic viability and sustainability issues.

E. Harmonization and alignment
Alignment with national priorities
17. The national priorities for the rural sector emphasize poverty reduction, agricultural diversification, enterprise development and balanced regional development. The project covers six of Guyana’s ten regions and is directly focused on increasing income-earning opportunities through successful product and market diversification.

Harmonization with development partners
18. Strong synergies could be obtained through coordination with other donors, particularly the Inter-American Development Bank and the Canadian International Development Agency, on agricultural diversification; the United States Agency for International Development through its Guyana Trade and Investment Support Project, on marketing support; the Inter-American Institute for Cooperation on Agriculture, on rural youth and rural women’s networks; and the Food and Agriculture Organization of the United Nations, on support to technology development, enterprise management and investment.

F. Components and expenditure categories
Main components
19. The project has two main components: (i) market and rural enterprise development (42 per cent of the total base costs); and (ii) human and social capital strengthening (35 per cent). Project coordination accounts for 23 per cent of total base costs.

Expenditure categories
20. IFAD financing will be disbursed through seven categories: (i) civil works (5.1 per cent); (ii) vehicles and equipment (2.7 per cent); (iii) technology introduction, technical assistance and training (45.9 per cent); (iv) credit fund (3.2 per cent); (v) enterprise development and grant fund (9.5 per cent); (vi) productive and social investment grant fund (7.3 per cent); and (vii) salaries and operating costs (16.8 per cent). An amount of SDR 350,000 (9.5 per cent) has been left unallocated.

G. Management, implementation responsibilities and partnerships
Key implementing partners
21. The main implementing partners will be: (i) the Ministry of Agriculture, particularly ASDU; and (ii) the New Guyana Marketing Corporation (NGMC), which will play a special role given the complementarity of its mandate with the project’s two main components. Other implementing partners will include the Ministry of Agriculture’s technology and extension services units, and several institutions related to human and social capacity strengthening.
Implementation responsibilities
22. ASDU, as the lead agency, will have overall administrative responsibilities for the project. The project will be implemented in close collaboration with NGMC and will be led by a team of specialists (enterprise development, marketing, organizational strengthening, social equity, and monitoring and evaluation) who will be responsible for technical project implementation and regional and local-level performance.

Role of technical assistance
23. Technical assistance will fill major gaps in human and material resources currently unavailable in Guyana. Through implementation strategies relying heavily on training and building self-reliance linked to phased exit strategies, technical assistance will be a catalyst helping to build and sustain increased human and institutional capacity.

Status of key implementation agreements
24. There have been extensive discussions and informal agreements have been made with implementation partners at three different levels: (i) government (ASDU and NGMC); (ii) international development partners (the Inter-American Development Bank, the European Union, the United States Agency for International Development, and the Canadian International Development Agency); and (iii) beneficiary stakeholder organizations.

Key financing partners and amounts committed
25. The total project cost is US$6.93 million over six years. IFAD will contribute US$5.76 million; the Government, US$0.85 million; and beneficiaries, US$0.32 million.

H. Benefits and economic and financial justification
Main categories of benefits generated
26. The main categories of benefits generated are economic (increased incomes, job opportunities, production and productivity, markets and enterprise efficiency) and social (stronger public and private service providers, private-sector intermediaries, NGOs, beneficiary groups and, at the beneficiary level, improved human development).

Economic and financial viability
27. The project will support the identification of markets and will make it easier for producers to sell products on a competitive basis in these markets. An analysis across eight enterprises shows an internal rate of return (IRR) ranging from 40 to 89 per cent in a "with project" scenario and an average increase in the financial IRR of 29 per cent. Importantly, the project will prepare producers to adjust to market and production impacts.

I. Knowledge management, innovation and scaling up
Knowledge management arrangements
28. The project’s monitoring and evaluation specialist will devote about half of his or her time to analysing project results and lessons learned, and communicating these lessons to the project’s direct stakeholders and to partners and stakeholder organizations associated with poverty reduction, rural women’s advocacy and rural development groups, and, more broadly, to the Government as an input to policy dialogue.

Development innovations that the project will promote
29. The project’s approach is innovative in the country context in that it emphasizes the interrelated nature of market-led enterprise development, organization/human capacity-strengthening, and affirmative action to ensure the equitable participation of vulnerable groups in project activities both as a means and an end.
**Scaling-up approach**

30. Although the project will have budgetary and geographical limitations, its activities are expected to indirectly benefit other stakeholder groups in the country and influence a larger number of markets and commodities through its synergies and coordination with national partner institutions and other donors. This approach is closely related to the project’s success and sustainability.

**J. Main risks**

**Main risks and mitigation measures**

31. The project faces two main risks: (i) rapidly changing market and production conditions; and (ii) social and political challenges that potentially undermine organization and human capacity-building. The planned mitigation measures include a strategy that will diversify production and markets and thereby reduce the impact of changing conditions; and an emphasis on capacity-building to enable stakeholders to more effectively manage any disruptive social and political events.

**Environmental classification**

32. Pursuant to IFAD’s environmental assessment procedures, the project has been classified as a Category B operation in that it is not likely to have any significant negative environmental impact.

**K. Sustainability**

33. The project has been designed with an exit strategy to ensure that, after project completion, beneficiaries (service providers and stakeholders) are capable of maintaining and improving their production services and systems. Participatory approaches that foster ownership and empowerment of beneficiary groups will be central to all project activities. Sustainability will also be bolstered by the project’s emphasis on building human and social capacity to adjust to changing situations; and on its promotion of good agricultural practices and an organic farming approach that uses natural resources in a manner that protects and restores the environment.

**II. Legal instruments and authority**

34. A project financing agreement between the Republic of Guyana and IFAD will constitute the legal instrument for extending the proposed financing to the borrower. Important assurances included in the negotiated agreement are attached as an annex.

35. The Republic of Guyana is empowered under its laws to borrow from IFAD.

36. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD.
III. Recommendation

37. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Republic of Guyana in various currencies in an amount equivalent to one million eight hundred and fifty thousand special drawing rights (SDR 1,850,000) to mature on or prior to 15 December 2047 and to bear a service charge of three fourths of one per cent (0.75 per cent) per annum and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a grant to the Republic of Guyana in various currencies in an amount equivalent to one million eight hundred and fifty thousand special drawing rights (SDR 1,850,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Lennart Båge
President
Important assurances included in the negotiated project financing agreement

(Negotiations concluded on 23 November 2007)

**Gender**

1. In compliance with IFAD’s policies and in accordance with the Government of Guyana’s (the Government) established policies, the Government will ensure that gender equity is mainstreamed in all activities to be supported by the project.

**Indigenous peoples concerns**

2. In compliance with IFAD’s policies and in accordance with the Government’s established policies, the Government will ensure that the concerns of Amerindian people are given due consideration in implementing the project and will ensure that the Amerindian people are adequately and fairly represented and that they participate, when applicable, in all Project activities.

**Pest management**

3. The Government will comply with the International Code of Conduct on the Distribution and Use of Pesticides and ensure that pesticides procured under the project do not include any pesticides classified as extremely hazardous or highly hazardous by the World Health Organization.

**Insurance of project personnel**

4. The Ministry of Agriculture will ensure that project personnel provide their own insurance against health and accident risks to the extent consistent with the Government’s social security legislation.

**Use of project vehicles and other equipment**

5. The Government will ensure that: (a) all vehicles and other equipment procured under the project are allocated to the ASDU; (b) the types of vehicles and other equipment procured under the project are appropriate to the needs of the project; and (c) vehicles and other equipment transferred to or procured under the project are dedicated solely to project.

**Fraud and corruption**

6. The Government will promptly bring to the attention of IFAD any allegations or concerns of fraud and/or corruption in relation to the implementation of the Project of which it has knowledge or become aware.

**Suspension**

7. IFAD may suspend, in whole or in part, the right of the Government to request withdrawals from the loan and grant accounts, upon the occurrence of any of the events set forth below provided, however, that if the audit has not been satisfactorily concluded within 12 months of the financial reporting period date, IFAD will suspend the right of the Government to request withdrawals from the loan account, or if:

   (a) The project coordinator has been removed from the project without prior consultation with the IFAD and/or IFAD has determined, after consultation with the Government, that such removal may result in an adverse effect to the project;

   (b) IFAD, after consultation with the Government, has determined that the material benefits of the project are not adequately reaching the target group, or are benefiting persons outside the target group to the detriment of target group members;

   (c) The project operations manual, or any provision thereof, has been waived, suspended terminated, amended or modified without the prior consent of
IFAD, and IFAD has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the project;

(d) IFAD, after consultation with the Government, has determined that the Government has defaulted in the performance of any covenant set forth in the project financing agreement, and after notification by IFAD, such default continues without evidence of remedy for a period of 30 days, and IFAD has determined, after consultation with the Government, that such default may have a material adverse effect on the project;

(e) IFAD has given notice to the Government that credible allegations of corrupt or fraudulent practices in connection with the project have come to the attention of IFAD, and, after consultation with the Government, IFAD has determined that the Government has failed to take timely and appropriate action to address the matters to the satisfaction of IFAD; and

(f) Procurement has not been or is not being carried out in accordance with the project financing agreement

**Conditions precedent to withdrawals**

8. (a) No withdrawal will be made in respect of expenditures under the credit fund category and the enterprise development grant fund category until the respective subsidiary agreement have been approved by IFAD in draft; and a signed copy of such agreement, have been delivered to IFAD; and all conditions precedent to the effectiveness, if any, thereof have been fulfilled.

(b) No withdrawal will be made in respect of expenditures under productive and social investment grant fund category until the respective subsidiary agreement have been approved by IFAD in draft; and a signed copy of such agreement, have been delivered to IFAD; and all conditions precedent to the effectiveness, if any, thereof have been fulfilled.

**Conditions precedent to effectiveness**

9. The project financing agreement will become effective subject to the fulfilment of the following conditions precedent:

(a) A project coordinator have been duly appointed and approved by IFAD;

(b) The project steering committee have been duly established in accordance with the project financing agreement;

(c) The Government have made the initial deposit of counterpart funds into the project account in accordance with the project financing agreement;

(d) The project operations manual have been accepted by IFAD, in accordance with the project financing agreement;

(e) The draft annual work plan and budget, including a first procurement plan for the first eighteen months of project implementation, have accepted by IFAD, in accordance with the project financing agreement;

(f) The Government have duly opened the special account and the project account, in accordance with the project financing agreement;

(g) This project financing agreement have been duly signed, and the signature and performance thereof by the Government have been duly authorised and ratified by all necessary administrative and governmental action; and

(h) The Government have delivered to IFAD a legal opinion issued by the Attorney General Chambers of the Government or other legal counsel authorized by the Government to issue such opinion in respect of the matters set forth in the project financing agreement and in form and substance acceptable to IFAD.
Key reference documents

Country reference documents

IFAD reference documents
IFAD, 2007. (Draft) Latin America and the Caribbean Division – Supervision and implementation support strategy (PL-SISS).
  • Main text and appendices
  • Key Files
    a. Key file 1: Rural Poverty and Agricultural/Rural Sector Issues
    b. Key File 2: Organization’s Matrix (SWOT Analysis)
    c. Key File 3: Complementary Donor Initiatives/Partnership Potential
    d. Key File 4: Target Group Identification, Priority Issues and Potential Response
  • Working Papers
    1. Socio-economic context and mainstreaming of vulnerable groups
    2. Organizational Strengthening and Human and Social Capital Building
    3. Rural Enterprise and Market Development
    4. Strengthening of Rural Services
    5. Monitoring and Evaluation, Knowledge management and Communications
    6. Project costs and financing
IFAD, 2003. Administrative Procedures on Environmental Assessment (PB 94/03)

Other miscellaneous reference documents
IDB, 2007. Consultancy report on ASDU.
### Logical framework

<table>
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<th><strong>Narrative summary</strong></th>
<th><strong>Objectively verifiable indicators</strong></th>
<th><strong>Means of verification</strong></th>
<th><strong>Assumptions</strong></th>
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</thead>
</table>
| **GOAL:** Contribute to the improvement of the social and economic conditions of resource poor households. | By the end of Project implementation 5 200 poor rural households (13 000 direct project clients) in Project priority areas and regions will rise above the poverty line, set at USD 365 per capita per annum. | 1. Income and Export figures (National Bureau of Statistics).  
2. Household Surveys; changes in living standards.  
3. PRSP Secretariat poverty reports. | 1. Changes in government policy do not adversely affect objectives project.  
2. No severe weather conditions. |

| **Overall Objective:** Improve the living conditions of poor rural households, especially small-scale producers, increasing their human, social, and financial assets. | At least 4 660 male-headed resource poor households have increased their income by at least 30% at the end of Project implementation. At least 540 female-headed resource poor households have increased their income by 30% at the end of Project implementation. At least 40 young men (20) and women (20) receive scholarships for vocational skills training and start-up a viable businesses / enterprises. At least 200 micro and small-scale businesses managed by and involving 1 600 men have improved their productivity by 20% and have obtained capital assistance and concrete marketing links. At least 300 micro and small-scale businesses managed by and involving 2 400 women have improved their productivity by 20% and have obtained capital assistance and concrete marketing links. At least 80 Rural Organizations and their 4 000 male and female members, have developed a network with links to service providers and markets (national and export), other rural organizations, and have strengthened their internal relations and organizational capacity. At least 80 Rural Organizations and enterprises have improved knowledge of and apply concepts of equity and participation, with emphasis on women, Amerindian population and youth. At least 3 900 young men and women have become motivated and involved in a Rural Organization, Farming and / or business or marketing activities. At least 1 360 women and 1 600 men have increased financial assets through access to the READ Rural Financial Facility (i) Enterprise Development Fund with a loan a grant option; and the Productive Social Investment Fund. | 1. Reports on Income by NDC from the National Bureau of Statistics.  
2. Household Surveys; changes in living standards.  
3. Data and reports from the Project M&E system.  
4. NGMC annual reports.  
5. MoA database on crops and livestock.  
7. Rural Organizations reports.  
8. Small scale enterprises financial statements.  
9. RFF and Financial Institution’s reports.  
10. Project Systematization and Knowledge Generation workshops | 1. GOG is willing to support empowerment of Rural Organizations.  
2. Capable and trained professionals are available.  
3. Project clients are prepared to actively participate in Rural Organizations.  
4. Project clients involvement is maintained throughout implementation.  
5. MoA implements plan for changes in research and extension services. |