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Report Name: Government Improves Access to Financing for Haitian Farmers

Country: Haiti

Post: Port-au-Prince

Report Category: Agricultural Situation

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Report Highlights:

Access to financing for Haitian farmers has been an ongoing issue despite government initiatives to promote inclusive financing programs. Although the new government has introduced measures such as publishing Circular 113 which presents incentives for financing the agricultural sector, and establishing the administrative bodies for the National Bank of Agricultural Development, credit for agricultural activities remains challenging

Background

Access to financing for Haitian farmers has been a difficult process in the long term despite many initiatives undertaken by Haitian government to address this. From the 1950s until today, the Haitian government has successively created the Haitian Institute of Agricultural Credit and Industry (IHCAI), the Institute of Agricultural and Industrial Development (IDAI), the National Bank of Agricultural and Industrial Development (BNDAI), the Agricultural Credit Bureau (BCA), and most recently, the National Bank of Agricultural Development (BNDA), to address financing needs for agricultural activities.

Haitian Financing System

The Haitian financing system is made up of commercial banks and microfinance institutions (MFIs). These commercial banks are established mainly in urban areas with branches in rural areas. According to a survey carried out by the World Bank in 2017, 28 percent of Haitian adults have a savings or checking account. Owners of these savings accounts live mainly in urban areas, estimated at 37 percent in Port-au-Prince compared to 17 percent in rural and surrounding areas. In terms of credit, only 10 percent of adults have debt in formal financing institutions. However, over 60 percent of adults have access to other loans in the informal system, either from "Madan Sara" (informal vendors of local agricultural products) or lenders at rates up to 20 percent of their harvest. Typically, these loans do not exceed a year's worth of salary.

Access to credit for farmers is even more difficult, where only three percent have taken on debt in formal financing institutions. This situation is due to several factors, such as the lack of adequate agricultural infrastructure, a strong fragmentation of farms mostly under 5 hectares, a lack of collateral on loans, a lack of financing education, a lack of agricultural finance expertise in financing institutions to study this type of request, in addition to the complexity and cost of this type of financing. In 2018, the Bank of the Republic of Haiti (BRH) recorded approximately 636 million gourdes (approximately US$8 million) in loans granted to the agricultural sector by financing institutions. Several financing institutions allocate up to 22 percent of their portfolio to this sector.

Agricultural Financing-Government Initiatives

The Haitian government has undertaken several initiatives to provide farmers with access to financing services. The agricultural Credit Bureau (BCA) is the oldest public financing institution, created in 1963, to finance small and medium agricultural enterprises. The credit portfolio allocated to agriculture can reach up to 35 percent given the high level of risk of agricultural activities and the low reimbursement rate. Loans granted can vary from 25,000 gourdes up to 10 million gourdes (approximately US$300 to US$130,000). The Industrial Development Fund (FDI) is a specialized financing institution of the BRH, responsible for promoting industrial development by providing small and medium-sized enterprises with alternative financing tools to those of traditional commercial banks. The Bank of the Republic of Haiti (BRH), the regulator of the Haitian financing system, makes the development of Haitian agriculture a priority. Through Circular 113, the BRH presents incentives for financing the agricultural sector, focusing on the integration and organization of agricultural free zones;

the installation and development of agricultural infrastructure in free zones; the acquisition and installation of agricultural machinery and equipment; the acquisition, installation, and development of processing and conservation plants for agricultural products; acquisition, installation, and development of animal production systems; the production of agricultural commodities; and agricultural services. The BRH is committed in the short, medium and long term to granting advances in gourdes at rates varying from one percent to five percent to financing institutions for agricultural activities. Financing institutions will in turn provide clients with loans at rates varying from 6 percent to 12 percent. The maximum amount of credit granted by a financing institution to a client may not exceed the gourdes equivalent of US$4 million. The National Bank of Agricultural Development (BNDA) is a financing institution created in 1987, whose administrative bodies were set up starting in 2020. This financing institution aims to develop the agricultural sector, promote financing inclusion, and develop insurance coverage for agricultural producers. It will be associated with the 95 municipal agricultural offices (BAC) to serve customers. BNDA will offer a range of financing services, including short-term campaign credit and other medium and long-term financing services reflected in BRH Circular 113.

Conclusion

The Haitian government has for years undertaken initiatives to improve access to credit for farmers. However, the implementation of the initiatives raises questions about coordination, management, and solutions to the difficulties encountered in their implementation. The publication of the BRH Circular 113 and the establishment of the administrative bodies of the BNDA make it possible to address the problem of agricultural financing at low interest rates. However, other constraints in the agricultural sector were not taken into account, namely the cost and complexity of agricultural financing, the level of risk associated with agricultural activities, the lack of expertise in agricultural finance, and the level of collateral on loans.

Attachments:

No Attachments.