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Enabling poor rural people
to overcome poverty

Republic of Haiti

Implementation of the third cycle of the Productive Initiative Support Programme in Rural Areas financed under the Flexible Lending Mechanism

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Abbreviations and acronyms

CREP	Caisse rurale d'épargne et de prêt (rural saving and loans institution)
FLM	Flexible Lending Mechanism
GRO	Grass-Roots Organisation
PIC	Community initiative project

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

I. Introduction

1. The purpose of this information note is to comply with paragraph 13 of the Flexible Lending Mechanism (FLM guidelines) (EB document 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."
2. This information note reports on the progress of the Productive Initiatives Support Programme in Rural Areas (PAIP) in achieving its second-cycle triggers for proceeding to the third cycle. Its content is based on Government –IFAD joint exercise supported by an IFAD review mission that visited Haiti in May 2011.

II. Background

3. The programme was approved by IFAD's Executive Board in April 2002 and the SDR 17.4 million loan 587-HT was declared effective in December 2002. Its total cost is US\$ 28.1 million. The Fund for Economic and Social Assistance (FAES) under the Ministry of Economy and Finance has overall responsibility for the execution of the programme.
4. The programme focuses its intervention on the rural areas of three departments (Centre, North-East, North-West). Its goal is to contribute to rural poverty reduction through sustainable increases in incomes and enhancement of food security at the household level, particularly among the poorest, 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, micro-project conception and implementation; and absorption of rural financing; (ii) support productive initiatives identified and prioritized by the communities, as well as cross-sectorial activities adding value to these initiatives through reduction of commercial transaction costs, better access to market information, appropriate technologies and promotion of the development of rural microenterprises; and (iii) facilitate sustainable access to financial services for poor rural households, particularly women, the landless and young people.
5. The programme has three components: (i) **Strengthening of local capacities.** This aims at enhancing the planning, management and negotiating skills of grass-roots organizations as well as the main local actors, both public and private; (ii) **Support to productive initiatives and agriculture development.** The overall objective of the component is to support productive initiatives identified and selected by the beneficiaries, in the framework of participatory diagnosis and planning and community development plans, thus contributing to self-development of rural communities; (iii) **Support to rural microfinance in rural areas.** This is to facilitate sustainable access of the target group to financial services (savings, credit and microinsurance) suitable to their needs.
6. The programme was designed under a ten-year FLM to be implemented in three cycles: a first cycle to test implementation strategy and methodology; a second cycle of expansion; and a third cycle of consolidation. The first cycle was completed in 2006 and, based on results achieved, IFAD management decided to proceed to the second cycle and informed the Executive Board accordingly (EB 2007/90/Inf.3).

III. Programme achievements during second cycle

A. Overview

7. The programme implementation during the second cycle was marked by major flooding due to tropical storms (August-September 2008) in priority areas of intervention in the North-East and North-West departments and socio-political unrest connected to rise in prices. In this context and at the Government request, part of IFAD loans resources were reallocated for the purchase of agricultural inputs. In the case of PAIP, US\$5.9 million of the loan proceeds were used for that purpose. Furthermore, programme activities were heavily affected by January 2010 earthquake as well as widespread cholera epidemics (autumn 2010).
8. These unforeseen events have delayed the completion of the second cycle period (January 2007 to December 2010) and, mainly due to the reallocation of funds, by end 2010 the remaining loan resources were insufficient to finalize the activities under the second cycle. The Government requested and IFAD approved a one-year extension of the second cycle and the use of loan resources allocated to third cycle expenses to finalize the second cycle activities by December 2011.

B. Strengthening of local capacities

9. Component A includes four subcomponents:

(i) **Subcomponent A.1, strengthening of management capacities for local and rural development**, has involved the training of 1,300 persons (31 percent women) in local and rural development management, half of them are municipal authorities and members of Administration Councils and Assemblies of communal sections (*Conseil d'Administration des Sections Communales -CASEC, Assemblée des Sections Communales -ASEC*). Local Development Councils of Communes and Communal Sections (*Conseil de Développement Communal-CDC, Conseil de Développement des Sections Communales-CDSC*) created in 2006, have received strong support from the programme as well as opportunities of planning and implementing community initiative projects (PIC);

(ii) **Subcomponent A.2, sensitization, information/communication, participatory planning and animation**, has supported the preparation of commune and communal section plans (*Plan de Développement Communal-PDC, Plan de Développement des Sections Communales-PDSC*) covering the major part of programme area and involving in total 590,000 people, of which 290,000 women (49 percent);

(iii) **Subcomponent A.3, functional literacy**, started activities in 2008, through a partnership agreement with the State secretariat for alphabetization (SEA) which provided its televisual method, training of operators and evaluation of alphabetization activities. Alphabetization is showing good results with a very high percentage of female beneficiaries (over 70 percent) and a success rate over 80 percent; and

(iv) **Subcomponent A.4, strengthening of Grass-Roots Organizations (GRO)**, implemented organizational diagnostics of GRO and subsequent specific strengthening plans which benefitted about 800 members of 70 GROs. Other community groups have received organizational training linked to the financing of PIC.

C. Support to productive initiatives and agriculture development

10. Component B is supporting PICs, identified and selected by communities in the frame of PDC. Programme financing consisted of pre-investment studies of PIC, financing of PIC including technical support and ex-post evaluation of impact. This sub-component financed the implementation of 132 PICs in 21 communes in three departments. They are classified as agricultural production (58), livestock (48), management of natural resources (15), transformation (12), fisheries/aquaculture (3). A recent evaluation (January 2011) of a sample of 35 PICs concluded that, in

general, results are satisfactory. Building-up on programme experience and lessons learnt from IFAD-financed Food Crops Intensification Project (PICV-2), the funding of a pilot package of twelve PICs directly managed by the beneficiaries has been approved and tripartite agreements have been signed between GRO, PAIP and service providers for their implementation;

D. Support to rural microfinance in rural areas

11. Component 3 is a PAIP specificity aimed at building an innovative and promising network of local microfinance institutions called "*Caisses rurales d'épargne et de prêt*" (CREP), designed for the rural poor in isolated areas. It is implemented by contracted specialized service providers: proximity operators at field level (OMEQ) and a national expertise operator (OEN). At present, there are about 20,000 credit beneficiaries, of which 14,000 are members of solidarity groups created prior to the establishment of a CREP and 6,000 of 17 CREPs managed by elected members. The capital in savings, interests and reserves amounts to about US\$ 2.2 million, outstanding credits to US\$ 2.5 million, and the number of members increases by 30 percent per year. Financial management of some CREPs are satisfactory while others still require substantial improvement and close monitoring by OMEQ and PAIP during the next FLM cycle.

E. Gender equity

12. Women participation in the implementation of microprojects is significantly high. Some projects are implemented by women groups and other projects, such as goat and transformation (cereals, fruit), by a majority of women. In the North-West department, 72 percent microprojects beneficiaries are women. Likewise, by the end of 2010, 60 percent of microfinance institutions members and 57 percent of ongoing credit beneficiaries were women.

F. Achievement of second-cycle triggers

13. As shown below, the review mission assessed that all institutional, technical, economic and financial triggers for passage from the second to the third cycle had been satisfactorily achieved, in spite of the extremely difficult country context, and recommended to proceed to the third cycle as from 1st January 2012.

(i) Institutional triggers.

14. **Financial management, monitoring and evaluation.** PAIP financial management is assessed as fully satisfactory as proven by the quality of procurement and findings of external audits. Support by FAES, as executing agency, has largely contributed to this achievement. The review mission made a number of recommendations to improve FAES monitoring and evaluation system which are being addressed prior to the start of next cycle.
15. **Hand-over conditions.** Progress made on the hand-over process of programme activities to municipalities, municipal sections, local communities and grass-root organisations and other local stakeholders was also found to be satisfactory (e.g. participatory preparation of Community Plans, community actors involvement in the evaluation of PICs and in their M&E). Direct financial management of programme funds by beneficiaries (a pilot group of 12 eligible organisations has been already selected for this purpose) will be the next step of this process. As a results triggers have been achieved: at least 50 percent of plans can be elaborated and revised in an autonomous manner by local stakeholders, with reduced support from the programme; and at least 65 percent (over the 50 percent trigger) of joint forums (GRO and local authorities) at municipality level are able to become more proactive in decisions regarding the financing of microprojects (PIC) and follow-up of their implementation.

(ii) Technical, Economic and Financial triggers.

16. The number of villages and beneficiaries engaged, and their level of satisfaction with the support provided by the programme were assessed as highly satisfactory.
17. **Microprojects women beneficiaries.** In several cases the percentage of women benefiting from the PIC is over 70 percent (against the 40 percent trigger). This reflects the high participation of women during the second cycle, particularly in the North-West department and the fact that several microprojects are handled by women groups. Microprojects with the largest women involvement, i.e. goats and transformation projects, show more sustainability after being financed.
18. **Returns and impact of microprojects.** The ex-post evaluation of a statistically representative sample of 35 PIC shows a positive return and a significant impact on programme target group livelihood. All agricultural microprojects (78 percent of total) except one, have financial returns, which are above the 70 percent trigger. Finally, the trigger of 50 percent grass-root organisations being able to manage basic PIC accounting has been exceeded, as evidenced by a preparatory study covering all microprojects financed by the programme.
19. The CREP established by the programme show satisfactory results. Credit repayments are sufficiently high and allow that 12 of 17 CREP (over the 70 percent trigger) supported for one to two years by the programme cover their operational charges. By the end of December 2010, women represented 60 percent of the number of members (over the 30 percent trigger) and benefited from 57 percent of total amount of loans (over the 30 percent trigger).

IV. Recommendations for the third cycle

20. The programme's goal, objectives and components will remain unchanged. During the third cycle, efforts will focus on consolidation of successful activities, strengthening of training and specialized assistance to ensure sustainability of local planning development processes and microprojects development and institutionalization of the microfinance network of CREP under the responsibility of FAES.
21. The following implementation measures have been recommended for the third cycle:

<i>Component/Subcomponent</i>	<i>Agreed measures</i>
Strengthening of local capacities	
Strengthening of management capacities for local and rural development	<ul style="list-style-type: none"> • Focus training of local authorities, leaders/members of CASEC, ASEC, CDC, CDSC to ensure sustainable self-managed and decentralized development processes. • Hand-over to GRO of PIC implementation responsibilities
Functional literacy	<ul style="list-style-type: none"> • Continuation and intensification of alphabetization activities during the third cycle.
Support to productive initiatives	
Financing of local productive initiatives	<ul style="list-style-type: none"> • Concentration of investments in the first year of the third cycle, prioritizing GRO with proven dynamism, self-targeting mechanism and projects more suitable to benefit the poorest. • Implementation of direct management of resources by selected GRO. • Increased post-financing assistance, including marketing support to facilitate appropriation and ensure sustainability.

<i>Component/Subcomponent</i>	<i>Agreed measures</i>
Support to rural microfinance	
Strategic studies	<ul style="list-style-type: none"> Assess viability of a pilot on microinsurance as an additional financial service to improve the CREP model.
Strengthening of specialized service providers	<ul style="list-style-type: none"> Focus on capacity building of national expertise operator.
Institutionalization and sustainability of CREP network	<ul style="list-style-type: none"> Selection and recruitment of a microfinance manager, to initiate creating a permanent function within FAES CREP network to be agreed by the Cooperative National Council (CNC) and placed under the authority of the Bank of the Republic of Haiti (BRH). Creation of a Federation of CREP Evaluation of the CREP programme and potential upscaling.
• Monitoring and evaluation	
	<ul style="list-style-type: none"> Carry out participatory evaluations each year on the use of M&E tools and thematic evaluations each quarter. Strengthen support to local stakeholders in order to systematize the use of tools adopted by FAES M&E system.

22. **Costs and financing of programme's third cycle.** Costs have been reviewed taking into account updated costs and prices as well as agreed measures with the Government for programme activities during the third cycle. Costs including contingencies are estimated at approximately US\$ 9.5 million. IFAD financing would be in the amount of US\$ 7.5 million, with the remainder coming from the Government and beneficiaries. Considering that all IFAD loan resources will be fully exhausted at the end of the second cycle, the implementation of the third cycle would require an IFAD supplementary financing of US\$ 7.5 million, funded out of the 2010-2012 PBAS allocation, to be presented for approval to the December 2011 EB session.

V. Conclusions

23. The review mission noted a satisfactory progress in physical and financial terms during the second cycle in spite of an extremely difficult context. The executing agency, FAES, has assumed its responsibility for the programme implementation and has demonstrated technical and managerial competencies. An IFAD mission has concluded that all institutional, technical, economic and financial triggers have been satisfactorily met and has recommended the passage to the third cycle.
24. In view of the foregoing, IFAD management has decided to proceed to the third and final cycle as from 1st January 2012 and is informing the Executive Board in accordance with the FLM guidelines.