Integrating Finance to Support Agricultural Value Chains: A Study of HIFIVE Grants in Haiti

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September 2013

THE FLETCHER SCHOOL

TUFTS UNIVERSITY

Table of Contents

Introduction

Northern Haiti, where verdant coastal plains meet soaring mountain ranges, is home to thousands of small farmers who make their living from the production of cocoa and coffee. These crops represent two of the most important sources of revenue for Haitian farmers, and form the backbone of country's exports to international markets. However, natural disasters, poor market access and a lack of affordable credit have suppressed both agricultural production and economic development throughout the country.

Agriculture accounts for 24 percent of Haiti's GDP and 60 percent of total employment, making the sector vital to the nation's economy. Yet, as agricultural production has declined, rural communities are increasingly impoverished and food insecure. It is within this context that Haiti Integrated Finance for Value Chains and Enterprises (HIFIVE) has sought to strengthen the value chains on which Haitians depend.

Created in 2009 with funding from USAID/Haiti, HIFIVE describes itself as a catalyst and a facilitator for the creation of innovative financial products, particularly in rural areas. To this end, the program has overseen a series of innovative grants through its HIFIVE Catalyst Fund (HCF) to leverage credit to improve market access for Haitian farmers. Beginning 2010, HIFIVE gave grants to fund two projects: one to support cocoa value chains in the Département du Nord, and another to strengthen coffee value chains in the adjacent farming communities of Marmelade and Dondon in the Département de l'Artibonite.

By providing funding to local financial institutions in these communities, HIFIVE aimed to stimulate lending to farmer associations and cooperatives involved in the processing and export of coffee and cocoa. The credit, they believed, would allow these associations to increase their procurement from local farmers, thereby creating new and improved markets for cocoa and coffee in regions that had until recently been dominated by a handful of private traders.

Three years later, as HIFIVE wraps up its operations, the program's management is taking time to reflect on its experience working with agricultural value chains in Haiti. Despite a few setbacks along the way, the projects in the North have been hailed a success by financial institutions and farmers alike. Therefore, this case study seeks to take a deeper look at the projects, their impact and the lessons that they hold for future interventions into agricultural value chains worldwide.

Exhibit 1: Agricultural Value Chain in Haiti (Export Market)

Credit for Cocoa in the Département du Nord

Background

Life has not been easy for cocoa farmers in the Département du Nord. For years, these small farmers have struggled to survive in a region where poor market access has severely depressed the price of their crops. Desperate for cash and faced with few options for selling their produce, many farmers were forced to sell to intermediaries, known locally as *les speculateurs,* whose monopoly on local markets allowed them to inflate their profits by fixing prices. As a result, farmers could only realize a fraction of the value of their crops at the time of sale.[1]

Until recently, local markets in the North were essentially controlled by *les speculateurs*, who dictated prices to farmers and furnished exporters with a steady supply of cocoa. However, over the past two decades, agricultural cooperatives have emerged to compete with *les speculateurs* for the purchase of locally grown cocoa. Responding to the needs of their members and communities, the cooperatives assumed the role of middleman by cutting out *les speculateurs* and selling cocoa directly to exporters. And in 2000, six of these cooperatives joined to form the Fédération des Coopératives Cacaoyères du Nord (FECCANO), which allowed small farmers to move further up the value chain by exporting directly to international markets.[2]

Still, despite the arrival of FECCANO, the livelihoods of cocoa farmers in the rural North remained tenuous. Without access to credit, financially constrained cooperatives simply could not afford to buy all of the cocoa being produced by their members.

Over the years, these financial problems only grew more acute. In 2009, suffering from a lack of funds at harvest time, the cooperatives could not pay their members on time. Unable to wait for payment, farmers who had provided FECCANO cooperatives with 49 tons of fermented cocoa in 2008 reduced their sales to the cooperatives to just 25 tons in 2009.[3] With the farmers returning to the *speculateurs*, FECCANO suddenly found itself unable to meet its export commitments. After years of promising success at the cooperatives, cocoa

Box 1: Access to Finance in Haiti

According to the World Bank, approximately 80 percent of Haitians lack access to credit. Half of those without access to credit, especially those living in rural areas, live on less than one dollar per day (purchasing power parity), and most live under the poverty line of two dollars per day.[1] Access to loans is particularly poor in rural areas and the agricultural sector, with commercial banks devoting less than 2 percent of their credit portfolios to agriculture. Even within the MFI sector, loans for production (including agriculture) represent only 4.5% of total lending.[1]

Unable to qualify for credit from the banks, and faced with high interest and strict loan terms offered by many MFIs and *les usuriers*, most rural Haitians find themselves excluded from reasonably priced credit. Loans from MFIs can reach 30-60 percent (sometimes more),[1] which along with frequent repayment requirements render such credit unsuitable for agricultural production. Overall, the amount of available

[1] Wegbert Chery and Pascal Pecos Lundy. *Projet de credit à la production et pour la diversification des sources de revenue au benefice des membres des Assemblées locales et des cooperatives de la FECCANO: Rapport d'Evaluation*. January 2013.
[2] *Ibid*
[3] *Ibid*

farmers braced for a return to the hardships of the past.

An Innovative Intervention is Born

With FECCANO on the verge of collapse, its leaders sought the help of the national microfinance institution (MFI) Le Collectif du Financement Populaire (KOFIP). Recognizing the important role that FECCANO played in the communities that it served, KOFIP approached HIFIVE with an innovative idea: to provide FECCANO and its member cooperatives with the credit necessary to resume and even increase the procurement and export of cocoa.

Upon learning of the proposal, HIFIVE saw an opportunity to further its engagement with agricultural value chains. After reviewing the situation and discussing potential solutions, HIFIVE and KOFIP dreamt up an ambitious project with two main objectives: (1) Increase the capacity of FECCANO and its member cooperatives to provide quality buyers of produced cocoa, and (2) Help cooperative members to diversify their revenue generating activities in order to reduce reliance on income from single crops. In pursuit of these objectives, the project's design called for the creation of two new credit products at KOFIP:

- Loans to FECCANO to finance the procurement and export of cocoa from member farmers.
- Group loans to female cooperative members in support of the diversification of their revenue generating activities.

Box 2: HIFIVE Strategic Partners

Le Collectif du Financement Populaire (KOFIP): KOFIP's mission is to promote a decentralized financial system that offers Haitians financial services tailored to their needs and economic activities. In addition to its main office in the capital of Port-au-Prince, the MFI also maintains regional branches throughout the country, including one branch in the Département du Nord. In order to achieve its mission, KOFIP partners with local, regional, national and international actors to finance its operations and carry out its activities on the ground.

KOFIP's approach to lending involves working through savings groups, or *mutuelles de solidarité* (MUSOs). This methodology helps the MFI to better target its clients (women, farmers and rural enterprises) and to promote the sustainability of its loan portfolio. The objective of KOFIP's lending activities are to (1) promote the expansion of women's savings groups in rural communities, and (2) connect donors who want to support financial inclusion with Haitians in need of financing to develop revenue generate activities. To achieve these objectives, KOFIP sought to increase its lending in rural areas.

La Fédération des Coopératives Cacaoyères du Nord (FECCANO): FECCANO was established in 2001 and is composed of six cooperatives from five different communities in the Département du Nord. The member cooperatives themselves represent approximately 1800 individual producers from within these communities. Over the years, FECCANO has developed the capacity to process and export cocoa procured from member cooperatives, without the need to pass through private export companies. In addition, FECCANO cocoa is certified Fair Trade and the organization works with producers to obtain organic certification. The federation also provides member cooperatives with training and resources in order to strengthen their productive and organizational capacity.

From Idea to Implementation

Once the design had been agreed upon, HIFIVE approved the grant request and provided a total of 9,107,380 gourdes ($210,089) to finance a twelve-month project. To promote local ownership, KOFIP and FECCANO were also asked to contribute 3,068,500 gourdes ($70,784), or 25% of the total project cost. With funding in hand, KOFIP prepared for the project's launch in July 2010.

Given the complexities of agricultural value chains and lending in rural settings, the project was designed to encourage cooperation between multiple local actors in order to minimize costs and maximize impact. To this end, KOFIP was responsible for the implementation and management of project activities, including the development, provision and oversight of new credit products for FECCANO and the MUSOs. In order to improve its capacity to sustain these new products, KOFIP used the grant to purchase an Internet connection, computers, printers, a new management information system (MIS), motorcycles and a generator for its branch in the Département du Nord. Remaining money was used to capitalize a revolving loan fund (RLF) that would allow credit services to sustain beyond the project's end date.

As the intermediary between HIFIVE and loan beneficiaries, KOFIP provided credit to FECCANO and women entrepreneurs through the RLF. In order to identify women who were eligible for individual loans, the MFI established a committee of five women within the *Assemblée locale* (ASL) of each FECCANO member cooperative. These committees then identified eligible women, organized them into a MUSO, analyzed individual credit applications and collected repayments. Under this group solidarity methodology, the MUSO receives a single loan from KOFIP, which is in turn used to lend to individual group members.

Box 3: Haiti's *Mutuelles de Solidarité*

In Haiti, economic uncertainty and poor access to finance have given rise to a local form of informal savings groups known as *mutuelles de solidarité* (MUSOs). Similar to a community bank, MUSOs meet regularly to deposit a fixed amount into a communal fund that is used to capitalize loans to individual members. MUSOs typically keep two such funds: the *caisse verte,* which finances loans and allows members to withdraw their savings as needed, and the *caisse rouge*, which serves as an emergency fund and cannot be touched without the group's consent. In some cases, MUSOs also seek external credit from formal financial institutions to supplement the *caisse verte* and increase the amount of funds available for individual loans. This external fund is called the *caisse bleue.*

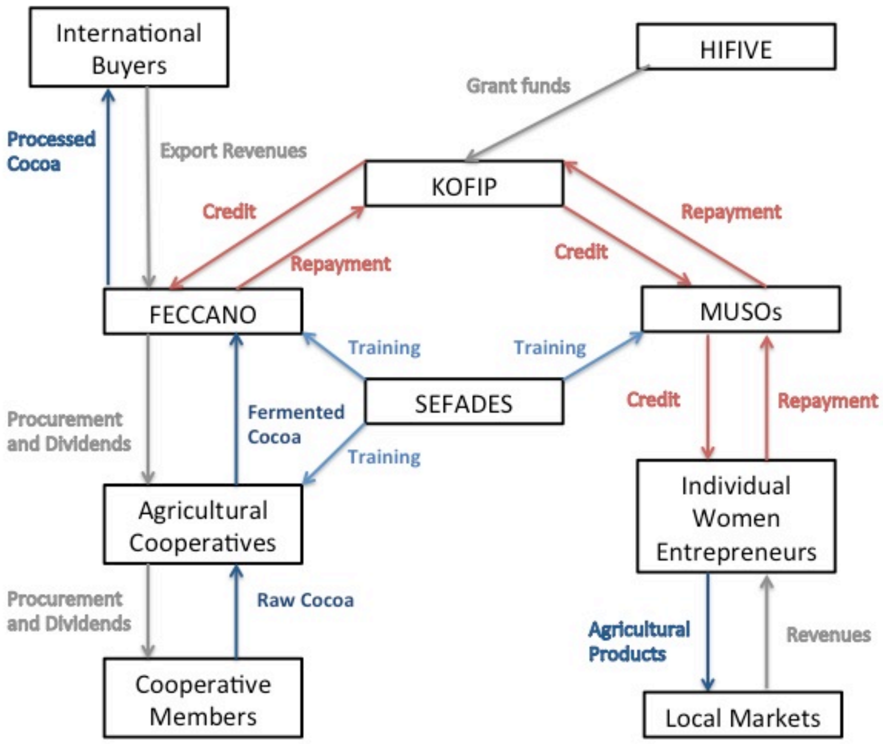
Prior to dispensing loans, Le Service de Formation et d'Action pour le Développement Economique et Social (SEFADES), a Haitian technical assistance organization, first worked with KOFIP to train the MUSOs. Trainings focused on financial planning and the basics of credit and were prerequisites to receiving a loan from KOFIP. Upon completion of the training program, the MUSO would receive its first loan of up to 2,500 gourdes ($58) per person. Initial loans had a term of six months, with 2 percent monthly interest and repayments due every six months. Upon successful repayment, interest on subsequent loans would be reduced to just 1 percent per month.

In order to improve the cooperatives' capacity to procure cocoa from their members, FECCANO received 3.5 million gourdes ($80,738) in credit from KOFIP. The loan was dispensed in three parts, and corresponded to the cocoa growing seasons.[4] Repayment, including 10 percent annual interest, would be due after six months at the time of export.

Once FECCANO receives a loan, it allocates the funds to member cooperatives in advance of the harvest. This allows the individual cooperatives to collect cocoa from their members and send it to FECCANO for processing and export. Profits from the export of cocoa are used to repay the loan, with the remainder either reinvested in FECCANO or returned to the cooperatives in the form of dividends.

In addition to providing credit, KOFIP also engaged SEFADES to train cooperative members, administrators and managers at FECCANO. Training focused on education, literacy, the rights of cooperative members, management and organization. The goal of these trainings was to increase the participation of members in cooperative activities, particularly among those who were illiterate or unaware of their rights and obligations within the cooperative.

Exhibit 2: Structure of the Cocoa Project



4 In Haiti, the low season lasts from September to January and the high season begins in February and ends in June. During the high season, most harvesting and collection takes place in March and April, when activity in the cocoa sector is at its most intense.

Exhibit 3: Cocoa Grant Stakeholder Roles and Contributions

Actors	Roles	Contributions
HIFIVE	▪ Technical support ▪ Financial support ▪ Monitoring and evaluation	75% of project funding. Technical support for project design and structuring new financial products.
KOFIP	▪ Financial intermediary between HIFIVE and FECCANO ▪ Portfolio management	Portion of remaining 25% of project funding. Project design, monitoring, financial auditing and capitalization.
SEFADES	▪ Technical assistance	Portion of remaining 25% of project funding. Training for loan officers, cooperatives and MUSOs.
FECCANO	▪ Principal recipient of credit	Portion of remaining 25% of project funding. Project implementation, market research and commercialization of cocoa.
Member Cooperatives	▪ Direct beneficiaries	Procurement and collection of cocoa at the local level.
MUSOs	▪ Management of credit to women entrepreneurs	Management and monitoring of credit and repayment.

Source: Grant documents/Field research

Assessing the Impact

Impact on Local Institutions

Prior to the launch of the value chain finance projects, the institutions that formed the backbone of the rural communities in the Département du Nord faced significant challenges. Financial institutions, confronted with a dearth of capital and high rates of delinquency and portfolio at risk (PAR), were unable to extend their lending activities to agricultural production because of the excessive costs and risks involved. Grants from HIFIVE were key to overcoming the barriers to launching agricultural credit programs at these financial institutions.

According to Romulus Jean-Luckner, the co-director of KOFIP's Northern Office, his institution did not previously offer agricultural credit due to a lack of financing and the complexity of such lending: "Agricultural credit is extremely difficult," he explained. However, with financing from HIFIVE, KOFIP was able to capitalize its agricultural loan fund, train its staff and purchase the tools and technology necessary to reduce operational costs (e.g. an internet connection, computers, and a generator).

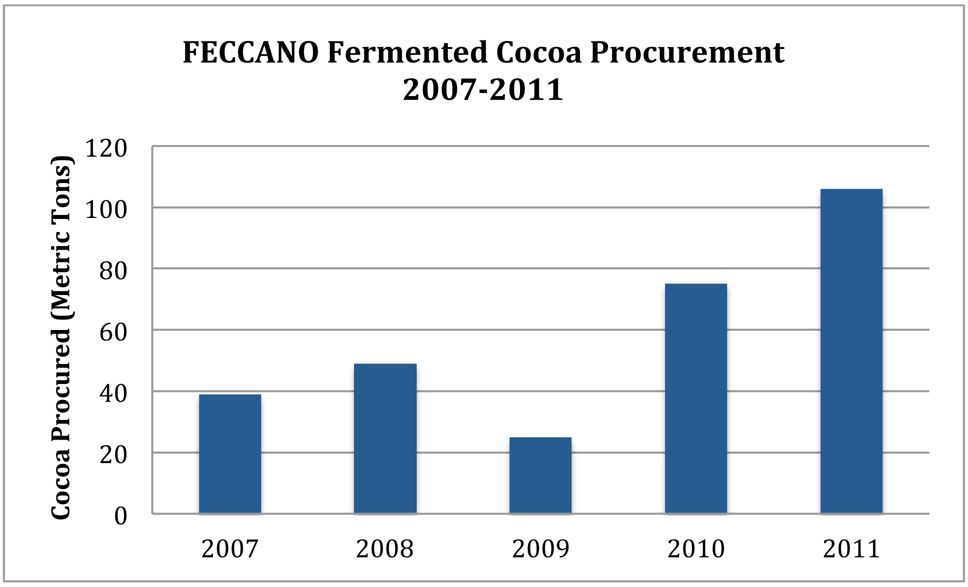
Significantly, the repayment rate on both new credit products is near 100 percent, and they have proven profitable for KOFIP: "It is a profitable credit program," Jean-Luckner remarked. "If not, we would not continue to offer agricultural credit." He also insisted that the MFI would be able to continue their agricultural lending programs without further support from HIFIVE.

However, Jean-Luckner also admits that there is more demand than KOFIP can handle given its limited resources. Additionally, without a credit guarantee fund, the MFI must rely on FECCANO and the cooperatives as guarantors of repayment. This raises questions about the sustainability of the lending programs in the event of a shock such as a natural disaster. Acknowledging the risk involved, Jean-Luckner observed: “We try to stay close to our clients by having loan officers on the ground and in constant contact. But unfortunately it’s not enough. There are natural disasters that intervene.”

The impact of the project on the strength of FECCANO and its member cooperatives has also been considerable. These associations play an integral role in the communities of the rural North, allowing farmers to negotiate better prices for their crops, pool resources to support value added activities like processing for export, and exchange production techniques. Therefore, the decision to lend to associations, rather than individual farmers, has had the added benefit of strengthening these institutions, to the benefit of the communities they serve.

For FECCANO and its member cooperatives, the support of KOFIP and HIFIVE has greatly increased the quantity and quality of its exports. Prior to the project’s launch, FECCANO was faced with a crisis of confidence, during which financially starved member cooperatives could not pay their farmers on time. This led many farmers to seek out alternative markets for their cocoa, culminating in a 50 percent decline in FECCANO’s cocoa procurement between 2008 and 2009. Credit has enabled the cooperatives to pay farmers at the time of procurement and has restored confidence among farmers, helping the cooperatives to resume and vastly increase their collection of cocoa.[5]

Exhibit 4: FECCANO Fermented Cocoa Procurement



Source: ***Rapport d’Évaluation: KOFIP/FECCANO*****, 2012**

At the same time, FECCANO worked with member cooperatives and individual farmers to receive organic certification from Eco-Cert in 2011. Organic cocoa is much more profitable for the organization, selling for 3,400 gourdes/ton, as opposed to 2,800 gourdes/ton for the conventional equivalent.

[5] Wegbert Chery and Pascal Pecos Lundy. *Projet de credit à la production et pour la diversification des sources de revenue au benefice des membres des Assemblées locales et des cooperatives de la FECCANO: Rapport d’Evaluation*. January 2013.

Increased profits have allowed FECCANO to improve its facilities and training programs for member cooperatives. Using the profits from its last sale, FECCANO plans to purchase the property it currently leases for its headquarters. Additionally, they want to expand the number of farmers who grow organic cocoa, bring in new cooperatives, and improve farmers' capacity to prepare the cocoa for delivery to the processing center.

The inclusion of training programs offered by SEFADES has also been instrumental in strengthening the institution's capacity. In total, approximately 80 managers have been trained in organizational management and the role of cooperatives in rural communities. An additional 280 women also received lessons to improve literacy and their ability to manage group meetings.[6]

Impact on Farmer Incomes

Before farmers began organizing themselves into associations, markets for coffee and cocoa in the North were controlled by a handful of intermediaries and exporters who took advantage of farmers' poverty in order to maximize their profits. Desperate for income and unable to find alternative markets for their goods, farmers were forced to sell their crops at low prices to *les speculateurs*. According to members of Société Serrer pour Chauffer (SOCOSPOC), a FECCANO member cooperative, prior to the formation of FECCANO the price of cocoa was so low that many farmers simply left the beans to rot on the trees.

Everyone interviewed agreed that the arrival of FECCANO has led to vast improvements in sales of coffee and cocoa. SOCOSPOC members, who at one time sold their cocoa for just 10 gourdes per pound, now place it in the cooperative. The cooperative then sells that same cocoa for 30-38 gourdes per pound depending on the quality. And thanks to the credit for procurement, cooperatives can finally provide an advance to farmers at the time of collection, rather than waiting for revenues from exports. Early payment has been extremely important for farmers, as it helps them to resist taking loans from moneylenders or side-selling their crops to *les speculateurs* at a low price in exchange for immediate payment.

Gillot explained that the intermediaries, who once controlled the market for cocoa in the North, now wait to see how much FECCANO plans to pay before setting their prices. Of course, this has led to a great deal of resentment among *les speculateurs*, who have tried to trick farmers into selling to them by spreading rumors that FECCANO has been blocked from exporting. "They want a monopoly," says Gillot. "So they scare the people."

In addition to receiving a higher price for their crops at the time of sale, cooperative members also receive a share of the profits earned from exports in the form of dividends. For example, last year FECCANO member cooperatives issued dividends of between 8 and 15 gourdes per pound of cocoa collected from its farmers. Considering that farmers were used to receiving their incomes in one lump sum at the time of sale, these "surprise" end of season cash flows act as a form of savings, helping to smooth consumption in advance of the next harvest.

[6] *Ibid*

However, despite the benefits that have accrued to members of FECCANO, thousands of additional farmers in the North do not have access to better buyers for their crops. At this point, it is still too early to tell whether the programs can expand without external support. Moving forward, it will be important to see whether profits from these loans allow the programs to expand beyond the current beneficiaries to farmers who are currently excluded.

Impact on Women's Incomes

Loans to individual female members of FECCANO cooperatives are designed to support the diversification of their revenue generating activities. To this end, 800 women have received six-month loans of up to 5,000 gourdes ($115) with two repayments due every three months. Yet, interviews with MUSOs at two member cooperatives revealed that the credit has so far been insufficient to have a significant impact on the women's incomes.

Speaking with one MUSO at SOCOSPOC, the women emphasized that the credit terms were better than those offered by other financial institutions. Furthermore, the group methodology has permitted them to come together to save each month for emergencies. However, both the credit received and the funds that they have managed to save have only been enough to help smooth consumption and send their children to school, and have not had a dramatic impact on their incomes. According to the women, who earn a living by buying and selling agricultural produce, the loans offered are too small to purchase the stock required to grow their small businesses.

At Coopérative St. Jean Baptiste, another member cooperative, the women also insisted that the loan amounts were too small to grow their businesses. Another major complaint was that the women, who ran a business making and selling cocoa powder, did not have a physical location from which to sell their goods. Without a market stall or storefront, they insisted, it was difficult to find buyers for their cocoa.

Both MUSOs complained that the groups' facilitators, who are tasked with organizing meetings and collecting payments, did not receive any compensation for their work. One facilitator proclaimed that, "Ever since KOFIP arrived, I am the one who fills out the forms and organizes the meetings. When there's a problem, I use my own telephone to call. Despite all of my work, I get nothing in return." The president of SOCOSPOC, Doisten Jude, said of his cooperative's facilitator: "She works very hard, traveling through the mountains, and receives nothing."

Access to Finance

In the rural communities of the Département du Nord, KOFIP is by no means the only active financial institution. However, the loan terms offered by KOFIP stand in stark contrast to those of its competitors, which feature high interest and strict repayment schedules.

Exhibit 5: Microcredit in the Département du Nord

Institution	Monthly Interest	Repayment Schedule	Type	Duration
FINCA	4%	15 days	Group	N/A
FONKOZE	4%	1 month	Group	3 months
KAPODEP	4%	1 month	Group	6 months
KOFIP	*2%*	*3 months*	*Group*	*6 months*

Source: ***Rapport d'Évaluation: KOFIP/FECCANO*, 2012**

As demonstrated in the table above, the interest on KOFIP's loans is well below that charged by other MFIs operating in the rural market, with interest declining to just 1% per month after successful completion of the first loan cycle. In addition, the relaxed repayment schedule, which calls for just two repayments every three months, allows for much greater flexibility. Another important advantage of KOFIP loans is their lack of collateral requirements, which are common among other MFIs in the region. This provided access to finance for women with few assets other than their experience and entrepreneurial spirit.

Although the MUSOs interviewed agreed that their loans from KOFIP were preferable to the alternatives currently available, conversations with those involved in the project revealed that impact has been constrained by a lack of funding. After more than two years, the credit program remains limited in terms of the number and size of loans provided. While 800 women have received loans since the project's inception, most have successfully completed two or more cycles and have yet to see their loan amounts increase. Furthermore, the program has been unable to expand the number of women reached by loans.

Gender Equality

Although the grant does not explicitly mention gender equality as a primary objective, the grant to support cocoa value chains has nonetheless helped female beneficiaries to increase their influence within the FECCANO member cooperatives. Thanks to the project, 280 women received training in literacy, their rights as cooperative members and group management. In addition, the establishment of women's savings groups (MUSOs) has helped them to organize themselves and to gain important financial and management experience. The result has been an increase in women's influence within the cooperatives and the broader community.

At one cooperative, the women were quick to attribute their newfound influence to the MUSO: "Yes, our power has grown," the facilitator emphasized. "Now we can speak and join the discussion during the cooperative meetings." The trainings have also been important, she added, and have allowed women to take a greater role in the management of the cooperatives.

Women at another cooperative agreed: "Before we had much less power. Women couldn't work because they had to stay home with the children. When we spoke, the men told us to shut our mouths. Now they listen."

Credit for Coffee in Marmelade

Background

High atop the mountains of the Artibonite Valley in Northern Haiti sits the village of Marmelade. Surrounded by hills dotted with bamboo trees and family farms, the small agricultural town derives most of its revenue from the production and sale of local coffee beans. However, the village's picturesque setting belies a harsher reality: coffee farmers, faced with poor market access and price fixing by *les speculateurs*, have struggled to survive.

For many years, coffee production in Marmelade suffered a steep decline, prompted by exploitative practices by *les speculateurs* who underpaid farmers for their crops. But after 2001, with the arrival of development projects targeted at expanding coffee production, coffee reemerged as one of the region's primary crops. Because of its profitability, coffee became increasingly important to small farmers in Marmelade, who over the course of a year could earn up to 60,000 gourdes ($1,384) per hectare.[7]

Still, access to markets remained a significant constraint for coffee farmers in Marmelade. Although global coffee demand continued to rise, getting products from rural areas such as Marmelade to domestic and international markets required passing through *les speculateurs*. Unable to access markets directly, farmers saw their profits stagnate as they were forced to forgo potential profits from value added activities such as processing coffee for export.

The emergence of local farmer associations, in addition to the construction of a coffee treatment factory at the Coopérative Agro-Industrielle de Marmelade (COOPAIMAR), opened up new markets and the possibility for farmers to move up the value chain. However, the associations did not have sufficient funds to procure all of the coffee produced by their members, and often stopped purchasing mid-season. As a result, farmers were left with no option but to sell their coffee at a reduced price to the *speculateurs*. Desperate for cash, farmers had to rely on local moneylenders (*les usuriers*) to survive during the off-season, and many could not even afford school fees for their children.[8]

A Community Financial Institution Steps Up

In 2011, following its successful intervention into the cocoa value chain in the Département du Nord, HIFIVE was considering replicating the model in additional communities. That same year, a small financial institution from Marmelade arrived at HIFIVE with an enticing opportunity: cocoa, it turned out, was not the only crop in which farmers were suffering from an underdeveloped value chain.

Caisse Épargne et Crédit pour l'Avancement de Marmelade (KEKAM) is a savings and credit union (*caisse populaire*) with a sole branch located in Marmelade. Since 2010, KEKAM had already worked with HIFIVE to introduce credit products for agricultural producers, and the *caisse populaire* was quick to recognize the potential benefits of supporting coffee value chains. Extending credit to farmer associations in

[7] Grant documents
[8] Grant documents

Marmelade, KEKAM reasoned, would not only provide a boost to the region's economy, but to its client base as well.

Together, HIFIVE and KEKAM devised a project that would help coffee farmers by increasing the capacity of their associations to procure and export their harvests. Similar to its previous intervention with KOFIP and FECCANO, HIFIVE would provide funding to KEKAM to develop a credit product for coffee producer associations. Beginning in Fall 2011, KEKAM would extend the first of a series of loans to the Coopérative Agro-Industrielle de Marmelade (COOPAIMAR) to increase its procurement capacity.

Box 4: HIFIVE Strategic Partners

Caisse Épargne et Crédit pour l'Avancement de Marmelade (KEKAM): KEKAM is a member-owned financial cooperative built on the savings and credit union model. Founded in Marmelade in 1996, KEKAM provides clients with savings accounts and low-cost credit products, while sharing profits amongst its members. The cooperative joined the nation-wide federation of savings and credit unions Le Levier in 2010, thereby providing members with access to its extensive network of 26 financial institutions, as well as domestic and international money transfer services. Upon joining Le Levier, KEKAM also received support from HIFIVE and DID to introduce new agriculture credit products tailored to the region's main revenue generating activities.

As the only formal financial institution operating in the region, KEKAM remains an important pillar of the rural economy. In 2013, KEKAM served 5,600 members, representing total assets of 34 million gourdes ($780,540). By working with HIFIVE to provide credit to coffee cooperatives, KEKAM hopes to extend its reach and impact within the community.

La Coopérative Agro-Industrielle de Marmelade (COOPAIMAR): COOPAIMAR is an association of three agricultural cooperatives operating in and around Marmelade. The association was organized in 2000, and by 2006 had built a coffee processing facility, which has allowed it to export the coffee it procures directly to international markets. Its activities have provided local cooperatives and their members with training, financing and improved access to markets, all of which have contributed to the economic development of Marmelade. Today,

From Idea to Implementation

Having approved the project design, HIFIVE provided KEKAM with two one-year grants to fund the coffee value chain project. The first grant arrived in July 2011 and the second in July 2012, for a total of 17,944,500 gourdes ($413,944). In addition, KEKAM contributed 6,013,040 gourdes ($138,710) to the project.[9]

With the grant funds in hand, KEKAM was able to create a new credit product tailored specifically to coffee producer associations in Marmelade. To facilitate the

[9] The 2011 grant consisted of 7,221,500 gourdes ($166,586) from HIFIVE and 2,508,040 ($57,856) gourdes in contributions from KEKAM. The 2012 grant consisted of 10,723,000 gourdes ($247,370) from HIFIVE and 3,505,000 ($80,854) gourdes in contributions from KEKAM.

procurement of coffee, KEKAM planned to provide loans to the association during the harvest season (Mid-September to January). Loans, which were distributed at the beginning of the season, were to be repaid after four months with 8.3% interest (25% annualized). In 2011, three associations received a total of 4 million gourdes in credit, and in 2012 five associations received approximately 7.5 million gourdes.

Rather than provide credit directly to the individual associations, KEKAM minimized its costs and risk by instead lending to COOPAIMAR. Before receiving a loan, COOPAIMAR would first submit a credit application on behalf of its member associations. After analyzing and accepting the application, KEKAM then delivered the funds to COOPAIMAR, which in turn distributed them to the associations.

When farmers arrived at the collection center to deliver their coffee, the associations would use their credit from KEKAM to pay them an advance. Next, the coffee was sent to COOPAIMAR for processing and bagging, before being exported to international markets. COOPAIMAR received payment for the exported coffee in an account at KEKAM, from which the financial institution would deduct the loan principal and interest. With the remaining profits from exports, COOPAIMAR distributed dividends to the member associations, who then passed them on to the individual farmeres according to the amount of coffee contributed.

At the same time, COOPAIMAR also provided technical assistance to farmers' associations and individual farmers in the form of training and the provision/transplanting of coffee plant seedlings.[10] In light of the heavy deforestation in the region, KEKAM and the associations hope that the seedlings will not only improve production, but also reduce crop losses caused by soil erosion and flooding. Funding for the seedlings came in the form of a loan from KEKAM to COOPAIMAR.

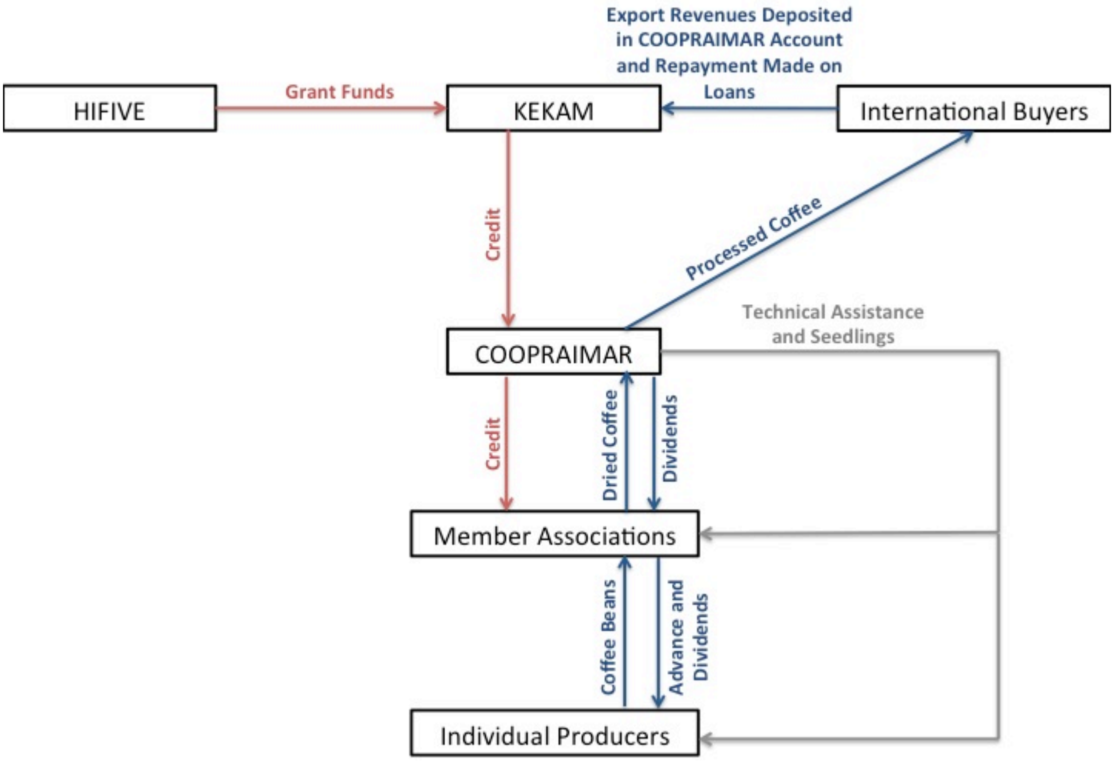
Exhibit 6: Coffee Grant Stakeholder Roles and Contributions

Actors	Roles	Contributions
HIFIVE	▪ Technical support ▪ Financial support ▪ Monitoring and evaluation	75% of project funding. Technical support for project design and structuring new financial products.
KEKAM	▪ Financial intermediary between HIFIVE and COOPAIMAR ▪ Portfolio management	Remaining 25% of project funding. Project design, monitoring, financial auditing and capitalization.
COOPAIMAR	▪ Prepare credit applications for members associations, distribution and collection of loan funds ▪ Technical assistance	Project implementation, market research and commercialization of coffee. Technical assistance, training and seedlings for member cooperatives and individual planters.
Member Associations	▪ Direct beneficiaries of loan funds	Procurement and collection of coffee at the local level.

Source: Grant documents/Field research

[10] The grants called for 70,000 seedlings to be transplanted in 2011 and 120,000 to be transplanted in 2012.

Exhibit 7: Structure of the Coffee Project



Assessing the Impact

Impact on Local Institutions

The director of KEKAM, Jean-Jacques Wilson, argues that the coffee credit grants have been crucial to increasing his institution's capacity. Before the project began, the small *caisse populaire* did not even have electricity, much less a computer or an Internet connection. After two grants from HIFIVE, KEKAM now has the capital and the capacity to run a full-fledged agricultural lending program. In less than two years, its agricultural loan portfolio has gone from non-existent to nearly 14 million gourdes.

Agricultural lending has proven highly profitable for KEKAM, and has even improved its balance sheet (**See Exhibit 9**). For example, the last loan from KEKAM to the producer associations in Marmelade and Dondon yielded a profit of over 6,000,000 gourdes. Moreover, the repayment rate on their agricultural loans, including the loans for coffee production, is 100 percent.
When asked about the profitability of the new loan program, Wilson replied enthusiastically: "Of course agricultural credit has increased our profits! Thanks to the profits from this credit, we are going to be accepted into [Le Levier] [11]."

Still, KEKAM has not set up a credit guarantee fund, instead relying on COOPAIMAR as the guarantor of repayment. This raises questions about the

[11] KEKAM is a probationary member of the national federation of savings and credit unions, Le Levier. In order to receive full membership, institutions must meet certain criteria, including profitability and the strength of their balance sheets.

sustainability of the lending programs in the event of a shock such as a natural disaster.

COOPAIMAR has also seen a significant increase in capacity. Celicoeur Aimonel, the coordinator of the cooperative's coffee processing center, recounts that, "Before the credit, we stopped buying in mid-season. Now we buy until the end of the season, and last year we collected an additional 42 tons thanks to the credit." The funds have also helped the cooperative to finance operations at the processing center, and it uses a portion of the loans to pay for maintenance, packaging and supplies.

Impact on Producer Incomes

The director of KEKAM recounted the challenges facing coffee farmers before the coffee credit project began: "In Marmelade, the planters had many problems," he explained. "Either they could not find a market for their products, or they were forced to sell them to speculators and private businesses at a very low price." In turn, he continued, "The speculators would resell the coffee on international markets at a large profit."

In Marmelade, farmers who received just 5 gourdes per pound of coffee before COOPAIMAR was formed in 2000, now earn up to 60 gourdes per pound when they sell to the farmers' associations. Importantly, the credit has also allowed the associations to provide an advance to farmers at the time of collection, rather than forcing them to wait for revenues from exports. This has prevented farmers from going to moneylenders or selling their crops at a low price to *les speculateurs* in exchange for immediate payment. It has also allowed many farmers to afford school fees for their children, as the beginning of the school year coincides with the harvest season.

Farmers who sold their coffee to the associations were also able to share in the profits from exports. Last year, COOPAIMAR gave its members 15 gourdes per pound of coffee collected. For farmers who do not typically receive any revenues during the off-season, these dividends have been an extremely important infusion of income when they need it most.

Financial Services in Marmelade

The grant to KEKAM in Marmelade did not include a provision for lending to individuals. Still, credit to farmers' associations has had an indirect effect on access to finance in the region. KEKAM is a savings and credit union, and its loan terms require that members both demonstrate their ability to repay and maintain a certain level of savings in order to receive credit. In the past, these requirements have prevented many farmers from accessing credit, given the unpredictability of their incomes and inability to save regularly.

However, since the coffee credit program began, an increasing number of farmers have been able to qualify for individual loans from KEKAM. When coffee farmers who are members of KEKAM sell their harvests to COOPAIMAR, they receive payment directly in their savings accounts. These payments can then be used as both proof of income and collateral when applying for a loan. According to Jean-Jacques Wilson, the promise of credit has attracted new clients and encouraged them to keep their savings at the institution. Today, KEKAM has 5,200,000 gourdes in savings from farmers, representing approximately 15% of all deposits.

Aside from KEKAM, the only financial services available to the residents of Marmelade and the surrounding communities are located two hours away in Gonaïves. Therefore, by reducing barriers to personal credit at KEKAM, the project has made an important, albeit indirect, contribution to access to finance in the region. As KEKAM attracts new deposits and reinvests the profits earned from its loans to the farmers' associations, its portfolio of loans to individual farmers should continue to grow.

Findings and Key Lessons

Three years after their implementation, HIFIVE's grants have succeeded in achieving their primary objectives of strengthening agricultural value chains and expanding access to finance in Northern Haiti. Research and interviews with stakeholders revealed that the financial institutions, farmers' organizations and individuals who have benefited from the grants were largely satisfied with the implementation and impact of the value chain projects. However, analysis also revealed weaknesses in some of the projects' activities. The following is a summary of the findings and key lessons illuminated by this study:

- **The cocoa and coffee credit programs are profitable and self-sustaining, but could face problems in the future.** Agricultural credit has proven profitable, and the grants have strengthened the institutional capacity of both KOFIP and KEKAM. Still, without a loan guarantee fund or the inclusion of crop insurance, a single disaster could have devastating consequences for the projects' sustainability. Currently, KOFIP and KEKAM rely on the farmer associations as guarantors of repayment, but this may prove insufficient in the future.

- **Credit to farmer associations has increased farmers' incomes and helped to smooth irregular cash flows.** Loans from KOFIP and KEKAM for cocoa and coffee procurement have enabled the cooperatives and farmer associations to pay farmers at the time of collection, which has allowed farmers to pay for important expenses such as school fees for their children. Furthermore, because farmers do not have to wait for payment, they are no longer forced to sell their crops at a lower price to private traders when they are desperate for immediate income. Because the associations are directly involved in the export process, members also share in export profits through dividends, which increase their revenues and represent an important infusion of income during the off-season.

- **Lending to farmer associations rather than individual farmers has magnified the impact of the credit projects.** Because access to markets in Northern Haiti remains poor, individual loans would likely have had a limited effect on rural livelihoods. By focusing instead on farmer associations, the projects have increased their procurement capacity and allowed farmers to cut out *les speculateurs* and move up the value chain.

- **Loans to individual women have increased their influence, but not their incomes.** Credit to support the diversification of revenue generating activities is important in communities where irregular income flows from agricultural production leave families struggling to make ends meet between harvest periods. However, clients complain that loan amounts are currently too small to invest in their businesses, and therefore have not had a significant impact on women's incomes. Additionally, the lack of compensation for group facilitators, who must collect repayments and organize meetings, is troubling. KOFIP's lending model depends on these facilitators, and the program would collapse if they were to quit. Still, the fact that the women organized themselves into groups and received training has allowed them to increase their influence within the cooperatives.

- **Both projects have increased access to finance in their respective regions, although KOFIP's loans to individual women may not be sustainable over the long-term.** KOFIP's loans to women are cheaper, more flexible and more easily accessible than those of competing MFIs in the region. Yet, these favorable terms have also limited profitability, which has prevented KOFIP from expanding either the number of women reached or the loan amounts. On the other hand, KEKAM's loans to farmer associations had an indirect impact on access to finance by allowing coffee farmers with an account at KEKAM to qualify for personal credit. Therefore, future interventions may benefit from a structure similar to that of the coffee project, in which payments are channeled through a financial institution in order to give farmers access to personal credit.