



Workshop on Enhancing Access to Finance for the Nutmeg Sector in Grenada

CONCEPT NOTE (draft)

Organized by:

United Nations Conference on Trade and Development (UNCTAD)

and

Ministry of Agriculture of Grenada

7 - 8 July 2011, St. George's - Grenada



ALL ACP Agricultural Commodities Programme



Background

UNCTAD is one of the five international organizations responsible for implementing the EU-funded All ACP Agricultural Commodities Program (AAACP). UNCTAD activities involve four areas: supply chain finance, market information services, commodity exchanges and sustainability claims portal.

In Grenada, UNCTAD is implementing a project on improving nutmeg value chain finance, in close collaboration with the Ministry of Agriculture and the Nutmeg National Coordinating Committee. The main purpose of this project is to improve access to finance for key players in the nutmeg sector, with a special focus on small farmers. The project consists of two components: (1) An in-depth study to analyze the nutmeg value chain, identify gaps and bottlenecks for finance, especially those related to financing smallholders, and provide recommendations on how to improve nutmeg sector finance in general and to facilitate access to finance by smallholders in particular. (2) A workshop to discuss and validate the outcomes of the study and enhance the capacity of meeting participants on nutmeg finance in Grenada.

Grenada was until 2004, the world's second largest producer and exporter of nutmeg and mace, after Indonesia. It contributed between 20% to 25% of world exports with 2000 to 2500 tons of nutmeg and mace. Thanks to the favorable climatic conditions, Grenada nutmeg enjoys high quality premium (low levels of safrole and aflatoxine). The nutmeg and mace industry affects the livelihoods of about one third of the population in Grenada and is essential for the country's economic growth, employment creation, and export income accumulation. For Grenadian farmers, nutmeg is also socially and culturally important. However, the hurricanes Ivan and Emily in 2004 and 2005 have devastated the nutmeg sector. Nearly 90% of nutmeg trees were considerably damaged. The exports of nutmeg and mace declined to 500 tons and 150 tons respectively in 2007 and 2008.

To revive the nutmeg industry, a fully-fledged sector strategy was defined in 2009 with funding from the AAACP. The participatory strategy development process was led by ITC and supported by the Government of Grenada and the main players in the nutmeg value chain. UNCTAD, FAO and the World Bank also contributed to the formulation of the strategy. During various consultations, a lack of finance was identified as one of the major constraints to the nutmeg sector's development. *Improving access to finance for all stakeholders to facilitate sector operations and manage risk* was identified as one of the six objectives of the Strategy Implementation Plan.

UNCTAD's project on nutmeg finance will directly contribute to the implementation of the nutmeg strategy. To carry out this project, UNCTAD has conducted two missions in Grenada. During its first mission on 18-22 May 2009, UNCTAD participated in and contributed to the Nutmeg Sector Strategy Development Workshop 2. For its second mission on 1-5 September 2010, UNCTAD conducted surveys and interviews among farmers, agro-processors, Grenada Co-operative Nutmeg Association (GCNA), financial institutions and government bodies to better understand the supply and demand of agricultural finance in Grenada, in particular for the nutmeg sector.

Building on mission results, a draft report on enhancing access to finance in the nutmeg sector was produced. The report put forward the following key recommendations:

- There is a need to define different financing periods and design plans and policies appropriate to the given conditions in each period. During a Disaster Shock Period, priority should be given to the development of a Hurricane Insurance Response for the Agricultural Sector;
- Developing a debt forgiveness program to resolve the farmers' grant dilemma and to reduce the default;
- Limiting the financial programs of the Ministry of Agriculture to guarantee programs which will assist the Grenada Development Bank (GDB) and other eligible financial institutions; Grant programs should target smallholders unable to access finance;
- GDB should develop and support micro-lending and SME finance programs within NGOs or financial institutions on a risk-sharing basis;
- GCNA, as a user of finance, should review its overdraft facility to see if it can instead use assignment of export contracts and proceeds to reduce the rate.
- Foster and develop farmers' and agro-processing organizations to better access finance;
- Develop certificate courses in finance for farmers and agro-processors.

The planning workshop will provide a platform to discuss these recommendations among different stakeholders of the nutmeg value chain, suppliers of financial services and government bodies. It is also expected that a consensus will be reached concerning concrete follow-up actions.

Objectives

The objective of the workshop is to examine and validate the key conclusions and recommendations of the study on enhancing the access to finance in the nutmeg sector and identify potential follow-up activities and/or actions.

Expected outcomes

- The main conclusions and recommendations of the study presented, discussed and approved.
- Follow-up activities identified and defined based on consultations with participants.
- The capacity of the meeting participants enhanced in the area of agricultural and nutmeg finance.

Participants

The participants of the workshop include the following:

- Government representatives, including the Ministry of Agriculture and the Ministry of Finance;
- Main actors of the nutmeg value chain, such as farmers, Grenada Co-operative Nutmeg Association (GCNA) and agro-processors;

- Financial institutions, including Grenada Development Bank, commercial banks and credit unions;
- Experts and other partners interested in nutmeg finance.

Venue

The workshop will be held at the Grenada Grand Beach Resort, St. George's.

Budget estimate

This workshop will be a two-day event.

The budget of the workshop will mainly cover the items listed below:

- International resource persons and UNCTAD staff (travel and DSA)
- Rental of workshop facilities
- Coffee breaks
- Lunches
- Workshop documents production and reproduction
- Administrative supplies and stationary
- Telephone/Email charges and other miscellaneous costs