I. BACKGROUND

1. At its Sixty-Fifth Session in December 1998, the Executive Board approved a loan of SDR 10.95 million (equivalent to USD 15.4 million) to the Republic of Haiti on highly concessional terms for the Food Crops Intensification Project – Phase II.

2. The loan agreement was signed on 10 March 1999 and was due to become effective 180 days later, that is, on 10 September 1999. However, in response to requests from the Government of Haiti, IFAD has repeatedly extended the effectiveness date to allow the Haitian authorities to complete procedures for ratifying the loan agreement and fulfil the conditions for effectiveness.

3. The main stumbling block to this process was the political crisis prevailing in the country and the absence of a parliament until the May-July 2000 elections. Once the new parliament had been installed in October 2000, the IFAD loan agreement was ratified as a matter of priority in December 2000. The work of project start-up team, financed by a Special Operations Facility (SOF) grant, was interrupted due to a change in government and therefore the effectiveness process was not concluded. However, following the election of the new President of Haiti in December 2000, a new government was appointed in early March 2001 and there are now good prospects that the conditions for project effectiveness will be fulfilled shortly.
4. In accordance with IFAD’s regulations, a loan agreement is normally terminated in the event it does not become effective within 18 months of the original effectiveness deadline. In the present case, however, it was not possible to extend the effectiveness deadline beyond 10 March 2001 without a decision by the Executive Board with regard to further extension.

II. RECOMMENDATION

5. It is recommended that the Executive Board extend the effectiveness date of Loan No. 496-HT for the Food Crops Intensification Project – Phase II in the Republic of Haiti to 10 September 2001, to allow sufficient time for the conditions for loan effectiveness to be finalized.