

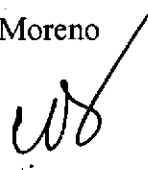
MEMORANDO

Clasificación de Archivo: PO-PUS (TC-HA-T1043)

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FECHA: NOV 15 2006

PRE/PCY

A: Señor Luis Alberto Moreno
Presidente

DE: Ciro De Falco
Vicepresidente Ejecutivo

ASUNTO: HAITI. Servicios de Articulación al Mercado de Cadenas Rurales Productivas (HA-T1043). Contribución hasta por la suma de US\$750.000. Aprobación.

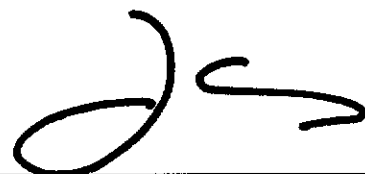
Adjunto sometemos a su consideración y correspondiente aprobación, el Plan de Operaciones para el financiamiento de la operación de la referencia. Este documento ha sido elaborado por el Equipo de Proyecto teniendo en cuenta los lineamientos y procedimientos establecidos para la preparación y procesamiento de operaciones de cooperación técnica no reembolsables.

De conformidad con las normas sobre delegación de autoridad¹, el Presidente tiene la facultad de aprobar cooperaciones técnicas no reembolsables que no excedan la suma de US\$750.000 y formen parte del Programa de Cooperación Técnica para el año correspondiente o la Estrategia de País o Estrategia Regional o en sus respectivas actualizaciones, aprobados, en cada caso, por el Directorio Ejecutivo.

En consecuencia, teniendo en cuenta que el monto de la operación no excede la suma de US\$750.000 y que se incluyó en el Programa de Cooperación Técnica para el año 2006 (Documento GN-2408-1), recomendamos que la operación de la referencia sea aprobada.

El Sr. John Horton (Ext. 1934), Jefe de Equipo, estará disponible para cualquier consulta adicional.

Aprobado:



Luis Alberto Moreno, Presidente

Fecha:

NOV 29 2006

¹ 1/ Documentos GN-1838-1, AT-940, AT-1046-4 y DR-398-3.

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Aprobado: (Firmado) Luis Alberto Moreno
Luis Alberto Moreno, Presidente

Fecha: NOV 29 2006

Vos. Bos.:

[Firma]
Robert N. Kaplan, Jefe RE2/EN2

Fecha: 11/06/06

[Firma]
Lionel V. Nicol, Subgerente RE2/RE2

Fecha: 11/07/06

[Firma]
Máximo Jena, Gerente RE2/RE2

Fecha: 11/07/06

[Firma]
Ma. Eugenia Nepote-Cit, LEG/OPR2

Fecha: 6-XI-06-

[Firma]
EVP/MDV

Fecha: 11/14/06

[Firma]
Jefe Oficina de la Presidencia, PRE/PCY

Fecha: NOV 28 2006

¹ 1/ Documentos GN-1838-1, AT-940, AT-1046-4 y DR-398-3.

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HAITI

RURAL SUPPLY CHAIN MARKET LINKAGE SERVICES

(HA-T1043)

PLAN OF OPERATIONS

This document was prepared by the project team consisting of: John Horton (RE2/EN2), Project Team Leader; Diego Arias (RE2/EN2); Marion Le Pommellec (COF/CHA); Denis Corrales (COF/CHA); Gilles Damais (Consultant); Maristella Aldana (LEG/OPR2); Eliana Smith and Lisa Sofia Restrepo (RE2/EN2).

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ANNEXES

ANNEX I Detailed Estimated Budget

Electronic Links and References

Basic Socioeconomic Data	http://www.iadb.org/res/externallink_list.cfm?language=en&parid=1&itemlid=1&detail=Box1#b1
Information available in the files of RE2/EN2	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=783866
Annex II: Procurement Plan	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=810548
Annex III: Operating Manual	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=783848
Annex IV: Principal Technical Annex	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=796926
Annex V: Draft Terms of Reference	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=811047
Annex VI: Environmental & Social Management Plan -ESMP	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=789015

ABBREVIATIONS

ANEM	<i>Association National d'Exporteurs de Mangue</i>
AHPEL	<i>Association Haïtian pour la Promotion d'Elevage</i>
APHES	<i>Association de Producteurs des Huiles Essentielles du Sud</i>
DG-PMR	Rural Development Promotion directorate (<i>Direction Générale – Promotion du Monde Rural</i>)
ESMP	Environmental and Social Management Plan
ECVH	<i>Enquête sur les Conditions de Vie en Haïti</i>
HAP	Hillside Agricultural Project
ICF	Interim Cooperation Framework
JPO/LEP	Japan Poverty Reduction / Loan Enhancement Program
MARNDR	Ministry of Agriculture, Natural Resources and Rural Development
MLS	Market Linkage Services
PRIMA	Business Development Project (<i>"Programme de renforcement intégré du milieu des affaires en Haïti"</i>)
TC	Technical Cooperation
UEP	Program Executing Unit (<i>Unité d'Exécution du Program</i>)

HAITI
RURAL SUPPLY CHAIN MARKET LINKAGE SERVICES

(HA-T1043)

I. EXECUTIVE SUMMARY

Beneficiary: Republic of Haiti

Executing agency: Ministry of Agriculture, Natural Resources and Rural Development (MARNDR)

Target beneficiaries: Rural Producers and Entrepreneurs

Financing:

IDB: Japanese Poverty Reduction/ Loan Enhancement Program (JPO/LEP)	US\$500,000
Local Counterpart	US\$175,000
Total:	US\$675,000

Objective: The objective is to assist the public in building profitable business ventures between rural producers and buyers along priority supply chains.

Execution timetable:

Execution period:	52 months after signing letter of agreement.
Disbursement:	60 months after signing letter of agreement.

Special contractual conditions: Prior to first disbursement, the following conditions will be met: (i) the MARNDR will have selected the Coordinator for the Market Linkage Services; and (ii) the MARNDR will have approved the Rural Supply Chain Development Program (HA-L1003) Operating Manual. (See paragraphs: 5.2 and 5.5)

Exceptions to Bank policies and procedures: None.

Environmental and social review: No adverse environmental or social impact is foreseen.
The review of the TC Profile during the CESI meeting of July 21, 2006 (CESI 29-06) recommended that no further evaluation or action be taken.

II. BACKGROUND AND JUSTIFICATION

- 2.1 Haiti's rural economy has declined dramatically over the last two decades. As recently as 1990, the agricultural sector that forms the backbone of the rural economy generated nearly 40% of GDP, whereas today it contributes no more than a quarter of the GDP. Agricultural exports fell from 28% of total exports in 1981 to only 6% in 2004. Yet Haiti remains a predominantly rural country, accounting for nearly 5 million of its population of 8 million, with a shrinking productive capacity to sustain those living in the countryside or to fulfill its potential contribution to the national economy.

- 2.2 Most of Haiti's rural dwellers live in extreme poverty, 59% earning less than US\$1 a day according to the most recent national household survey.¹ Although most rural Haitians consider themselves to be farmers, the majority of their income (60%) derives from sources other than agriculture. Their survival strategies primarily depend on remittances from family members living abroad or in the capital, on the sale of their labor to works projects or seasonal labor opportunities elsewhere in the country, and on handicrafts, petty commerce and extractive activities such as producing charcoal and quarrying sand or gravel. Demographic pressures meanwhile tend to induce farmers to shift from perennial cash crops such as coffee to annual food crops, further exacerbating soil depletion and poor water retention.
- 2.3 The steady decline in productivity of staple crops grown by small-scale producers around Haiti has been compounded by more dramatic stress or actual collapse of a number of the pillars of export-oriented supply chains.² Coffee, long the leading export and an important source of wealth and savings, has shrunk to a fraction of previous levels.³ Haitian handicrafts widely appreciated in markets throughout the region have failed to recover significant volumes following the embargo of the mid-1990s. Distinguished as a premier producer of essential oils to various market niches since the 1950s, Haiti remains the world's largest exporter of *vetiver* essence, but produces only a trickle of lime oil and sandalwood and precariously hangs on to the export of the bitter orange essence used to flavor leading world brands of orange liqueurs. One sisal processing plant remains where there were four even ten years ago, principally producing natural fiber baler twine for the hay producer market in North America.⁴ Seafood exports, once important, barely register any volume, no longer meeting clearance requirements for entry to Europe. The mango industry offers a sound basis for sustainable and expanded growth as well as broadens and deepens diversification into other fresh and processed horticultural products. Yet it too faces imminent challenges requiring action now to remain competitive with other producer countries. Furthermore, the lack of a fruit fly trapping and surveillance program jeopardizes maintaining the USDA/APHIS certified pre-clearance export program that has operated by the exporter association since 1986, unless action is taken in the next two to three years.
- 2.4 **Existing Haitian precedents.** Examining major supply chain groups that have demonstrated concrete achievements in Haiti provides a basis to extract lessons learned and advance the process of conceptualizing practical interventions. Four primary supply chains that have shown themselves among the most robust, relative to the unfavorable circumstances in which the rural sector operates, include the mango industry, essential oils, livestock and coffee. Each has its weaknesses and vulnerabilities, but these have managed to continue operating despite adversity and in each case have established sustainable private sector associations. Furthermore, these supply chains have a broad base of small producers that account for most of the production. The degree of success of integrating small producers into the supply chain is a key aspect of competitiveness in the agriculture sector in Haiti.

¹ The "*Enquête sur les Conditions de Vie en Haïti*" (ECVH) began in 2001 and published its findings in 2003 under the auspices of the *Institut Haïtien de Statistique et d'Informatique (IHSI)*.

² The term rural "supply chain" refers here to the sequence of economic activities from input supply and production, to processing, transport, storage, packaging and sales.

³ Coffee exports fell from 27,000 MT in 1993 to 11,000 MT today.

⁴ Sisal production remained around 8000 MT throughout the 1980s and up until the embargo of the mid-90s. In 2005 it was 2,000-3,000 MT annually.

- 2.5 **Mango export industry.** A prime case of a supply chain that has managed to maintain itself and in fact achieve modest growth over the last two decades within Haiti is the mango industry, exporting over two million cases of fruit for a value of some US\$15 million. In addition, the wages paid by small-farmers to rural technicians trained to graft improved mango varieties is double the prevailing rural labor rate and the demand for these services continues to grow. Upstream, this chain generates jobs and business opportunities for nurseries and technicians to produce the budwood required, currently available from non-governmental research programs. Downstream, the chain has created jobs for semi-skilled labor as well as technicians in numerous packinghouses, and one major frozen fruit processing plant starting up operations currently.
- 2.6 **Essential oils.** A dozen distillers of vetiver essential oil centered in the south of Haiti around Les Cayes produce barrels of this input to the European perfume industry as they have for over fifty years. Sold for no less than US\$32/pound, the leading Haitian producer of vetiver oil distills up to a dozen differentiated vetiver oil types, the top grade selling for US\$167/pound. Meanwhile this benchmark producer has begun to encourage the entire local industry to diversify into new lines such as patchouli oil and ylang ylang essence, and has begun to collaborate with agronomic researchers to adapt and multiply appropriate plant varieties. Some of these same producers have also produced lime oil and other extracts to which they may return if adequate supplies of adequate fruit can be assured. Other essential oil producers in the north have long produced bitter orange extract for the French orange liqueur industry, demonstrating that other parts of Haiti hold potential for diversification or expansion.
- 2.7 **Livestock.** Livestock has long offered the most common way for Haitian producers to accumulate savings in rural areas. Beyond local transactions, various livestock supply chains have established themselves over the years, though a number never recovered following the embargo of early 1990s. The latter include the poultry broiler business and the export of pork and goat meat. Since 2001, a current success has come from dispersed producers raising typically one or two dairy cattle who have joined forces with a Haitian NGO, Veterimed, to produce and market a high-quality yoghurt sold in the capital through convenience stores using a single brand label.⁵ The technical expertise provided on animal health care, processing and food safety, in combination with a central quality control and packaging function, has enabled them to achieve sales margins that make their venture commercially viable. Producers from an increased radius continue to join the network and total sales volumes have increased consistently.
- 2.8 **Coffee.** Coffee represents the best-known differentiated smallholder supply chain from the developing world. Haiti has managed to develop some high quality export coffee using a registered trademark, "Haitian Bleu." Yet the coffee world market continues to differentiate its line of specialty categories to include social and environmental characteristics, ranging from gourmet and organic coffees to shade tree grown, sustainable and fair trade distinctions. The MIF-financed quality coffee project in Haiti (ATN/ME-9333-HA) currently advances this effort on a pilot basis laying the foundation for broader national interventions.

⁵ The yoghurt enterprise, Lèt Agogo, received the 2005 Social Innovation Award grand prize for entries from all of Latin America from ECLAC (CEPAL) and the Kellogg Foundation.

- 2.9 **Lessons learned.** Examination of what has succeeded and failed in Haiti, both from the perspective of supply chain analysis and from an analysis of project interventions, reveals some lessons consistent across the spectrum. Those chains that prevail share the active participation of a "chain captain," typically a marketer, processor or an exporter, with assured market links and willingness to work with the dispersed even fragmented supply systems that characterize Haiti. These chain captains typically have limited capacity or financial commitment however to invest in infrastructure, technology or human resource development that constitute public goods.
- 2.10 Analysis of what works in Haiti to fill that public good gap has generated a high degree of consensus between the Ministry of Agriculture, Natural Resources and Rural Development (MARNDR), the Bank and other lenders or donors. Particularly since 2004, as part of the Interim Cooperation Framework (ICF) process, many of the elements of this consensus have been documented.⁶ The most effective rural innovation initiatives in Haiti have been decentralized, building upon significant regional and agro-ecological differences or emergent productive clusters. They have actively involved the local population and instilled a sense of community ownership. Successful efforts to mobilize rural beneficiaries generally have promoted an active partnership with a broad range of actors (local officials and community leaders, NGOs, private sector and universities). Private sector associations have emerged over the last 20 years to advance the most dynamic of these rural chains, notably mango, *Association National d'Exportateurs de Mangue* (ANEM), livestock, *Association Haïtienne pour la Promotion d'Elevage* (AHPEL), essential oils, *Association de Producteurs des Huiles Essentielles du Sud* (APHES) and coffee federations. Success in sustaining those efforts in Haiti has occurred when the beneficiaries have perceived tangible evidence of the interdependence between increased household income and enhanced natural resource endowment, as well as evidence of a long-term commitment on the part of those promoting the initiatives.
- 2.11 **Rural Supply Chain Development Program.** Within this context, and guided by detailed sector analysis of the range of rural supply chains in Haiti (ATN-FC-9052-HA), the Bank and the MARNDR designed the Rural Supply Chain Development Program (HA-L1003). This loan operation aims to increase net gains in value-added along the priority rural supply chains that have demonstrated sustainable growth potential. The HA-L1003 program focuses on the key public investments to achieve that objective, organized around four components: 1) Agricultural adaptive research and transfer; 2) Animal and plant health protection and traceability; 3) Strategic management of public investments in rural supply chains; and 4) Public-private institutional strengthening and coordination. This final component consists of actions that belong directly in the public domain to facilitate public-private coordination to be financed using loan resources to be complemented by additional actions working directly with beneficiaries endeavoring to create or expand rural chain business ventures. These latter activities directly with rural entrepreneurs and producer groups are proposed here as a Technical Cooperation (TC) under the Japanese Poverty Reduction Loan Enhancement Program (JPO/LEP), referred to as "Rural Supply Chain Market Linkage Services" or simply as "Market Linkage Services" (MLS).

⁶ The *Compte Rendu* of the Workshop on Research and Extension, February 2005 is exemplary, focusing on technology generation and transfer lessons learned.

- 2.12 Investments financed with resources under the fourth component of the loan will concentrate on strengthening the legal, institutional and management capacity of at least the first four selected chain associations. The proposed complementary activities financed with TC resources are directed to strengthen the ability of the associations to provide market linkage services directly to entrepreneurs and rural producer groups, though independent of any association membership requirement. This is consistent with the mandate of the Japanese Poverty Reduction program that specifically foresees support to productive activities such as community-based business development services and strengthening of organizations such as the associations and producer groups to reduce poverty.
- 2.13 While the key rural supply associations operate with their own core funding, their resources to undertake programmatic activities are limited to engage in linking rural producers to new market opportunities and to facilitate profitable new business alliances along those chains. Coupling the HA-L1003 support directed at their institutional and legal framework, with technical assistance and training to build sound new or expanded business ventures, will considerably advance the prospects of the broader Program to succeed in having a measurable impact on Haiti's rural economy. Furthermore, these combined efforts will enhance the ability of the association members to participate in drafting public-private competitiveness strategies for their respective supply chains, as envisioned in the Strategic Management component of the program.

III. PROJECT DESCRIPTION

A. Objective and Project Description

- 3.1 The objective of this proposed technical assistance is to assist the public in building profitable business ventures between rural producers and buyers along priority supply chains. The assistance will focus primarily on delivering these services through rural supply chain associations.

B. Project Structure

- 3.2 The resources of the contribution under the proposed Technical Cooperation will be used to finance hiring individual consultants to undertake the tasks described here in the following three project components. These expanded association services will range from pro-active identification of market and "sourcing" opportunities⁷, to helping clients to develop business plans, to identify private financial resources including buyer and supplier credit and to assist in facilitating the launching of new ventures. This will require the procurement of a long-term full-time business development consultant, an intermittent long-term marketing and sourcing consultant, and the procurement of training services and market studies from intermittent short-term consultants.

⁷ The term "sourcing" is used to refer to identifying those market opportunities where the prospective buyer initiates the search for a supplier, rather than suppliers looking to place their products or services in the market.

1. Develop business and marketing plans

- 3.3 The first step in providing assistance to groups or individuals seeking to develop a new or expanded rural supply chain initiative will focus on the development of a basic business and marketing plan for each client. The project targets developing 20 plans over the course of the five-year program. The initial pool of prospective business plans will draw upon the leads offered by the selected supply chain associations, though any individual or group will be eligible to present project concepts for consideration. The prioritization of initiatives to receive assistance from the MLS will result from their applying several basic criteria: 1) initial analysis of the feasibility of the project; 2) diversification between different supply chains; and 3) geographic diversification.
- 3.4 The degree of assistance will vary considerably depending on the scope and degree of preparation of each venture. In some instances clients of the MLS will already have identified a preliminary business plan, while in other cases they will have identified a problem or basic project concept but need assistance to transform the idea into a basic plan. Depending on the degree and nature of the client requirements, assistance will sometimes entail additional short-term specialists available through the MLS, while in other cases the long-term core staff will provide all of the services directly. In some instances the analysis will determine that the original project concept is not feasible and may require significant re-orientation.
- 3.5 A key aspect of the structure of the MLS derives from the relationship to the broader Rural Supply Chain Development Program and to the rest of the supply chain, notably the members of the chain associations. The evaluation of the feasibility of a proposed venture will consider the linkages between individual initiatives and the broader initiatives in the respective supply chains, especially as articulated in the strategic private-public plans. Supporting the development of ventures that fit within this broader context will favor their feasibility. This approach favors both the replicability of basic project concepts so as to achieve a critical mass in some cases, and to avoid redundancy in areas that risk saturation in other cases.
- 3.6 The short-term technical assistance available through the Market Linkage Services (MLS) will be drawn primarily from subject-matter specialists familiar with local conditions. In some instances feasibility may depend on aspects related to international market or technology factors. In such cases, the MLS will have recourse to international expertise through the intermittent long-term marketing specialist complemented by short-term assistance as needed.

2. Identify sources and mechanisms for financing specific ventures

- 3.7 Either when clients present the MLS with sound business plans already prepared, or when the Service assists in preparing a business and marketing plan, the feasibility may hinge upon unmet needs for financing. The project aims to identify financing packages for at least 10 ventures during the course of the five-year program. Long-term technical assistance staff will develop a network of contacts among financial and micro-finance institutions with interest in identifying feasible private investments, as well as donor projects and institutions with financing windows. In addition, the MLS will facilitate coordination with supply chain actors, including input suppliers, processors, traders and export firms, disposed to consider different forms of supply chain finance. These may include contract farming schemes, seasonal input or

buyer credit, factoring or other instruments. The short-term technical consultants such as those who will provide support to the development of business or marketing plans may occasionally be required to assist in the structuring of financing packages for some ventures.

3. Identify producer organizational options and mediate buyer-producer pilot efforts

- 3.8 A central role of the long-term intermittent marketing and sourcing technical assistance will focus on identifying those domestic and international buyers or other businesses actively seeking products or joint ventures that are feasible within Haiti. Initially prime examples include those firms already operating in Haiti that are seeking to expand their sourcing efforts, whether to expand volume, diversify their base of supply or the form of their raw or semi-processed materials. These clients may come from the first four identified chain associations (2.10) or from any of a number of businesses, many of which already identified with the supply chain analysis completed in preparation for the HA-L1003 program. In instances of sourcing, the MLS will identify producer groups and organizational options then proceed to provide the business and marketing plan assistance required by the project sponsors.
- 3.9 During the implementation of ventures launched with MLS assistance, long-term technical assistance expertise will facilitate mediation between buyer and producer groups as part of its monitoring of the 20 ventures targeted for start-up. Short-term technical assistance will provide additional facilitation in cases deemed to require more in-depth mediation during implementation.

C. Summary cost table

- 3.10 The following table summarizes the estimated project costs.

Category	IDB (JPO/LEP)	Local Counterpart*	Total
Long-term consultants and direct expenses	260,000		260,000
Short-term consultants/ marketing and business plan preparation	200,000		200,000
Workshops, training and dissemination events	40,000		40,000
Operating expenses and personnel		160,000	160,000
Evaluation		12,000	12,000
Auditing		3,000	3,000
TOTAL	500,000	175,000	675,000

NOTE: The local counterpart contribution may be financed with resources from the Bank's loan to the Republic of Haiti (HA-L1003) and have been fully budgeted as such under Component 4 and the audit and evaluations category. The operating expenses account for \$60,000 while the pro-rated portion of support personnel is estimated at \$100,000. The evaluation and auditing cost is pro-rated based on the amount of the TC relative to the loan.

Disbursements to the Consultants will be made according to the terms of payment to be established within their respective contracts with MARNDR. The two long-term consultants are expected to establish fixed periodic billing procedures while the short-term consultants' payments will be tied to outputs specified in their contracts with the MARNDR and the non-objection of the Bank of those payments.

B. Sustainability and Future Donor and Government Interventions

- 3.11 The technical assistance provided to the associations and to rural beneficiaries under this Technical Cooperation does not purport to establish necessarily a financially sustainable technical assistance capacity that will continue to operate after the project. The sustainability sought instead resides in the business ventures to be launched. However, depending on the success of the new ventures and perception of the producers and the businesses, the emergence of a more permanent market linkage service is a distinct possibility. Meanwhile, during the life of the project, the assistance will provide a clearinghouse function, a hub both for entrepreneurs and for rural producer groups as well as for domestic and offshore businesses seeking to source products or partners for joint ventures, thereby lowering transaction costs for all involved.
- 3.12 The operation design anticipates that other bilateral or multilateral donors will reinforce the activities of the MLS through coordination of separate complementary efforts, generating either additional clients or sources of funding for MLS clients. Two donor organizations currently have significant rural chain business development activities in execution and in preparation that can provide complementary resources. The European Commission approved in 2005 a four-year Business Development Project ("Programme de renforcement intégré du milieu des affaires en Haïti", PRIMA) for 8 million Euros. The Hillside Agricultural Project (HAP) already works directly with a number of the rural supply associations. Funded by USAID and about to complete its execution in early 2007, USAID anticipates following on with a three-year \$9 million that will build on HAP's foundation.

IV. EXECUTION AND ACTION PLAN

- 4.1 The HA-L1003 Executing Unit ("Unité d'Exécution du Programme", UEP), in collaboration with the Rural Development Promotion directorate (*Direction Générale – Promotion du Monde Rural*) (DG-PMR), will use a competitive bidding process to select consultants required under the proposed TC (see Annex II, Procurement Plan). The IDB Representation in Haiti (COF/CHA) will serve as the Unit of Basic Responsibility for oversight and approval of the contracting and disbursements. ✓
- 4.2 The long-term business development consultant will serve a dual role, directly involved both in the guidance and technical assistance to clients as well as serving as the project coordinator within the UEP, supported by the intermittent long-term marketing specialists, short-term technical experts and project technical and administrative assistants from the DG-PMR. The selection of the project coordinator constitutes a condition prior to first disbursement.
- 4.3 For the hiring of short-term specialists corresponding to different supply chains and fields of expertise, the MARNDR, through the coordinator, may draw upon the extensive group of experts that prepared the various modules of over 30 supply chains as part of the sector study financed by the Bank (ATN-FC-9042-HA) in 2005 and 2006 or any other experts.
- 4.4 Under the "Public-Private Coordination and Market Linkage" Component of the HA-L1003 program, resources have already been allocated so that DG-PMR will appoint two junior professional staff members in support of the MLS. The Coordinator, in collaboration with the DG-PMR, will identify one professional with a business background and another qualified to ✓

work with the identification of financial sources. These two individuals will serve as core staff in support of the long-term MLS consultant and coordinator in the implementation of all three project activities.

- 4.5 The MLS will identify clients through various means as a service open to the public. The first four supply chain associations that have been identified are expected to assist in the identification of prospective projects and clients, though the public at large may come forth and avail themselves of the services. As stipulated in the HA-L1003 Operating Manual (section 4.2.3.2), the UEP will present detailed selection criteria and procedures for the approval of the Steering Committee, building upon the basic criteria (3.3) and procedures outlined in the present plan of operation. The same Operating Manual will provide the guiding authority for the implementation of this technical cooperation. The Operating Manual (table 4.2.3.2) summarized the obligations of each the various institutions and groups involved in the execution of this operation. Approval by the MARNDR of the Operating Manual constitutes a condition prior to disbursement.

V. MONITORING AND EVALUATION

- 5.1 To promote coordination with the Rural Supply Chain Development Program and to achieve economies in transactions costs for monitoring and evaluation, the progress of the MLS and the proposed Technical Cooperation will be undertaken as part of the monitoring and evaluation of Component 4 of the loan operation, already foreseen under that program and requiring no additional funding. Therefore, no separate logical framework is presented here. The indicators established within the HA-L1003 Program's Logical Framework cover the scope of this TC operation, namely to have eight new ventures functioning based on the MLS assistance in five years. Furthermore, this TC will include intermediary indicators (additional to those in the Logical Framework of HA-L1003), namely 20 client groups with business and marketing plans and 10 having concluded financing based on those plans.
- 5.2 At the time of the mid-term and final evaluation of the HA-L1003 program, additional specific issues will be incorporated based on the progress of the TC. These additional points will focus particularly on lessons for future market linkage service projects both within Haiti and elsewhere.

VI. PROJECT BENEFITS AND RISKS

- 6.1 The assistance provided under the proposed Technical Cooperation will contribute to the increased value-added along various value chains. The project team did not deem it justified to undertake a separate economic analysis for Component 4, "Public-Private Coordination and Market Linkage" or the Market Linkage Services TC within that component. The four chain supply associations that will participate most directly in identifying prospective business ventures account for 50,000 producers and agro-entrepreneurs. The stakeholder analyses undertaken with these groups indicate a strong interest in participation. Additional beneficiaries that are not from any of the pre-identified chain associations will increase the number of potential beneficiaries, though ex-ante estimates are too speculative to hazard quantification.

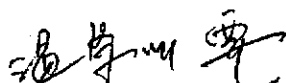
- 6.2 The design and appraisal process identified two primary risks, as reflected in the logical framework. The primary risk identified relates to the business environment in general, including further economic or security downturns that might undermine the motivation of individuals or groups to come forth with projects. The design of the project endeavors to mitigate that risk by emphasizing working with existing supply chains to identify basic projects that include expansions of on-going investments or adaptation of business models that have proven to work in the current business climate. The second risk concerns availability of private financing. The project supposes that sufficient private financing options exist to respond to the demand of at least 10 business ventures during the course of implementation. While banking services remain reluctant or otherwise scarce to finance rural enterprises, to mitigate the risk of financing shortfalls, the design has emphasized the use of supply chain mechanisms to fill the gap.

VII. ENVIRONMENTAL AND SOCIAL REVIEW

- 7.1 The review of the TC Profile during the CESI meeting of July 21, 2006 (CESI 29-06) recommended that no further evaluation or action be taken.
- 7.2 The Environmental and Social Management Plan (ESMP) established for the HA-L1003 Program includes specific criteria addressing the monitoring and evaluation of environmental and social criteria within the activities described here as part of the broader Component 4 oversight.

VIII. CERTIFICATION

- 8.1 The chief of the Japanese Special Fund certifies that sufficient resources exist in the JSF-JPO Fund, up to the equivalent of US\$500,000, available to finance the activities described and budgeted in this Plan of Operations for the technical cooperation Rural Supply Chain Market Linkage Services (HA-T1043).


 for Goro Mutsuura, RE2/FSS, Japan Special Fund

Date: Oct 13, 2006.

HAITI

RURAL SUPPLY MARKET LINKAGE SERVICES

(HA-T1043)

DETAILED ESTIMATED BUDGET (US\$)

ITEM	UNITS	COST	TOTALS	
National Business Development Consultant (Person-Months)	52	2500	130,000	
Market-Sourcing Specialist (Person-Months)	40	3250	130,000	
A. Short-Supply Chain Specialists (Person-Months)	50	3000	150,000	
B. Subtotal: Consultant Fees (See Note 1)				410,000
Per diem/ Transportation (average days)	1000	50	50,000	
Training and Dissemination Workshops	N/A	N/A	40,000	
Subtotal: Direct Expenses				90,000
Office Operating Expenses		60,000		
Support staff		100,000		
Evaluation		12,000		
Audit		3,000		
Subtotal: Indirect Expenses (See Note 2)				175,000
TOTAL				675,000

Note 1: Consulting Fees include any overhead or fees.

Note 2: These indirect expenses have been budgeted under Component 4 of HA-L1003 including office space, equipment and support to long-term consultants. The evaluation and audit expenses represent a pro-rated share of the total evaluation and audit expenses for the entire program.