



# Importance of credit to develop the agri-food sector in Haiti for better food security

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# ANTECEDENTS

- Two years ago, the Ministers of Agriculture of the Americas voted a resolution asking IICA to give special support to Haiti in view of the food crisis in this country.
- In January 2009, the Ministry of Agriculture of Haiti organized a forum on agricultural credit needs and organisation for the agricultural and rural sector.

- The difference observed between the high demand for agricultural credit and the weakness of the general offer is due to several elements specific to the agricultural and rural sector; the main ones are the following:
  - Sector affected by the climatic conditions;
  - Lack of adequate production structure (infrastructure, up to date equipments, certified inputs...etc);
  - High cost of the agricultural credit offer;
  - Lack of knowledge and/or lack of education of the resources regarding the actual needs;
  - Few resources on the long term to support investments of updating or increasing of the production; and
  - En 2006-2007 le système bancaire prive haïtien a alloue seulement 0.0002% du total de ses prêts au secteur agricole, forestier et de la pêche soit 5,8 millions de gourds et le bureau du crédit agricole a octroyé aux environs de 15 millions de gourdes de prêts annuellement soit environ \$400,000.

- A lot of excellent information were produced during this seminar:
  - The needs by farmers and rural entrepreneurs are not satisfied by the government or/the institutional institutions; there is descapitalisation of the farms in Haiti;
  - There were 3 governmental programs that had to be cancelled during the past 30 years because of a lack of reimbursement by the barrowers due to economical problems and a lot due to political capital building .
  - More training and technical and administrative assistance has to be offered to the new barrowers if the rate of repayment has to be increased.
  - A new credit program has to be put in place which would include an insurance system for the agricultural production.
  - Not only agricultural production needs credit, all the rural entrepreneurs have an urgent need for credit.
  - The new system should cover the whole country.

At the end of the conference there were discussions on the structure for a new agricultural and rural credit system and some were in favor of a governmental structure and others for a more private (private, cooperative and micro NGO banking institutions) structure.

After the conference the Minister of Agriculture the honorable Joanas Gué wrote a letter to IICA asking our support in collaboration with the professionals in his Ministry for the preparation of a project proposal to be summited to donors.

## *TERMS OF REFERENCE FROM THE MINISTER OF AGRICULTURE OF HAITI*

- The main important functions of the agricultural and risk management system will be based on the following lines of orientation:
  - The system will be based on collaboration between the government, and the banking system being private or cooperative that will agree to make loans to the agricultural community.



- The new system will cover all the national territory at the end of its installation;
- Le nouveau systeme devra avoir une couverture nationale;
- At the beginning it will concentrate primarily on the agricultural production and transformation priority sectors defined by the Ministry of Agriculture; - se concentrer sur les secteurs prioritaires de production et transformation identifies par le gouvernement de Haiti.

- The system will be established in such a way that the farmers and the banks will have an insurance mechanism that will allow the guarantee of the loans made by private banks and credit cooperative to farmers;

Le systeme devra envisager l'introduction d'un mecanisme d'assurances qui sera offert aux emprunteurs. le système devra etre base sur une collaboration entre le secteur prive, public et cooperatif de Haiti.



- The new responsibilities of the agricultural and risk management unit inside the Ministry of agriculture should include, at least the following functions:
  - Supervise and evaluate the governmental programs on agricultural credit and insurance;
  - Establish for agricultural priority sectors of investment where the Government will give priorities for its investment support policy, technically and financially;
  - Offer a guarantee system for loans between the farmers and the bank or cooperative credit institution;
  - Offer a subsidy program to reduce interest on the loans when needed this system would be managed through the financial institutions selected;
  - Direct line of credits towards their best use for the rural and farming community;
  - Establish with the other direction of the MARNDR the best ways to assist the farmers that will receive loans in such a way that they will benefit from adequate technical and administrative assistance.

Within our collaboration with the MARNDR, IICA had the possibility propose the integration of other organizations to join the group in the preparation of this new agricultural and risk management system which we consider fundamental for the development of the rural sector in Haiti.

DID & the Financiere Agricole du Québec.

## THE OBJECTIVE OF THE PROJECT:

*Reduce the difference between the offer and the demand for credit in the rural milieu taking into account the risks and the characteristics specific to the sector.*

During a planning mission to Haiti the credit institutions mostly the credit cooperatives indicated that they had lost a lot of their loans for the agricultural sector in 2008 due to the 4 storms and that they did not want to make new loans to this sector unless there is an insurance system put in place to guarantee an important part of the loans. the banks and NGO told us a similar story.

If I ask to each one of you about the construction of a project proposal, there would be differences of orientations. Some would prefer a more governmental approach some a more private one, some with more risk taking other with less risk taking; some with more subsidy some with less; some first changing the laws and by laws; some with more or less education and training for the borrowers.

To resolve these different points of view we had to discuss a lot and in the future more discussion will be needed inside the project and mostly among the haitian community and institutions.

# SO....

- ✓ We agreed as the minister indicated that a private public partnership would be the best solution.
- ✓ The new credit and insurance system has to include the orientations of the new food security policy of Haiti.
- ✓ Parametric agricultural insurance were those favored.
- ✓ Guaranteed fund for the loans to famers has to be put in place but in parallel to a private loan insurance system where the cost of this insurance will be paid by the farmers and possibly a part paid by the government.

- ✓ And a strong program of training has to be put in place to professionalize all the activities related to credit and insurance for the priority chains that will be selected.
- ✓ A program to supervise the financial institutions that will participate in this program in such a way that the borrowers and insured entrepreneurs will have a place to present their complaints and where the government will guarantee the an efficient supervision of the system.



# *EXPECTED RESULTS:*

- ✓ Rural entrepreneurs mostly farmers will have the possibility to finance their investments on the short, medium and long term period and this way will increase the food security for their family, their region and the country.
- ✓ In case of negative meteorological events the farmers will be able to reimburse their loans and prepare themselves for a future production. catastrophic insurance mechanism will have to be considered by the government in another program.

- ✓ The financial institutions will be able to make loans to farmers knowing that mechanisms are in place to secure these loans.
- ✓ An education and training program will be put in place to professionalize the agricultural sector for the use of loans and insurance programs in conjunction with a technical assistance offered to the borrowers.
- ✓ All these activities should integrate activities that will be positive or at least neutral to the environment and the natural resources development.

**THANK YOU**