

Republic of Guyana

Rural Enterprise and Agricultural Development Project

Project Performance Evaluation

Executive summary

Background

1. The Independent Office of Evaluation of IFAD (IOE) undertook a project performance evaluation (PPE) of the Rural Enterprise and Agricultural Development Project (READ) in the Republic of Guyana. The main objectives of the evaluation were to: (i) conduct an independent assessment of the results of the project; and (ii) generate findings and recommendations for the design and implementation of ongoing and future IFAD operations in the country.
2. In preparation for the PPE, IOE gathered preliminary findings from the desk review of the project completion report and other key project documents, and held interviews at IFAD headquarters. Following this, IOE undertook an evaluation mission where additional evidence and data were collected to verify the available preliminary information and to reach an independent assessment of the project's performance and results. The mission visited all six regions where the project had been active, and almost 25 per cent of all community-based organizations benefitting from the project were met. The methods deployed for data collection in the field comprised direct observations, key informant interviews with project stakeholders, former project staff, local and national government authorities, and group interviews with beneficiaries.

The project

3. The goal of the project was 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 were to: (i) increase the market opportunities available to smallholder rural producers; (ii) increase rural people's capacity to produce and market non-traditional products; (iii) strengthen rural services; (iv) increase access to financial and other capital services; and (v) build human and social capacity.
4. The project was implemented in six regions based on criteria such as: (i) the proportion of the population residing in the region; (ii) the poverty gap; and (iii) the potential for non-traditional agricultural production. The target population consisted of poor or extremely poor men and women, non-traditional farmers devoted to smallholding agriculture, either of subsistence or market-oriented production, wage labourers and poor or extremely poor rural men and women entrepreneurs, particularly women-headed households, youth and Amerindian communities.
5. The project had two main components: (i) market and rural enterprise development; and (ii) human and social capital strengthening. Market development included activities to identify potential markets, building market information systems and assisting producers to sell their goods in different markets. Rural enterprise development activities were based on supply-side capacity development of rural agro-enterprises for sustainable rural transformation and development. The second component stressed developing human and social capacities for the empowerment of men and women. The two components were supported by the provision of matching grants and finance at subsidized rates for the working capital needs of beneficiaries. The total cost of the project at approval was US\$6.93 million. It was financed by IFAD through a loan and grant (50 per cent each) of US\$5.76 million, a contribution by the Government of US\$0.86 million through taxes paid or foregone, and by project beneficiaries contributing their labour in the form of activities they performed under some of the components.

Main evaluation findings

6. **Relevance.** The objectives of the project were in line with the agricultural strategy of the Government of Guyana. Linking economic development with human and social capital-building was rightly the design for both a sustainable impact and a more inclusive approach for the vulnerable groups in Guyana. The project's emphasis on a participatory approach was noteworthy given the appreciation expressed by beneficiaries to the evaluation team. On the other hand, the design was ambitious for the national capacity available to undertake development projects, which ultimately led to several delays; one of the high points of the design was the dual-financing facility (credit and grants) but it did not account for the insufficient interest on the part of beneficiaries, and the strong influence of market intermediaries on prices received by farmers was not sufficiently accounted for in assuming the project's effect on incomes. The evaluation gives this criterion a rating of *moderately satisfactory* (4).
7. **Effectiveness.** READ achieved several of its stated objectives and outcomes. The trainings imparted and the grants provided to purchase farm equipment and construct structures (such as shade houses) led to increases in productivity for some beneficiaries. The focus on agro-processing helped form new groups and strengthen some of the existing ones, providing a means of livelihood to many. The capacity of national staff in the country was built through training-of-trainers activities; service providers who were essentially staff from extension offices and national institutes all benefited. There was a high degree of participatory involvement of beneficiaries and many felt empowered through their engagement with activities related to the Productive and Social Investment Fund, which also gave them a sense of ownership. The project helped form networks for some of the women's groups.
8. On the other hand, the focus of the project ended up more on the supply side and less on the marketing side. Creating marketing linkages was one of the aims of the project but this was not fully realized. New linkages were essentially created only for agro-processing groups and not for primary producer groups; the fact that the former constituted only 20 per cent of the total number of groups under the project demonstrates the limited effect. For better remuneration and to create more sustainable benefits for primary producers, export markets should have been considered, and the ancillary activities related to meeting export requirements undertaken, but this was not done. Another important element for the functioning of the agro-enterprises was microfinance, but this did not get the expected traction from beneficiaries even though interest rates were lower. The evaluation rates project effectiveness as *moderately satisfactory* (4).
9. **Efficiency.** READ's project coordination costs reflected a relatively large amount of the project's overall budget, approximately 23 per cent of IFAD's total project funding. However, it can be argued that given the geographic reach of the project, at least 25 sub-components and the demographic diversity of beneficiaries, the stated project management costs were necessary. However, implementation issues were the main factors that affected project performance in terms of efficiency – weak management and the absence of critical staff. The appointment of a new project coordinator helped revive implementation and get it back on track, albeit somewhat late into the project life cycle. Efficiency is rated as *moderately unsatisfactory* (3).
10. **Rural poverty impact.** READ's monitoring and evaluation system was a weak point which also limited the ability of this evaluation to conduct an empirical assessment of the project's poverty impact. A survey of beneficiary groups was undertaken by the Government at the end of the project but with limitations. The impact was assessed using the findings of the evaluation team and project documentation. Some income increases occurred, mainly a result of increased production brought about by the project's activities. Incomes of women-headed

households rose less than those of male-headed households. No study was undertaken on the effects of the project on agricultural productivity and food security, but anecdotal information received by the evaluation team from farmers showed some instances of increased production, although this was limited to a few farmers only, and some cases of improved food security.

11. The skills training provided by the project to beneficiaries enhanced their knowledge. The increased social interaction fostered from the formation of groups contributed to communities' social capital, and institutional capacities were built through training. However, an important limitation is the lack of robust data on impact on household incomes, assets, food security and agricultural productivity. At the time of conducting the evaluation, several avenues of intended benefits had ceased: the equipment and structures provided to some beneficiaries were no longer in use and the lack of capital or inputs led to closing- or slowing-down of several agro-processing activities, implying that incomes from these sources were no longer being generated. In addition, several groups had disbanded either due to beneficiary attrition or negative group dynamics, leading to loss of intended benefits related to both economic and social capital. The evaluation gives a rating of *moderately unsatisfactory* (3) to this criterion.
12. **Sustainability of benefits.** The project's performance with regard to ensuring the sustainability of its benefits for beneficiaries was mixed. A number of training sessions to build skills were undertaken for both beneficiaries and institutions, with participants trained on a variety of topics. The equipment provided to beneficiaries for production should ensure a continuous stream of benefits. On the other hand, the achievements mentioned above were limited to some beneficiaries only; some groups have either completely stopped or have reduced the level of their operations. In addition, without adequate emphasis on the side of market access, it is difficult to envisage how production can be increased or even sustained. The lack of financial resources available to beneficiaries to finance their working capital needs, and the lack of sufficient capacity of human resources in the country to provide follow-up training, will impinge on the project's sustainability. The evaluation rates the sustainability criterion as *moderately unsatisfactory* (3).
13. **Innovation.** Some of the project's activities can be considered as innovative. By linking economic development with human and social development, READ introduced an innovative form of design in the context of IFAD-supported interventions in Guyana. The collaboration among several agencies, public and private, was also unique in Guyana. The participatory approach through which beneficiaries presented their proposals for grant funding for productive and social infrastructure was innovative in the national context. The dual financing modality – loans to finance working capital and grants to finance purchase of equipment and infrastructure – was innovative. However, while innovations were attempted by the project, not all fructified. The dual financing modality was partly successful – the credit facility did not yield the expected response from beneficiaries. The new marketing avenues created through participation in exhibitions and visits did not culminate in expected benefits in the form of increased clientele. The establishment of business facilitation centres was also an innovative concept to support the sustainability of rural advisory services, but the initiative did not see the light of the day because of issues related to its feasibility and sustainability. The rating for innovation is *moderately satisfactory* (4).
14. **Scaling up.** READ's focus on rural enterprise and agricultural development is seen as a contributor to the Government's goal of increasing rural incomes and livelihoods through rural economic diversification. The project has provided inputs to the Department for International Development's Guyana Agriculture Diversification Programme. The READ model is being adapted to the phasing-out of the use of mercury in the mining sector by the Ministry of Natural Resources – the approach is similar to that taken for READ's Enterprise Development Fund. The

Small Business Bureau is also training producers in the development and use of business plans and also promoting farmers' access to the New Guyana Marketing Corporation's market information system. The Hinterland Employment Youth Services, drawing on the READ model for programme delivery, is focused primarily on women and youth, providing training to equip them for employment, entrepreneurial opportunities and further education. In light of the fact that several aspects of the project, including its approach and activities, were replicated, the evaluation confers a rating of *satisfactory* (5).

15. **Gender equality and women's empowerment.** The project enhanced women's access to information, knowledge, experience and finance, and facilitated the creation and ownership of new businesses, and the generation of additional avenues of incomes. It delivered training to promote gender equity, which resulted in women being assigned more responsible roles within the groups. Women occupied leadership roles (e.g. chairperson, secretary, treasurer) in many instances. Further, tying the provision of grants to communities demonstrating affirmative action in their proposals was commendable. The project logframe contained specific indicators related to gender, and data were collected in a disaggregated manner. However, although gender equity was an important goal of the project and efforts were made in this direction, the project's efforts did not materialize into proportionate outcomes. One reason for this was the lopsided focus on primary production as opposed to agro-processing. While women benefitted from being part of groups which were mostly mixed, the tangible opportunity to provide employment and a more remunerative stream of income for women would have been achieved through agro-processing. Incomes of women beneficiaries increased but much less than those of men. The evaluation rates this criterion as *moderately satisfactory* (4).
16. **Environment and natural resources management.** The project trained farmers on good agricultural practices and imparted environmental education (such as soil testing) in the training programmes. The agro-processing activities were small-scale and often characterized by organic products and other activities that did not cause any obvious harm to the natural environment. Nevertheless, considering that environmental protection is one of the priorities identified by the Government of Guyana and given the weak legal and institutional framework and the generally limited capacity in Guyana to fully implement development programmes, an opportunity could have been taken to build the capacity of local institutions to ensure environmental sustainability of implemented activities beyond the life of project. The evaluation rates this criterion as *moderately satisfactory* (4).
17. **Adaptation to climate change.** Although adaptation to climate change was not explicitly included in the project design, some activities have contributed towards this end. For instance, given the noticeable change in climate warming, READ beneficiaries availed themselves of funding for shade houses. However, sustainability of shade houses was a problem – for reasons of unaffordable repair costs. The provision of water pumps to beneficiaries would help in adapting to vagaries of rainfall, while drainage facilities would assist in draining excess water caused by excessive flooding. The evaluation rates this criterion as *moderately satisfactory* (4).

Recommendations

18. The PPE offers the following four recommendations to IFAD and the Government of Guyana to consider in its ongoing and future operations.
19. **Recommendation 1: When operating in situations with serious constraints in institutional and human capacities, projects should provide for longer gestation periods.** This would entail taking a longer-term programmatic view and devising projects with a duration that provides sufficient time to raise capacities to meet the project's requirements. Similarly, IFAD should seek Government support,

where possible, in ensuring that the process of recruiting key staff of the Project Management Team is initiated well in advance of project effectiveness.

20. **Recommendation 2: In order to optimize the benefits of a value chain, prioritize the selection of a few value chains based on market demand.** The priorities could be based on criteria such as the rate of return, the involvement of the beneficiaries in the production and/or processing, and the market demand for the products. During the project appraisal stage, a preliminary evaluation of competitiveness and market demand requirements for a limited number of commodities linked to the project's target group should be conducted to ensure that the project's economic and social goals can be realized.
21. **Recommendation 3: In promoting sustainable rural financing for value chain interventions, link financial credit and product-market credit.** One strategy for longer-term sustainability, especially related to value chain financing, is to link product-market credit with financial credit. Links facilitated by a project between financial and product-market actors offer a way to harness the advantages of each. Such arrangements can lower the selection and monitoring costs for the financial service providers, including the lending risk, and may reduce interest rates for beneficiaries, in addition to giving them a wider range of financial options.
22. **Recommendation 4: Make provision in project design for sufficient support to beneficiaries when introducing them to a new occupation.** In instances where IFAD-supported projects through their interventions promote vocations that are new to beneficiaries, allowing for sufficient time for them to stand on their feet or to receive technical assistance to facilitate their self-reliance is critical. Doing so can facilitate the sustainability of their skills and make the developmental changes being promoted by a project more effective. The absence of this provision becomes even more glaring in cases (such as READ) when delays in project implementation result in several activities being telescoped into completion towards the tail-end of the project.