

**FINCA HAITI**  
**FINAL NARRATIVE REPORT**  
**USAID GRANT #: 521-G-00-99-00020-00**

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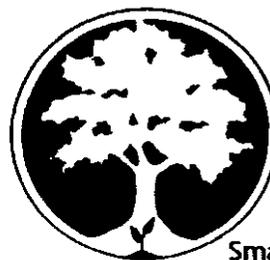
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**FINCA**  
Small Loans-Big Changes

**FINCA HAITI FINAL NARRATIVE REPORT FOR THE**  
**IMPLEMENTATION GRANT PROGRAM # 521-G-00-00020-00**

**I. EXECUTIVE SUMMARY**

FINCA Haiti started in 1989 created with support from the U.S Agency for International Development (USAID). Haiti is one of FINCA International's oldest programs. Lack of sufficient funds, civil unrest, and the ensuing embargo limited the program's initial ability to expand and develop. FINCA Haiti spent the first ten years as a subsistence level program lacking long-term funding support and a solid institutional foundation. At the end of 1999, FINCA Haiti only served 930 clients. In 1999, with temporary funding from several sources including USAID Haiti as well as personal contributions from FINCA's headquarters staff, the program was re-ignited.

The results have been stellar. FINCA Haiti registered considerable growth both in number of clients and in portfolio. FINCA Haiti exceeded all of its performance targets, thus growing at a much faster pace than anticipated. FINCA Haiti more than doubled its client target, having reached 13,819 clients by grant end (May 2005). FINCA Haiti exceeded its outstanding loan balance projections, which at end of May 2005 was \$1,032,503, rather than the expected \$1,020,000.

With support from FINCA's technical assistance Hub in Ecuador and support from other donors, such as Levi Strauss, FINCA Haiti has also opened five branches, which are currently expanding to satisfy the existing great demand for financial services; upgraded FINCA's integrated management system (SIEM), and hired new local staff. FINCA Haiti is now in a position to experience sound and solid growth by expanding its outreach while progressing towards self-sufficiency.

During the last 24 months of this grant, Haiti has also been under considerable stress caused by political upheavals. Recently, kidnappings, car jackings, robberies and other crime have slowed down the economy and negatively impacted client's ability to repay. In turn, this slowdown has led to a considerable reduction of citizen purchasing power. Under difficult circumstances, FINCA Haiti's commitment to its mission of providing financial services to poor micro entrepreneurs lending, collecting from people who are disadvantaged became more difficult. FINCA Haiti has had to battle these extreme conditions to continue serving its clients. Given the insecurity, many FH clients and their suppliers have been unable to travel to Port au Prince for business purposes, causing them to fall behind in their payments and increasing program arrears.

## II. ACCOMPLISHMENTS DURING THE PERIOD

- Outreach

During the program period (1999-2005), FINCA Haiti multiplied its clientele by a factor of 14, by growing its outreach from only 930 clients to 13,819 as of May 2005. Four main factors contributed to this high achievement: (1) availability of donated resources to fund expansion operations and loan capital; (2) a successful geographic expansion into Acquin, Chardonniere, Petite Goave and Ounaminthe; (3) the high demand for microfinance services and predominance of microentrepreneurial activities in the Haitian economy; and (4) the ability of FINCA International to deliver effective and efficient microfinance products, services and technical assistance. With this solid track record and given additional resources, FINCA is ready to expand into the communities surrounding Cap Haitian in the North and to new areas in the South.

- Portfolio

FINCA Haiti has surpassed its portfolio targets. As of end of May 2005, FINCA has an outstanding loan portfolio of \$1,032,503, which exceeds the expected target of \$1,020,000. FINCA Haiti has also more than doubled the loans disbursed target, which reached \$3,148,097 during the same period. Since the start of the program, FINCA Haiti has lent out cumulatively an impressive \$8,385,734. Loan recovery on delinquent loans, in general, has been very good reaching almost 96%. Currently, however, we have witnessed an increase in the portfolio at risk. By the end of May, this figure was 9.99%. FINCA Haiti understands that its clients are negatively impacted by the turbulent political and economic situation in Haiti, which has been heightened by insecurity and crime. Clients and their suppliers, for instance, have been unable to travel to Port au Prince to purchase merchandise, which negatively affects their business revenues and ability to repay loans. Together with FINCA International, FINCA Haiti is working to minimize delinquency, maximize loan recoveries, reduce PAR, and ensure timely loan repayments as we move forward.

- Savings

FINCA Haiti has demonstrated that the poor can maintain savings if they are given the chance to do so in an environment that they trust. At the end of May 2005, these deposits stood at \$452,984, far exceeding initial estimates. In addition, these savings would have been higher had FINCA Haiti had the authority to intermediate savings and pay interest on the balances. FINCA has seen a high demand for savings services. Many clients have inquired as to whether they could increase their savings through the program. To address this overt need for savings products, FINCA Haiti shall in the future apply to the Central Bank for an authorization to intermediate savings.

- Training

The FINCA International Latin America Hub has provided FINCA Haiti with tailored training assistance. A MIS specialist from the hub trained FINCA Haiti MIS and Branch Portfolio staff on the Internet wireless communications that is currently in use. As a result, the Accounting officers and Branch Portfolio staff have been thoroughly trained in their respective areas of activity, which will ensure the ongoing success of the program.

Over the last three years, the support provided by the Hub office has been important in building the institutional foundation that now positions FINCA Haiti for growth towards self-sufficiency

- Staffing

During the project period, new credit officers were recruited, hired and trained for all new branch offices, including Chardonniere, Petite Goave, Aquin, and Ounaminthe.

As of end of June, FINCA Haiti had a total staff of 102, including Administration personnel. The majority of these staff members, 69 to be exact, are credit officers. They are the “face of FINCA” and thus represent the main link between FINCA and its clients.

Given a recent robbery at the Central office, the security of the Central office has been increased. Two additional metal front doors were installed, new security staff were hired, and FINCA revised its night-time security policies. These additional security measures were taken to better protect FINCA Haiti’s assets and staff.

- Planning

FINCA Haiti has completed and approved a strategic plan for the program for 2005 to 2009. This plan calls for expansion of activities to increase outreach and portfolio. To achieve the new targets FINCA Haiti will explore opportunities for borrowing funds for loan capital while exploring new sources of grant funding to finance start up costs in new provinces of the country.

- Funding

During the program period, FINCA successfully secured \$455,629 from private donors including Levi Strauss and Citigroup, which were used to support loan capital and operating expenses for the program.

In April 2004, FINCA Haiti was awarded a loan capital grant from SOFIHDES in the total amount of 2,000,000 Gourdes. In October 2003, FINCA Haiti secured a grant from SOFIHDES’ for \$49,254 to upgrade its accounting software to SIEM 6, install a central office network, and establish a wireless communication platform between branch and central offices. The network is completed, the wireless internet systems installed, and the SIEM 6 software has been successfully upgraded. The new MIS system allows FINCA Haiti to process larger loads of accounting data and open additional branch offices with fairly little additional resources.

As we move forward, FINCA will continue to seek additional loan capital through grants and commercial borrowing to allow FINCA Haiti to serve significantly more poor people throughout the country as well as grant resources to finance start up of new offices and service and product innovations.

### III. FINANCIAL PERFORMANCE DURING THE PERIOD

End of month	End of May 2005
Number of Village Banks with loans	552
Number of Village bank clients with loans	13,819
No. of clients served since start of Activities	77,391
Total amount of loans given out since start	\$8,385,734
Balance of loans outstanding end of May	\$ 1,032,503
Total savings mobilized since start of project	\$ 452,984
Portfolio at Risk greater than 30 days	9.99%

### IV. PROGRAMMATIC AND FINANCIAL PERFORMANCE IN RELATION TO GRANT GOALS

During the last fiscal year of activities, FINCA Haiti has performed as per the table below.

#### Program Targets vs. Performance Since the start of the program

FINCA Haiti Targets	FY05 Targets	FY05 Actual May 05
Total Loan Portfolio USD	\$1,050,000	\$ 1,032,503
Cumulative Disbursements USD	\$7,900,000	\$8,385,734
Savings USD	\$400,000	\$452,984
Number of Active clients	13,750	13,819
Operational Sustainability	103%	101 %
Financial Sustainability	100%	98%
Portfolio at Risk > 30 days	5%	9.99%

### V. CHALLENGES ENCOUNTERED DURING THE PERIOD AND REMEDIAL ACTIONS

- **Delinquency Rate**

At the end of May 2005 FINCA Haiti's delinquency rate stood at 9.99% of the total outstanding portfolio (detailed below). FINCA Haiti believes that the political and economic instability, coupled with the heightened insecurity have adversely impacted our clients' income generating capacities. Given the insecurity, many FINCA Haiti clients and their suppliers have been unable to travel to Port au Prince for business purposes, causing them to fall behind in their payments. FINCA Haiti is taking a proactive stance towards this issue. FINCA Haiti has begun to organize focus groups to research the reasons behind why the PAR has increased. We have also designed a special plan of action to lower the levels of PAR. Some strategies include hiring extra staff to

strengthen supervision of credit officers, revising supervision systems, and increasing communication with clients, for example, by sending them a letter when they fall delinquent.

- **Unrest and threats of Kidnappings**

The continual kidnappings, robberies, and threats of crime in Port au Prince have adversely affected FINCA in several ways. First, clients whose businesses have been negatively affected by the situation have demonstrated difficulties in repayment. Also, some clients have come to believe that due to the disturbances FINCA will abandon activities in Haiti and pardon all loans. FINCA has thus responded proactively. We have provided credit officers with reinforcement training so that at Village Bank weekly meetings, FINCA's monitoring will help to correct the mistaken view that FINCA will abandon activities. In addition, plans are underway to recruit an internal auditor to strengthen internal controls.

- **Client Impact**

Despite the recent political instability in the country, by the end of FY2006, FINCA Haiti expects to reach over 24,421 clients, of which 7,162 clients would be from the North Department. This number represents significant outreach to new families who currently lack access to financial services or credit for working capital. With an average of five family members per client, FINCA Haiti anticipates that its loans will impact 122,105 beneficiaries overall and 35,810 beneficiaries in North Region. As a result, children may have the opportunity to attend school and families will have greater access to food and food security. FINCA clients also become role models of empowerment for others in their community, while encouraging participation in Village Banking or other income-generating opportunities.

Beyond the financial benefits, FINCA Haiti will also enable over 24,421 Haitians, of which 7,162 clients will be in the Northern region, to become economically and socially empowered to work toward their own and their families' self-sufficiency this year. By encouraging clients and their families to take control of their economic livelihoods, FINCA Haiti will go beyond providing financial services to playing a leadership role in fostering inclusive and fully participatory economic and social development.

## **VI. LESSONS LEARNED**

- **Multi-branch Operation and Decentralization Process**

The decentralization of lending operations into branch offices has enabled FINCA Haiti to grow outreach significantly while also decreasing transaction costs, and thus increasing efficiency and the processing speed of financial information. The new wireless communication and technological platform installed, with support from SOFIHDES, has enabled FINCA Haiti to expand its operations into new areas of Haiti, improve communication between branches, strengthen the Internal Control system, and provide enhanced services to clients. These experiences have reinforced to FINCA Haiti that decentralization of operations must be handled carefully, but if done correctly, it can bring about significant growth and operational efficiencies.

- **Reaching Operational Self-Sufficiency**

During recent years, FINCA Haiti has been expanding. FINCA has learned about the challenges that face an MFI aiming to reach operational and financial sustainability, especially given the political, economic and security concerns present in Haiti. FINCA has learned that in order to remain a market leader and reach operational and financial sustainability, it will need to increase efficiencies, reach economies of scale, improve customer service, and introduce new financial products. FINCA Haiti has incorporated these lessons into its new five year strategic plan.

- **Relevance of Implementation of Expansion Plan**

On the basis of its organizational strengths and successful expansion in the last two years, FINCA Haiti has emerged from this field as a strong candidate to achieve significant scale, although current outreach is still only a fraction of its potential size.

With strict credit discipline and organizational controls, FINCA Haiti is one of a few microfinance institutions in Haiti that perform according to internationally-accepted standards, despite the harsh conditions that make Haiti an unusually difficult environment in which to operate. Recently, FINCA has pursued an ambitious yet sound strategy to expand its geographic outreach and improve its financial sustainability. FINCA Haiti has learned that it can successfully improve operating efficiency by increasing staff productivity, adding training, integrating FINCA's management information system into its operations, and upgrading and opening office facilities to better serve clients.

#### **ACTIVITIES PLANNED FOR NEXT PERIOD FY 2005- 2006**

- Achieve 103% operational self sufficiency through increasing outreach in the South and North region by an additional 10,000 new clients.
- Increase the outstanding portfolio balance by \$1,930,728.
- To expand into the communities surrounding Cap Haitian, Jacmell and Leogan.
- Introduce new financial products that support the development and assure the secure growth of client businesses, for example through individual loans. FINCA Haiti will research individual lending needs and demands in the market to learn how to structure an individual loan product that meets the needs of Haiti's microentrepreneurs whilst upholding FINCA's mission to reach the poorest of the poor. Upon development of the product, with assistance from the Technical Assistance Hub Office, FINCA Haiti will conduct a pilot test.
- Improve the quality of FINCA Haiti's staff and human resources procedures through enhancing facilities, improved training and new recruitment techniques.
- Increase customer satisfaction and reduce client drop out through increased availability of financial services tailored to the needs of village banking clients.
- Research the steps that FINCA Haiti must take to qualify and register with the Central Bank of Haiti as a regulated financial institution that can mobilize savings.