



Enhancing the Sustainable Development of the Small Islands Developing States

The IFAD experience



Mauritius
10-14 January 2005

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ABBREVIATIONS AND ACRONYMS

ACDs	Community Development Associations
ADB	Asian Development Bank
BPoA	Barbados Programme of Action
CANARI	Caribbean Natural Resource Institute
CARICOM	Caribbean Community
CARUTA	Caribbean Regional Unit for Technical Assistance
CBOs	Community-Based Organizations
CCCU	Caribbean Confederation of Credit Unions
CDB	Caribbean Development Bank
CDD	Community-Driven Development
CRPs	Regional Partners' Commissions
CSOs	Civil-Society Organizations
FDI	Foreign Direct Investment
FENAPA	National Federation of Smallholders
FSPI	Foundation of the Peoples of the South Pacific International
GDP	Gross Domestic Product
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
HTAs	Home Town Associations
NEWLO	New Life Organization
NGOs	Non-Governmental Organizations
ODA	Official Development Assistance
OECS	Organization of Eastern Caribbean States
PLLPs	Local Poverty-Reduction Plans
PLPR	Projecto de Lucha contra a Pobreza Rural
PNG	Papua New Guinea
RESOPs	Regional Strategic Opportunities Papers
RIF	Rural Investment Fund
SIDS	Small Island Developing States
SMEs	Small and Medium Enterprises
WTO	World Trade Organization

I. INTRODUCTION

Small island developing states (SIDS) face specific challenges and have particular needs that are recognized by IFAD and reiterated in the Millennium Development Goals. Target 14 is of particular relevance: “Address the special needs of land-locked countries and small-island developing states through the Programme of Action for the Sustainable Development of Small Island Developing States and 22nd General Assembly provisions of Goal 8 ‘Developing a global partnership for development’ ”.

The Barbados Programme of Action (BPoA) sets forth specific actions and measures at national, regional and international levels in support of the sustainable development of SIDS. The international community will convene in Mauritius (10-14 January 2005) to discuss recommendations for further successful implementation of the BPoA.

This paper offers a brief review of the main topics relevant to SIDS and the development challenges and opportunities. It then summarizes the accomplishments of IFAD in working in partnership with the governments of SIDS and other relevant regional/national entities, and draws a number of lessons learned from its 25 years’ of field experience.

The paper expects to make a contribution based on field experience to the debates in Mauritius. It suggests that a number of ingredients are essential to achieving sustainable development and lasting impact. A *people-centred approach to development* is the first of such ingredients: integrating stakeholders in the design, implementation and monitoring of interventions, enabling self-empowerment and building social capital, ensuring adequate institutional strengthening, involving non-governmental organizations (NGOs) and focusing on gender equity and young people. The *adoption of regional strategies and involvement of regional partners* in cofinancing and/or implementation have also proved important. Other vital ingredients include: (i) *adoption of simplified implementation arrangements and flexible project design* in order to accommodate changing realities or adapt to sudden shocks that might occur during project implementation; (ii) *enhancement of income sources* through diversification beyond agriculture (such as promotion of small rural enterprises, agroprocessing, etc.), improvement of sector and market linkages and integration of the diaspora’s interest in the development of their countries of origin for leveraging remittances; (iii) *creation of sustainable rural finance mechanisms* by integrating local credit unions into the leveraging of microcredit; (iv) *integration of sustainable natural resource management into poverty-reduction strategies*; and (v) *development of sustainable pro-poor tourism*.

Major Topics Relevant to SIDS

Diversity and commonalities. SIDS present an amazing combination of geographical, ecological, sociological and economic characteristics. Many of them, especially those in the Pacific, are home to diverse groups of indigenous peoples and cultures, with more than 2 000 languages spoken. This diversity notwithstanding, SIDS experience a number of common development challenges due to their geographical dispersion, vulnerability to natural disasters, limited size, fragile ecosystems, distance from external markets resulting in high transaction costs, dependence on international assistance, limited human-resource capacity to implement projects, governance issues, and, for some, political instability. The consequences of natural disasters, global climate changes, the rising sea level, as well as the steady erosion of preferential arrangements (for sugar, bananas, coffee and coconut), dismantled under agreed World Trade

Organization (WTO) rules, will seriously impact the medium-to-long-term economic perspectives of SIDS.¹

Rural poverty. The image that the outside world holds of most SIDS is not generally associated with poverty. Most islanders themselves are often reluctant to refer to it. In fact, for the majority of SIDS, traditional measures of poverty are not the most appropriate. Overall, the incidence of poverty is significantly higher in rural areas. Poverty indicators reveal wide differences among SIDS. In the Pacific, for example, Tonga, Samoa and Fiji are in the top quintile of regional ranking, while Papua New Guinea (PNG), the Solomon Islands and Vanuatu are in the bottom quintile. Indicators for child and maternal mortality and adult literacy are particularly poor in these last three. In Africa, poverty incidence is highest in Cape Verde, while it is less severe in Mauritius and The Comoros, though still a rural phenomenon. In the Caribbean, Haiti and Guyana rank among the poorest nations, followed by Dominica, Saint Vincent and the Grenadines, Grenada and Saint Lucia. The status of women and the situation of young people, as reflected in the Human Development Indicators and Human Poverty Index, remain concerns throughout the Caribbean SIDS.

Recent participatory poverty assessments (Asian Development Bank -ADB, 2003 and Caribbean Development Bank – CDB, 1998-2003) reveal sharp differentials in well-being, even after traditional forms of distribution have been accounted for. These studies have shown that traditional measures of poverty are not the most appropriate in most SIDS and that significant hardship and declining levels of human development occur in many of them.

Poverty of opportunity. This relates to the inability of people to lead the lives to which they aspire, and reflects the idea that many more people are denied basic human opportunities than are denied a minimum income. Lack of access to employment opportunities, markets, information and basic social services, together with inequalities in opportunities across gender, ethnic and age differences may be as important in defining the extent of hardship in small island societies as lack of income. Limited opportunities to participate in governance decisions and in some places the levels of crime and civil unrest are also significant contributors. Within most countries, both poverty of opportunity and income poverty correlate closely with inaccessibility and remoteness.

Vulnerability. High levels of risk and vulnerability are a feature of people's lives in most SIDS. Contributing factors include narrow economic bases that are vulnerable to external economic shocks, lack of economic resilience, and exposure to natural disasters and climate change. Traditional attitudes and production and social systems have consequently evolved with a high premium on risk mitigation.

Hardship. Typical factors perceived by islanders as defining and contributing to hardship (as indicated in the participatory poverty assessments) include:

- lack of income and income-earning opportunities – whether from employment or market-based – and the related lack of cash to meet basic household needs and customary obligations to the extended family, village community and church;

¹ For example the Caribbean Windward Islands lost 69% of their banana export revenue from 1992 to 2002; this translated into a decrease of 86% of the labour force in the banana industry (Claudius Preville, 2004).

- lack of access to and quality of basic services (education, health, water supply, transport and communications, electricity);
- breakdown of traditional family or community support systems and increased social pressures such as divorce, crime and community disputes; and
- emerging constraints on access to land for food production, particularly in more densely populated islands and in families with a large number of dependents.

Food security. Severe hunger and starvation are generally absent in most SIDS. With few notable exceptions, in Africa and Haiti, the large majority of people living in SIDS have access to land resources and many also have access to marine food resources as well as to other income sources (tourism, remittances). In many areas (with the exception of coral atolls), a wide variety of subsistence food crops can be grown. There is also a strong social ethic of reciprocity in food – members of a community that for one reason or another do not have enough to eat will be provided for by others. Nevertheless, in some SIDS, there is significant evidence of undernutrition. The availability of staples is also vulnerable to short-term disruption by natural disasters – particularly in the smaller island states and in areas with limited availability of cash to purchase food in times of distress. In several instances, the central issue is insecurity of local or traditional foods. The replacement of traditional foods with imported, processed foods is associated with negative consequences for: (i) the national economy (trade imbalance); (ii) public health and nutrition (increasing micronutrient deficiency, diabetes and hypertension); (iii) agricultural development and the environment (loss of plant genetic resources); and (iv) the cultural heritage.

Gender. The status of women, again as reflected in the Human Development Indicators and Human Poverty Index, remains a concern throughout many SIDS, although there are considerable variations among countries. Traditional roles of women vary by locality. In general, however, women have little influence or power outside their traditional responsibilities, which account for the bulk of food production, food preparation and child rearing. With the advent of formal education, employment and a cash economy, women are assuming greater economic responsibility – often as a matter of necessity – though not necessarily achieving higher-status roles in decision-making. The priority issues identified by women in the countries in which participatory poverty assessments were done reflected this economic pressure as well as social ones:

- limited education and low skill levels, with consequent constraints on income-earning opportunities;
- relationship inequalities, single parenthood and teen pregnancy, especially in the Caribbean, and violence in the family;
- demands of large and extended families, including child-caring duties; and
- demands arising from women's role as economic providers, particularly in cases of male unemployment or non-support by current or former partners.

Youth. High birth rates in the past, combined with declines in fertility over the last decade, have resulted in a demographic bulge in the numbers of young people (i.e. 15-24 years old) that is growing in several countries. The number of people seeking to enter the labour force has substantially outstripped opportunities to do so, and youth unemployment and underemployment are high in SIDS. This, together with a weakening of traditional support systems and values, is resulting in symptoms of distress in many countries. These include urban drift – especially the

accumulation of unemployed youth in urban slums – and rising crime rates, alcohol and drug problems, prostitution and sexually transmitted diseases. Youth suicide rates in some islands, especially those of the Pacific, are among the highest in the world. All of the above factors are reflected in the two main issues identified by youth in the participatory poverty assessments:

- *economic issues*: lack of jobs and few vocational training opportunities (including concern over inadequate educational levels and trade skills, and lack of affordable training centres); and
- *social problems*: criminal activities, drug and alcohol abuse, prostitution and suicide.

Migration. With very few exceptions, most SIDS are major sources of international migration. This deprives the country of origin of qualified human resources, since the migrants tend to be better educated. However, migration is also accompanied by remittances. The most extreme case is exemplified by Cape Verde, which has a diaspora larger than its resident population and in which migrants' remittances to a large extent sustain the national economy.²

Rural poverty reduction. Challenges and opportunities for the reduction of rural poverty are largely applicable to all SIDS, though naturally elements vary from country to country. They are considered globally below, with known differences per region highlighted. The main challenges can be summarized as:

- *human and social assets*: socio-political instability, with increasing tensions in selected countries; land-tenure issues; erosion of traditional socio-cultural systems; irresponsible parenthood and teen pregnancy, especially in Caribbean SIDS; high incidence of HIV/AIDS, especially in African and Caribbean SIDS; declining interest in agriculture among youth; rising of criminal activities and alarming suicide rates among unemployed youth, especially young men in the Pacific; limited qualified human resources; health and nutritional issues; limited institutional capacity and weak governance;
- *productive assets and technology*: narrow resource base, with small and highly dispersed land areas, under pressure from an increasing population; poor management of marine and forest resources; land degradation; fragile environment; coastal pollution caused by untreated waste water, which damages coastal ecosystems and coral reefs; polluted drinking water caused by mining, forestry activities and agriculture; threatened coastal and marine resources; threatened marine and surface biodiversity; poor soils on atolls; high vulnerability to natural calamities such as cyclones/hurricanes, earthquakes, river and coastal flooding, droughts, volcanic eruptions and tsunamis; inadequate infrastructure and poor communications;
- *financial assets and markets*: weak and vulnerable economies, which rely mainly on exports of agricultural primary commodities and tourism; erosion in the preferential trade market as a result of WTO rulings; limited crop diversification; small domestic markets; restricted and decreasing intraregional trade; large distances from

² In 2000-01 remittances accounted for 22% of Cape Verde's gross domestic product (GDP), while official development assistance (ODA) accounted for 8%. The total flow of remittances to the Caribbean in 2003 was USD 6 billion, and the largest receiver was the Dominican Republic (USD 2.2 billion). In this country, remittances doubled over the last ten years and constituted more than half the value of the nation's exports. The second largest receiver was Jamaica (USD 1.4 billion). This amount was three times that of 1993 and was about 12% of GDP. Similarly, in Haiti remittances constituted about 24% of the country's GDP.

international markets; trade barriers, mostly non-tariff; weak private sector; negligible inflows of foreign direct investment (FDI); and aid dependence – but neglect of agricultural and rural development needs by most ODA agencies.

Similarly, perceived development opportunities can be grouped as follows:

- *human and social assets*: strong cultural identity and rich cultural heritage; strong family ties and communal safety nets (although under pressure); diversified, locally adapted indigenous knowledge systems; and emerging NGOs, community-based organizations (CBOs) and civil-society organizations (CSOs);
- *productive assets and technology*: availability of diverse, rich natural resources – particularly land and marine resources; regional integration of services and development activities (e.g. agricultural research);³ potential to identify and develop niche markets for high-value agricultural products; import substitution in food products, particularly cereal, edible oils and meat; small-scale agroprocessing; promotion of organic farming; and ecotourism and linkages with tourist resorts, cruise ships and hotels;
- *financial assets and markets*: expansion of intraregional trade; and significant financial and technical resources available from remittances and, to a certain extent, ODA.

II. WHAT HAS IFAD DONE?

In Africa, IFAD has funded 18 projects in six countries: Cape Verde (4), Comoros (4), Guinea Bissau (2), Mauritius (2), Sao Tome and Principe (5) and Seychelles (1) for a total of about USD 57 million. In Asia and the Pacific, IFAD has funded 13 projects in five countries: Maldives (3), Papua New Guinea (3), Samoa (2), Solomon Islands (2), and Tonga (3) for a total of USD 24.3 million. In the Caribbean, IFAD has funded 29 projects in 11 countries: Belize (2), Cuba (1), Dominica (3), Dominican Republic (6), Grenada (2), Haiti (6), Jamaica (3), Saint Lucia (2), Saint Vincent and the Grenadines (1) and Suriname (10) for a total of USD 148.7 million. For details see table (page 15).

III. LESSONS LEARNED FROM IFAD EXPERIENCE IN SIDS

A. People-Centred Approaches to Development

- *Involving stakeholders in design, implementation and monitoring*. The experience of IFAD-supported initiatives illustrates the importance of involving project participants, particularly beneficiaries, in the design, implementation and monitoring of their own progress. In fact, earlier supply-driven projects failed to reach their objective, as revealed in the participatory evaluation.⁴ For this reason, many IFAD projects are demand-driven, and a number of instruments have been devised to implement this approach. In Cape Verde, for example, the Projecto de Lucha contra a Pobreza Rural (PLPR) is a successful community-driven development (CDD) project to fight rural poverty through the use of an innovative partnership approach. In order to reduce transaction costs related to the SIDS nature of Cape Verde, the PLPR has been designed as a nine-year investment. The approach centres on the establishment of autonomous partnership associations, the regional

³ Applies to the Caribbean and the Pacific islands.

⁴ See the midterm evaluation report of the Smallholder Crop Improvement and Marketing Project in Saint Vincent and the Grenadines, IFAD, Office of Evaluation, 1996.

partners' commissions (CRPs), with community development associations (ACDs) as majority members, and with representatives from the private sector, civil society and government. Together they elaborate island-specific, three-year local poverty-reduction plans (PLLPs), in a participatory process, and negotiate these with the government. Once the resources to finance the PLLPs are secured, CRPs and ACDs identify microprojects for the delivery of public and private goods at the community level. Policy dialogue that had preceded loan negotiations resulted in formal recognition of the public utility of these partnership associations. The enacted legislation also establishes conditions and modalities for transferring public resources to the associations through two mechanisms: (i) the three-year *convenção-cuadro*, which embodies the principle of indicative medium-term planning as the basis for obtaining the commitment of public funding support; and (ii) the *contrato-programa*, which embodies the principle of ex-post control over the specific use of public funds drawn under an approved annual budget in line with the indicative plans of the *convenção*. Similar demand-driven approaches are being implemented in many other IFAD-supported projects in SIDS, including the South Western Region Small Farmers Project in the Dominican Republic. This project supports the organized participation of poor smallholders within the newly created development councils, particularly in the border area with Haiti. Particular attention has been paid to a special group of Dominicans of Haitian origin (the poorest among the poor). IFAD activities include human-rights support to this group through specific programme activities (citizenship, advocacy campaigns for the rights of these communities, etc.).

The importance of stakeholder participation is demonstrated by two projects in Saint Lucia and Dominica, where representatives from CBOs participated in the project steering committees. However, most CBO representatives are farmers and do not have the same level of formal education as other steering committee members. Accordingly, it is important to include CBO representatives in project design activities to strengthen their capacities, so they can later participate as full-fledged members in steering committee meetings and discussions with other stakeholders.

- *Enabling self-empowerment and enhancing social capital.* Beneficiaries acquire self-confidence and the ability to draw on available resources to help themselves overcome poverty, hence ensuring the sustainability of interventions. In addition, appropriately supported CBOs can also engage in policy dialogue and in ensuring market linkages. One of the greatest successes of IFAD projects in Sao Tome and Principe has been the support and creation of local institutions, managed and constituted by the beneficiaries themselves. The National Federation of Smallholders (FENAPA), an outcome of the IFAD-funded National Smallholders Support Programme, is probably the most significant result of the evolution of beneficiary participation in Sao Tome and Principe. The result of a democratic process, FENAPA was established in 1997 and has undertaken various initiatives of primary importance to its members, such as the recent evaluation of a system to ensure an adequate and timely supply and distribution of input-, and the publication and widespread distribution of an informational bulletin containing the purchase prices of various agricultural products. In a very short time, FENAPA has managed to become the voice of smallholders, and the Government recognizes it as an important negotiating partner whenever decisions regarding the agricultural sector are made. In Cape Verde, the PLPR-established institutions (CRPs and ACDs) are further strengthened through linkages with similar institutions in other countries to further develop social capital. In this regard, the PLPR is implementing an innovative, decentralized cooperative approach linking local development associations in Portugal with their peers in Cape Verde. It also encourages linkages between communities in the

two countries, as well as solidarity relationships with Cape Verde migrants residing in Portugal.⁵ In Dominica, Saint Lucia and Grenada, all three rural-enterprise development projects involved considerable strengthening of CBOs. Building on existing organizations rather than creating new ones has proved to be of strategic importance. In Saint Lucia and Dominica, existing CBOs have been strengthened. However, some of the second-tier organizations promoted by the project have encountered sustainability problems after project closure.

Through the participation of CBOs, the rural enterprise projects in Dominica and Saint Lucia have increased target-group access to credit. Beneficiaries speak highly of the way projects were formulated, allowing credit unions to use CBOs as ‘personal’ references when deciding whether to approve credit applications by the rural poor. Without such references, applicants unknown to the credit unions would not have been accepted, even if their business proposals had been valid. Through the active involvement of CBOs, many poor farmers and entrepreneurs have been given the opportunity to access credit and they are now members of a credit union.

- *Focusing on gender.* The importance of involving women in development activity to achieve sustainable results in poverty reduction is particularly important in most SIDS, especially in view of the high incidence of woman-headed households. Gender-oriented changes have included: supporting off-farm and microenterprise activities; gender awareness training in early stages of the project, including the training of extension agents; promoting interventions in support of women; and group lending techniques, relying on character and peer pressure (minimizing collateral-based lending, prior repayment records) and income-earning potential. IFAD work in PNG under the North Simbu Rural Development Project sought to address gender issues. Several interventions targeting women were designed, and implementation was managed by the newly constituted Simbu Provincial Women’s Council. The large microfinance component was considered quite successful. A significant project achievement was the increased number of women participating in the decision-making process in local government. Learning from experience gained in earlier IFAD-financed projects in Dominica and Saint Lucia – where gender equity training for project and counterpart staff was not specifically addressed in project design – the Grenada Rural Enterprise Project formulated seven years later, presently under implementation, adopted a gender mainstreaming approach. This approach included: (i) sensitizing teachers to gender issues and developing tools to expose such issues to students and parents; (ii) sensitizing and training staff of financial institutions to incorporate gender equity in their day-to-day activities; and (iii) assist in reviewing national gender policy on issues such as women’s health, domestic violence and opportunities for education of young mothers.
- *Reaching rural youth.* Until recently, most ODA, including IFAD funding, by and large ignored rapidly increasing youth populations as a target group – despite the fact that there had been compelling evidence of their needs. Many young people find traditional society oppressive; they are unable to join the cash economy but unwilling to continue life in the traditional system. Youth are migrating from rural communities – either to urban centres or out of the country – leading to rising social tensions in urban centres. The Rural Enterprise Project in Grenada is supporting: (i) a programme for technical/vocational

⁵ This activity is funded by a combination of IFAD and Portuguese Development Support Institute grants.

education and training to young, unqualified adults; (ii) a computer literacy programme for secondary-school graduates from rural parishes; (iii) special courses for young dropouts from the primary school system; and (iv) an adult literacy programme to address the needs of rural areas. A local NGO, the New Life Organization (NEWLO), is being funded to extend its highly successful training programmes to IFAD beneficiaries. A sponsorship fund is being established to help create job placements involving the private sector. The Rural Investment Fund (RIF) will encourage those normally excluded from development initiatives. For example, many adolescent single mothers cannot take advantage of business opportunities because there are no care facilities for their children. RIF will provide resources for the establishment or upgrading of day-care centres and pre-primary schools in rural communities. Similarly, a newly funded grant to the Foundation of the Peoples of the South Pacific International (FSPI) for Pacific island states specifically targets rural youth and women. The overall goal of the programme is to support sustainable livelihood opportunities for youth and women in remote rural communities in line with the Millennium Development Goals. The programme has four distinct objectives: (i) institutional strengthening of existing CBOs of youth and women, as well as of community institutions; (ii) increased employment and sustainable livelihood opportunities, especially for youth and women; (iii) documentation and sharing of learning from best practices and innovations across the region; and (iv) establishment of sustainable processes enabling remote rural communities to link up with national policy and planning processes.

- *Involving NGOs.* Earlier IFAD projects did not always involve NGOs in their projects in SIDS, and a perception of extensive government control over development projects hindered their success. This was subsequently corrected, with positive results to date. The greater capacity of NGOs to work at the community level has already been recognized by many SIDS governments and regional agencies. In Grenada, for example, local partner NGOs participated in the design of the Rural Enterprise Project and are assisting in its implementation. Some members of the Caribbean Confederation of Credit Unions have participated in the implementation and management of the credit component of the rural enterprise projects in Grenada, Dominica and Saint Lucia. Some governments find it difficult to justify the transfer of loan funds to NGOs. Accordingly, it may prove difficult to engage them in project implementation.
- *Providing adequate institutional strengthening.* Earlier IFAD projects, for example in Saint Lucia, presented weaknesses in agricultural research and extension. In some instances, the linking of the project with other important institutions, on which successful implementation of the project depended, was neither planned nor managed effectively. Some difficulties were experienced in the coordination of the ministries involved in project implementation. Successful implementation depends largely on the effectiveness of cooperation between ministries and their active involvement in implementation. Further, project design tends to be somewhat too optimistic regarding the capacity of stakeholders to implement rural development projects, as well as their willingness to undertake coordination. Based on that experience, the design of more recent projects carries out in-depth institutional analysis to assess strengths and weaknesses in those institutions expected to play a role in project implementation.

B. Adopting a Regional Approach to Planning and Enhancing Regional Partnership

To guide its loan and grant programmes, IFAD has developed regional strategies – regional strategic opportunities papers (RESOPs) – for both Caribbean and Pacific SIDS. The Caribbean paper was developed in 2000 and is now being revised to launch a new regional mechanism for lending and extending grants, more adapted to the characteristics of the Caribbean SIDS. The RESOP for the Pacific islands was developed in 2004. Moreover, in order to build synergies and mutual learning, all projects and initiatives in the Caribbean are cofinanced in partnership with CDB, which also assists in supervising IFAD-funded projects. In addition, through its grant programme, IFAD supports regional research and advocacy institutions and regional NGOs in carrying out research, implementation, advocacy and policy work, as well as in implementing some of its innovative approaches. For example, IFAD extended a grant of USD 750 000 to support a Caribbean Regional Unit for Technical Assistance (CARUTA). Specific objectives of this grant are to: (i) facilitate and support the implementation of a regional agenda for rural/agricultural development and poverty reduction through existing regional mechanisms such as the Caribbean Community (CARICOM) and the Organisation of Eastern Caribbean States (OECS); (ii) promote actions among partner agencies to harmonize their policies on specific themes and to deepen collaboration through priority investment programmes at the regional and national level; and (iii) provide implementation support and technical assistance to IFAD's ongoing projects in the Caribbean region. Similarly, in December 2004, the Executive Board approved a technical assistance grant of USD 2 million to FSPI that will benefit poor and vulnerable communities in seven SIDS (Cook Islands, Fiji, Kiribati, Papua New Guinea, Samoa, Solomon Islands, Timor Leste and Tonga).

C. Ensuring Simplified Implementation Arrangements and Flexible Design

Through experience in the field, IFAD has learned that simplified implementation arrangements are essential. The mechanisms of *convenção* and the *contrato* established in the PLPR in Cape Verde are innovative mechanisms that greatly simplify resource-transfer procedures and the modalities to account for and report on the use of public funds in a rigorous but contextually flexible way. Simplifying and streamlining PLPR's implementation procedures has greatly reduced administrative overhead and management costs, while considerably increasing the efficiency of project staff. Similarly, IFAD has realized that to achieve durable impact, project designs must be flexible, allowing projects under implementation to respond to changing conditions. This is particularly relevant in the SIDS, characterized by their vulnerability to internal and external shocks. Only one week after a hurricane struck Grenada, the decision was made that the Grenada Rural Enterprise Project would support parish relief initiatives with special focus on project-targeted communities, assess the damage undergone by these communities, analyse the appropriateness of the project components, and seek alternative solutions. As a response to the increased demand for access of rural households to financial services, the project identified additional sources of funds to increase the rural finance component. Another example among the actions taken within this project to address the post-hurricane situation was to increase the number of beneficiaries within parishes heavily struck by the hurricane. Similarly, the adoption by IFAD in 1998 of the innovative flexible lending mechanism, which allows for redesign during implementation, is proving to be an effective response.

The importance of a flexible and realistic approach is demonstrated by an example from the Saint Lucia Rural Enterprise Project. Environmental issues and opportunities within forestry had not been identified in the original project design. However, experience gained from microenterprise initiatives highlighted interesting issues related to the use of *latanye* and *mauby* leaves for broom production. An interview with a farmer, Mrs Paulina Ferdinand, confirmed the difficulty in

obtaining *latanye* leaves. She explained that there was no organized system for acquiring the leaves, which were gathered in the wild, something that had caused overharvesting of an already vulnerable species. Taking this constraint into consideration, the project has now ensured that plants and plantations are managed sustainably and an effective plant rotation is now in place. Potential total revenue of broom sales has increased, providing income-generating opportunities to several target group members. At the same time, the Forestry Division of the Ministry of Agriculture has been strengthened in the process.

D. Enhancement of Income Sources

- *Diversifying beyond agriculture and improving sector linkages.* Project assistance must go beyond agricultural production in order to help poor rural households spread risk and stabilize incomes and improve women's and young people's access to project benefits. Linkages with other sectors can also be exploited to the benefit of rural householders: the use of banana by-products in the manufacture of non-agricultural products; agroprocessing for the local and tourist market; and training of members of farming families as small-inn keepers and/or ecotourist guides. In 2003, IFAD extended a grant to the Cuban NGO Asociación Cubana de Técnicos Agrícolas y Forestales to assist in the cultivation and processing of medicinal plants and herbs. The project intends to develop a wider strategy for fostering production and promoting a niche for small producers through linkages with other countries in which IFAD is promoting the cultivation of medicinal plants. The Saint Lucia Rural Enterprise Project has promoted innovative business initiatives, such as the production and marketing of local sea moss, which has become an important source of income. Sea moss production has also generated changes in gender roles. Whereas collection originally was a predominantly male occupation, with support from the project, women learned to swim and several are now active members of the sea moss collecting association, thus generating income for their families. The participatory methodology used by the project has fostered the organization of rural communities. By means of training and credit, the project has been effective in increasing access to new income-earning opportunities in favour of woman-headed households.
- *Ensuring market linkages.* Some projects in SIDS have faced difficulties in realizing benefits due to a lack of marketing arrangements. There is a need to identify niche markets and ensure linkages with producers. The lack of coordination between donors and implementing partners may also lead to failures. Although the Smallholder Crop Improvement and Marketing Project in Saint Vincent and the Grenadines had an innovative marketing component, it failed to deliver because of this lack of coordination. It provided a number of interesting lessons that were later incorporated into the design and implementation of several projects in the Caribbean. The history of mistrust between governments and the private sector has also led to fragmented approaches in many countries. All too often, the resources are concentrated in government trade agencies, when the real need is to support private exporters, since the private sector has been responsible for the development of most successful export crops. Providing rewarding and sustainable income-generating opportunities for uneducated youth and women requires profitable market outlets. Achieving this can be done through a transparent partnership with the private sector. In addition, the processing and tourism sectors are also important markets. They are attractive to smaller farmers because they generally represent lower-risk markets and these need to be exploited, particularly to realize the scope for national import substitution. For example, in Sao Tome and Principe, IFAD adopted a comprehensive market-led approach in support of cocoa farmers. It established a partnership with the private sector in order to: (i) use the private sector to undertake a market analysis of the

situation of the *filière*. The conclusion of the analysis was that Sao Tome and Principe was well positioned for the production of aromatic/organic cocoa; (ii) set up a three-year, pilot aromatic cocoa production initiative during which the private sector provided technical assistance and guidance on how to organize that *filière*; and (iii) use the private sector to establish a five-year contract directly with smallholder farmers, who have also recently created an aromatic/organic cocoa exporters cooperative. Cocoa will be bought at a guaranteed price that will be a function of the market price with a minimum and maximum ceiling.⁶ The Saint Lucia Rural Enterprise Project facilitated the establishment of producer/buyer links for the export market, local market, agroprocessors and the tourism sector. Within the local market, new links between producers and buyers were established and existing ones strengthened. Links were also created between producers and the hotel sector. In addition, the project worked with a craft centre to establish links with hotels for the supply of gift baskets, and efforts were made to link producers/suppliers of straw hats, straw handbags, tablemats, etc. to a U.S buyer. It sent representatives of the Praslin Sea Moss Farmers Association and “Sea Moss Products” to a fair in Martinique to promote the consumption of sea moss drinks and desserts. “Buy local” was a campaign in which the project collaborated with the Small Enterprise Development Unit of the Ministry of Commerce to promote the consumption of local products.⁷ The project further assisted in the promotion of tourism ventures, such as crafts and ecotourism trails and sites.⁸

- *Leveraging remittances to help achieve the Millennium Development Goals.* Based on a careful analysis of both opportunity (how to help improve access to and impact of remittance services for the benefit of the poor) and risk (remittances, like savings, should be fully protected), IFAD has been working with partner institutions and migrant associations. IFAD has provided a grant to Fonkose Bank, a rural finance institution in Haiti, to support its work in the area of remittances. In 2003, it processed a total of USD 5.5 million in remittances. Fonkose Bank is using the IFAD grant to launch a large-scale public education and marketing campaign in Haiti, as well as in support of Home Town Associations of Haitian migrants in the United States, to strengthen awareness of their remittance services and increase their client base. On the issue of remittances, IFAD is undertaking a number of innovative initiatives, including the launching of a USD 6 million programme on remittances and rural development in Latin America and the Caribbean, cofinanced and implemented in partnership with the Multilateral Investment Fund of the Inter-American Development Bank. IFAD work in the area of remittances and rural development can be summarized as follows:
 - increase the capacity of Home Town Associations (HTAs) of migrants and their counterpart organizations in the communities of origin. Many HTAs lack effective counterpart associations and sufficient support and orientation for the identification and implementation of development projects. Through its existing projects and continuous support to rural communities, IFAD is trying to assist in strengthening the linkages between HTAs and their communities of origin;
 - identify effective mechanisms for tapping the knowledge and enthusiasm of migrants to help their communities of origin;

⁶ At the current international cocoa price of USD 1 500/tonne, the terms established by the contract envisage a price of USD 1.33/kilo. If a small farmer exported 100 kilos of dry cocoa to the private-sector buyer today, he would make a profit of USD 77, earning almost 2.4 times what she is earning selling fresh cocoa on the local market in Sao Tome.

⁷ The support provided by the project in this campaign was the printing of 5 000 promotional posters and 500 key rings.

⁸ The ecotourism trails and sites were supported through the printing of promotional brochures.

- collaborate with other intergovernmental organizations to promote the productive use of remittances;
- strengthen financial institutions both in migrant communities in the United States and in the countries of origin, linking such institutions to provide better remittance services, particularly to woman-headed households;
- collaborate with organizations such as the World Council of Credit Unions, with the objective of developing and strengthening the remittance services offered by local financial institutions; and strengthen local credit unions, thereby introducing more rural people to the formal financial sector;
- assist rural communities in capitalizing on the growing level of tourism of migrants in their home countries and on the increase in demand for “local nostalgic” products (especially food products) from the migrant communities in the United States;
- help promote market fairs of local or traditional products and provide technical assistance to migrant communities and their communities of origin to enable them to create niches in the growing ethnic market in the United States;
- support the development of transnational community networks, as well as coordination of different actors in the remittance field; and
- encourage detailed studies of migrants and the communities they leave behind from a socio-economic and a gender perspective.

E. Creation of Sustainable Rural Finance Mechanisms

Credit has proved a problem in several IFAD-supported projects in SIDS. The main constraint is the accessibility of credit for the IFAD target group, rather than availability *per se*. More innovative lending measures have been adopted, for example in the Caribbean, with support from an IFAD technical assistance grant to the Caribbean Confederation of Credit Unions (CCCU). In addition, most of the credit unions supported by the grant experienced considerable growth and their standards of operations improved noticeably. During the period 1996-2000, the movement increased its membership by 28.5%. Other growth indicators were as follows: 35.8% in savings, 57.5% in loans, 59.6% in reserves and 19.9% in assets. The main outcomes of the programme were: (i) continued institutional strengthening of target credit unions to respond to members and community needs; (ii) increased professional leadership, management and systems in place in each selected credit union; (iii) quality confederation and credit union leadership and management enabled to implement and develop strategic plans and budgets for target unions; (iv) enhanced safety and soundness measures within a new regulatory framework; (v) new focus on quality member service based on savings mobilization and entrepreneurship; and (vi) an increased number of rural small businesses and cultural enterprises owned by credit union members.

An interesting aspect of the Dominica Rural Enterprise Project design was the establishment of a loan guarantee fund for the indigenous population in the Carib Territory. This fund has provided access to small farmers and entrepreneurs that otherwise would have been excluded from lending opportunities.

F. Integrate Sustainable Natural Resource Management with Poverty-Reduction Initiatives

Most, if not all, IFAD-supported projects recognize the systematic link between environmental degradation and rural poverty. IFAD has considerable experience in the area of sustainable natural resource management through community-based resource management. The objective of

the second phase of the Small-Scale Irrigation Schemes Rehabilitation Project in Haiti – which rehabilitated small irrigation schemes through the promotion of water users’ associations – is the long-term conservation of the productive potential of the catchments of the selected small-scale irrigation scheme (in terms of soil, water, vegetation and carrying capacity). Through technical support services and financial resources, the project will promote participatory management of sub-watersheds, the mitigation and prevention of erosion (especially gully erosion), the conservation of cultivated lands and improvement of the carrying capacity of pastures, and, in particular, the sustainability of irrigated agriculture. This integrated approach is important, because a holistic view of the assets of the rural poor in terms of natural productive assets means that environmental concerns are not merely an ‘add-on’ but an integral part of project design and implementation.

G. Development of Sustainable Pro-Poor Tourism

IFAD will support the development of a regional, sustainable tourism strategy for the Pacific and will also help SIDS in Africa develop national, sustainable tourism strategies. As part of the strategy, it expects to promote small and medium enterprises (SMEs) in ecotourism. IFAD would be a partner in funding work that specifically targets rural poor communities and in contributing towards ensuring that tourism policies being developed are pro-poor and ecologically friendly. This would help target the strategy to benefit rural poor communities, SMEs, unemployed youth and women. IFAD also expects to support catalytic piloting to test the strategy in Mauritius. The regional grant extended to the Caribbean Natural Resource Institute (CANARI), an independent research organization that promotes participatory natural resource management in the Caribbean islands, had the following impact on the rural poor: (i) it provided skills and strategies to NGOs, CBOs and government technicians working directly with poor people in the development of community-based, heritage tourism initiatives, in order to enhance the effectiveness of their efforts in increasing tourism's benefit to the rural poor; (ii) improved the efforts of NGOs, CBOs and government technicians in shaping a new form of tourism development that enables benefits to reach rural communities and is integrated into a rural development context; (iii) sensitized policy-makers and provided tools for lobbying decision-makers on the ways in which tourism can be restructured to distribute greater benefits to the rural poor; and (iv) identified the limitations of existing community-based tourism initiatives and made recommendations for improvement of these efforts so that greater benefits can reach the rural poor. All this was accomplished through seminars, training workshops, presentation of a report to the Caribbean Heads of Government Summit and an analysis of case studies on community-based tourism projects in the Windward Islands.

IFAD LOANS TO SIDS			
COUNTRY	PROJECT/YEAR	PROJECT COST	IFAD LOAN
AFRICA		145.96	57.12
Cape Verde		44.07	15.07
Assomada Integrated Agricultural Development Project	11-Dec-78	4.51	2
Artisanal Fisheries Development Project	02-Dec-87	13.86	3.94
Community-Based Agricultural and Livestock Development Project	01-Oct-90	7.36	2.18
Rural Poverty Alleviation Programme	08-Sep-99	18.34	6.95
Comoros		21.07	6.64
Rural Services Project	03-Apr-84	6.67	1.79
Nioumakele Small Producers Support Project	11-Dec-91	6.78	1.7
Support to Economic Grass Roots Initiatives Project	06-Sep-94	4.82	2.45
Pilot Agricultural Services Project	11-Sep-96	2.8	0.7
Guinea-Bissau		20.43	7.25
Tombali Rice Development Project	21-Apr-83	14.85	5.12
Rural Incentives Programme	28-Apr-87	5.58	2.13
Mauritius		24.79	13.42
Small-Scale Agricultural Development Project	17-Dec-81	8.22	5.22
Rural Diversification Programme	29-Apr-99	16.57	8.2
Sao Tome and Principe		33.26	13.77
Artisanal Fisheries Project	11-Sep-94	2.1	2.02
Pilot Food Crop Development Project	27-Apr-88	1.92	1.22
Second Artisanal Fisheries Development Project	12-Dec-90	3.51	1.1
National Smallholders Support Programme	02-Dec-93	12.28	1.48
Participatory Smallholder Agriculture and Artisanal Fisheries Development Programme	26-Apr-01	13.45	7.95
Seychelles		2.34	0.82
Employment Generation Project	19-Apr-90	2.34	0.82
ASIA AND THE PACIFIC		88.51	24.28
Maldives		27.11	5.88
Second Fisheries Project	09-Dec-82	12.42	1.72
Atolls Credit and Development Banking Project	06-Dec-89	5.88	2.26
Southern Atolls Development Project	13-Sep-95	8.81	1.9
Papua New Guinea		25.68	9.13
Artisanal Fisheries Project	09-Dec-82	4.72	2.99
South Simbu Rural Development Project	18-Sep-86	5.68	1.79
North Simbu Rural Development Project	06-Apr-93	15.28	4.35
Samoa		4.38	1.91
Livestock Development Project	09-Sep-81	1.57	0.89
Rural Activation Project	03-Dec-92	2.81	1.02
Solomon Islands		14.23	2.52
Rural Services Project	04-Apr-84	11.65	1.45
Rural Financial Services Project	15-Sep-88	2.58	1.07
Tonga		17.11	4.84
Agricultural Credit Project	12-Sep-83	7	0.95
Rural Credit Project	26-Apr-88	3.38	1.69
Outer Islands Credit Project	06-Apr-93	6.73	2.2
LATIN AMERICA AND THE CARIBBEAN		433.38	148.74
Belize		10.22	3.42
Toledo Small Farmers Development Project	05-Sep-85	3.46	1.67
Community-Initiated Agriculture and Resource Management Project	23-Apr-98	6.76	1.75
Cuba		19.72	10.58
Camalote Rural Development Project	04-Dec-80	19.72	10.58

IFAD LOANS TO SIDS			
COUNTRY	PROJECT/YEAR	PROJECT COST	IFAD LOAN
Dominica		11.39	4.25
Agricultural Credit for Food Production and Related Services Project	16-Sep-80	1.97	1.15
Integrated Rural Development Project	29-Apr-86	3.23	1.3
Rural Enterprise Project	17-Apr-96	6.19	1.8
Dominican Republic		174.84	43.21
Consolidation and Development of Rural Settlement Project	19-Dec-79	53.93	7.92
Small Scale Food Producers Development Project	31-Mar-82	10.11	6.23
South Western Region Small Farmers Project	03-Dec-87	9.2	5.49
Agricultural Development Project in San Juan de la Maguana	02-Dec-93	60	4.22
South Western Region Small Farmers Project – Phase II	03-Dec-98	17.6	8.75
Social and Economic Development Programme for Vulnerable Populations in the Border Provinces	11-Dec-02	24	10.6
Grenada		10.33	4.62
Artisanal Fisheries Development Project	08-Sep-81	2.67	1.37
Rural Enterprise Project	26-Apr-01	7.66	3.25
Guyana		21.94	12.14
East Bank Essequibo Development Project	17-Sep-86	8.81	4.84
Poor Rural Communities Support Services Project	04-Dec-96	13.13	7.3
Haiti		119.32	55.55
Cul-de-Sac Irrigation and Agricultural Development Project	24-Oct-78	8	3.5
Food Crops Intensification Project	17-Dec-81	17.26	10.88
Northern Region Rural Development Project	21-Apr-83	29.07	4.62
Small-Scale Irrigation Schemes Rehabilitation Project	26-Apr-89	16.74	8.2
Food Crops Intensification Project – Phase II	03-Dec-98	20.1	10.95
Productive Initiatives Support Programme in Rural Areas	23-Apr-02	28.15	17.4
Jamaica		47.46	10.18
Small Farmers Credit Project	14-Sep-82	23.66	7.73
Hillside Farmers Support Project	03-Dec-87	11.16	2.25
Rural Financial Services Project	11-Dec-91	12.64	0.2
Saint Lucia		7.20	3.18
Small Farmers Agricultural Development Project	12-Sep-83	3.28	1.23
Rural Enterprise Project	17-Apr-96	3.92	1.95
Saint Vincent and the Grenadines		3.12	1.48
Smallholder Crop Improvement and Marketing Project	11-Dec-91	3.12	1.48
Suriname		7.84	0.13
Smallholders Support Project	07-Apr-93	7.84	0.13
GRAND TOTAL		667.85	230.14



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