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Enabling the rural poor  
to overcome poverty

## **Republic of Haiti**

### **Implementation of the first cycle of the Productive Initiatives Support Programme in Rural Areas financed under the Flexible Lending Mechanism**

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For: **Information**

## **Note to Executive Board Directors**

This document is submitted for the information of 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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## Republic of Haiti

### Implementation of the first cycle of the Productive Initiatives Support Programme in Rural Areas financed under the Flexible Lending Mechanism

1. The purpose of this information note is to comply with paragraph 13 of the Flexible Lending Mechanism (FLM) guidelines (EB 98/64/R.9/Rev.1), which stipulates that "...for each FLM loan and prior to the end of each cycle, IFAD management will decide whether to proceed to, cancel, or delay subsequent cycles. Management will inform the Board accordingly."

#### I. Introduction

2. The overall objective of the FLM is to introduce greater flexibility into the Fund's project design and implementation in order to match project time frames with the pursuit of long-term development objectives when it is judged that a longer implementation period will be required to meet those objectives; maximize demand-driven beneficiary participation; and reinforce the development of grass-roots capacities. The specifics of an FLM loan include: (i) longer loan periods (10-12 years) to allow for the achievement of sustainable development objectives; (ii) a continuous and evolving design process through implementation of distinct, three- to four-year cycles; and (iii) clearly defined preconditions – or "triggers" – for proceeding to subsequent cycles.
3. This information note reports on the progress of the Productive Initiatives Support Programme in Rural Areas in achieving the first-cycle triggers. Its content is based on IFAD missions fielded in September 2006 and January 2007.

#### II. Background

4. The programme was approved by IFAD's Executive Board in April 2002 and became effective on 20 December 2002. Its total cost is US\$28.1 million, of which about US\$21.7 million is financed by an IFAD loan on highly concessional terms, US\$2.1 million by the Government and US\$4.3 million by beneficiaries. The programme is implemented by the Fund for Economic and Social Assistance (FAES), an autonomous agency under the authority of the Ministry of Economy and Finance, established with Inter-American Development Bank (IDB) and World Bank financing. It is the first IFAD-financed operation in Haiti not to be implemented by the Ministry of Agriculture, Natural Resources and Rural Development.
5. The programme aims to contribute to rural poverty reduction through sustainable increases in incomes and enhancement of food security at the household level, particularly among the poorest households, and sustainable management of natural resources. Specific programme objectives are to: (i) strengthen local and national capacities for grass-roots-level planning, social and economic development management, microproject conception and implementation, and absorption of rural financing; (ii) support productive initiatives identified and prioritized by the communities, and cross-sectoral activities adding value to these initiatives by reducing commercial transaction costs, improving access to market information and appropriate technologies, and promoting the development of rural microenterprises; and (iii) facilitate sustainable access to financial services for poor rural households, particularly women, the landless and young people. The programme is executed through four components: (i) strengthening of local capacities; (ii) support to productive initiatives; (iii) support to rural microfinance; and (iv) programme coordination and management.

6. The programme was designed under an FLM with three implementation cycles foreseen over a ten-year period: (i) an initial three-year cycle to test the programme strategy; (ii) a subsequent four-year cycle to extend activities; and (iii) a final three-year cycle to consolidate activities and transfer full responsibility for their implementation to communities, grass-roots organizations and microfinance institutions. At the recommendation of the cooperating institution and with the approval of IFAD's President, the review of the first cycle, foreseen for the end of the third year, was delayed by one year.
7. As per operational procedures, a review mission visited the country in September 2006 to measure the achievement of triggers and to make recommendations for the continuation, or otherwise, of the programme. The mission met with government officials, project staff, project beneficiaries and their organizations, and specialized partner organizations. The report of this mission was discussed and its findings and recommendations were endorsed at a joint IFAD-FAES workshop in Haiti in January 2007.

### **III. Programme performance during the first cycle**

8. The mission found that all first-cycle triggers, with the exception of those relating to the microfinance component, had been met. It noted that this was a remarkable achievement given the financial constraints on project implementation during the first four years and the difficult country context. Although many of the physical and financial appraisal targets may not have been fully reached, nonetheless FAES had effectively established its presence in the three targeted departments. The mission highlighted that this had been possible mainly thanks to FAES's technical capacity, the motivation of its staff, and the enabling partnerships that had been formed. By supporting the institutional strengthening and decentralization of FAES, the programme had helped make it a solid national institution, capable of implementing and administering a growing portfolio of donor-funded programmes. The programme had also been an entry point to what had become a key strategic partnership for IFAD in the country.
9. The following first-cycle achievements can be highlighted:
  - The programme set up regional offices to coordinate and monitor field activities in three departments: the North-East (in Fort Liberté), the North-West (in Jean-Rabel) and the Centre (in Hinche);
  - It has formed functional partnerships with other development actors and has played a leading role in harmonizing and coordinating community-based local planning in Haiti. More specifically, it has (i) created close partnerships with local authorities; (ii) inspired the design of the IDB-financed Local Development Program, also implemented by FAES, which finances social microprojects emanating from the community-based development plans (PDCs) drawn up by programme beneficiaries; and (iii) validated with communities the PDCs prepared by other development actors – for instance, the United Nations Capital Development Fund in its Support to Local Governance in the Northeast Region of Haiti Programme; and Initiative Développement, a French NGO – and financed microprojects deriving from them.
  - The programme has directly financed 28 microprojects, benefiting an estimated 20,910 people.
  - It has promoted innovative microprojects (such as milk and yoghurt production, shrimp harvesting) that build on market opportunities, including with the Dominican Republic, and has formed links with fair trade coffee networks.

- It has carried out market penetration studies on delivery of financial services to IFAD's target group in the three departments and identified 31 zones in which to create community-based microfinance institutions (MFIs).
  - As at early 2006, thanks to the programme's activities, 121 grass-roots solidarity groups had been created, with 605 members receiving loans. Despite an almost two-year delay in implementing the microfinance component, the first results in the Haut Plateau Central are encouraging, with 100 per cent repayment rates, illustrating that beneficiaries had fully adopted the methodology used.
10. Disbursement of funds allocated to the first cycle had reached 50 per cent at 31 December 2006. The programme has had difficulties adhering to its annual workplan and budget because of the insufficient flow of funds to special and operational accounts. Factors contributing to this included delays in submission of withdrawal applications and unsatisfactory loan administration and supervision by the cooperating institution; and suspension of disbursements for nearly a year (15 April 2003 – 20 February 2004) due to arrears in debt service repayment. A joint IFAD/United Nations Office for Project Services implementation support mission in March 2006, a more regular presentation of withdrawal applications, and an increase in special account allocation have improved disbursement efficiency and the flow of funds to the programme account.

#### **IV. Lessons learned**

11. Experience during the first cycle has shown the importance of functional partnerships and coordination, increasingly vital given the surge in development interventions in the country following stabilization of the political situation. The programme will continue its efforts to harmonize community-based planning through alignment with FAES-implemented projects and with initiatives funded by other donors.
12. Because of the pervasive levels of poverty in the programme area, it is clear that if the most marginalized groups are to implement microprojects, they must be supported by an integral development approach. These groups, which are identified through participatory self-targeting, will continue to be prioritized in capacity-building activities, in access to financial services, and in the reactivated functional literacy programmes during the second cycle.
13. In a context of low national capacity, the programme has experienced difficulties in recruiting qualified specialized local partner organizations. To ensure that the development process it has launched is sustainable, the programme will need to support systematic training and capacity-building in key areas for partner organizations and local authorities.
14. Studies conducted under the rural microfinance component corroborate the relevance of the programme's approach. Fewer than 5 per cent of rural dwellers in programme areas have access to formal credit, with little existing or planned coverage of rural areas by reliable existing MFIs. The creation of community-based MFIs responds to the expressed needs for access to credit and savings facilities.
15. The programme's experience in adapting and using efficiently the project database software for accounting and monitoring and evaluation is valuable in the Haitian context. This expertise will be captured and also used to the benefit of other IFAD-financed projects.

#### **V. Achievement of triggers**

##### **Institutional triggers**

16. **The internal management and accounting system is efficient and produces relevant management tables:** target fully met. The accounting software is installed and in use. Yearly audits are satisfactory, programme accounts have been

submitted to an internal auditor and recommendations for improving internal management have been implemented. In view of its transparent and efficient programme management and financial administration, FAES was recently given the responsibility for administering the Technical Assistance Programme for Strengthening Water Users' Associations in Haiti, financed by Italian supplementary funds.

17. **The monitoring and evaluation system has been installed and adapted for programme uses:** target fully met. The system is used efficiently by regional offices and project headquarters to produce relevant and regular reports. A first participatory evaluation workshop took place in 2006.
  18. Mechanisms for the elaboration and the financing of PDCs and microprojects are defined in the programme implementation manual and applied satisfactorily: target fully met.
  19. **A microfinance structure of national expertise has been established and is operational:** target not met. The constraints that affected project implementation during the first four years were particularly detrimental to the microfinance component due to prioritization of other two operational components.
- Economic, technical, financial triggers**
20. **Participatory development plans and microprojects take into account the priorities and needs of the most vulnerable groups:** target fully met. The programme relies on geographic targeting of the poorest departments, communes and communal sections and, as verified by the review, has succeeded in including the most marginalized groups in programme initiatives. The focus that the microfinance component gives to the creation of grass-roots credit and savings cooperatives also testifies to the priority the programme gives to groups previously marginalized from development processes. A more systematic methodology will be drafted.
  21. **At least 30 per cent of the programme initiatives benefit women directly:** target fully met. Women are significantly represented in all programme activities and their participation often exceeds 30 per cent, especially in the creation of solidarity groups.
  22. **At least 20 new MFIs are created and 30 existing MFIs strengthened:** target not fully met. Because of the aforementioned difficulties, the programme has supported one existing MFI, and has identified 31 sites for MFI creation. The programme of work and objectives for microfinance activities have been revised.

## VI. Main conclusions

23. The review mission and the subsequent IFAD/FAES workshop found that the programme's objectives and strategies continued to be relevant and were in line with Haiti's current socio-economic context and development and agricultural policies. The borrower has reiterated its commitment to the programme. Despite many external constraints, the executing agency has proven its technical and managerial capacities in implementing programme activities in the three targeted departments.
24. The programme was designed to be national in scope in terms of policy and institutional dialogue, but to focus its activities on a few departments using criteria such as the local poverty profile and complementarity with other projects financed by FAES, IFAD or other donors. No extension of the first-cycle programme area is envisaged during the second cycle. There are two reasons for this: (i) the need for enhanced development impact in the North-East and North-West departments, where national poverty rates are highest (80 per cent and 65 per cent, respectively); and (ii) complementarity with the IFAD-financed Small-scale Irrigation Development Project (approved by the IFAD Executive Board in December 2006), which will also

work in these two departments, and with the ongoing Food Crops Intensification Project – Phase II, in the Central Plateau.

25. The programme's financial implementation will continue to be closely monitored as part of an intensive programme of work for the launch of the second cycle. Moreover, alternative supervision and implementation support arrangements will be explored in 2007 in light of the IFAD Policy on Supervision and Implementation Support approved by the Executive Board in December 2006.

**Overall recommendation**

26. IFAD Management considers that there is a firm basis for proceeding to the second cycle. The programme's design remains relevant in terms of community-level impact and its contribution to national and sectoral development objectives. The programme will continue to focus in the second cycle on the objectives identified at appraisal and will retain the same components as initially specified. Amendments to the financing agreement will be processed and finalized in accordance with IFAD's procedures.