FINANCIAL SERVICES NETWORK FOR ENTREPRENEURIAL EMPOWERMENT (FINNET) — FINAL REPORT

MARCH 2006

This publication was produced for review by the United States Agency for International Development. It was prepared by DAI Washington.

Financial Services Network for Entrepreneurial Empowerment (FINNET) — Final Report

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ABBREVIATIONS

ACLAM	Action Contre La Misère
ACME	Association pour la Coopération avec la Micro Entreprise
AGIR	Alternative pour une Gestion Integree Reuissie
ANIMH	Association Nationale des Institutions de Microfinance d'Haiti
BPH	Banque Populaire Haïtienne
BUH	Banque de l'Union Haïtienne—Kredi Popilè
CARMS	Centres d'Appui Régionaux a la Microfinance
CGAP	Consultative Group to Assist the Poorest
CLIS	Customer Liability Information System
COD-EMH	Coordination des Organismes de Développement de l'Eglise Méthodiste d'Haiti
CRS	Catholic Relief Services
DAI	Development Alternatives, Inc.
DID	Développement International Desjardins
FFH	Freedom From Hunger
FONKOZE	Fondasyon Kole Zepol
FINCA	Foundation for International Community Assistance
FINNET	Financial Services Network for Entrepreneurial Empowerment
FHAF	Fonds Haïtien d'Aide à la Femme
FSS	Financial Self-Sufficiency
GRAIFSI	Groupe d'Appui pour l'Intégration de la Femme du Secteur Informel
GTIH	Groupe Technologie Intermédiaire d'Haiti
HRM	human resource management
IBA	Institution Building Financial Assistance Award Fund
ICT	information communication technology
ID	Initiative Développement
MCC	Micro Crédit Capital
MCN	Micro Crédit National
MEDA	Mennonite Economic Development Associates
MIS	management information systems

MFI	microfinance institution
NGO	nongovernmental organization
OSS	operational self-sufficiency
PRET	Program for the Recovery of the Economy in Transition
SFF	Sèvis Finansye Fonkoze
SADA	Service and Development Agency
SOGESOL	Société Générale Haïtienne de Solidarité
USAID	United States Agency for International Development
WR-FEMA	World Relief-Finansman pou Ede Moun Avanse

EXECUTIVE SUMMARY

Building competitive microfinance institutions to increase the economically active poor's access to financial services is tough. Doing it in Haiti is even tougher. Despite the political upheaval, a deteriorating economic environment, and the destruction cased by Hurricane Jeanne, financial institutions supported by the United States Agency for International Development attained impressed levels of growth--expanding access to 74,275 new borrowers and increasing lending activity to this critical segment of the population by $23.8 million. Because of USAID's substantial investment in Haiti's microfinance sector, institutions are stronger, reach more clients in more remote locations, and view women as priority customers. An industry support infrastructure is now in place, with institutions sharing information on performance indicators and bad clients, participating in the newly formed national microfinance association, and contracting local service providers.

BACKGROUND

USAID/Haiti designed the Financial Services Network for Entrepreneurial Empowerment (FINNET) project to address intermediate results IR 2.1. Strengthened Financial System Serving SMEs and IR 2.2. Strengthened Performance of Financial Institutions Serving SMEs under the mission's Strategic Objective No. 1—Sustainable Increased Income for the Poor. By way of this project, USAID aimed to facilitate the development of the microfinance sector in Haiti in order to improve and expand the delivery of financial services to the economically active poor, enabling this group to take advantage of income-generating opportunities and mitigating poverty in Haiti.

In March 2000, USAID/Haiti awarded to Development Alternatives, Inc. (DAI) the contract to implement and manage the FINNET project from April 1, 2000 to March 31, 2005, with an option for extension until March 31, 2006. Under the terms of the contract, USAID expected FINNET to expand financial services (as measured by an increase in loan portfolio size and number of loans) and improve the sustainability of microfinance services (as measured by the number of microfinance institutions achieving Operational Self-Sufficiency[1]).

To attain these results[2], FINNET designed and implemented program interventions in two main areas:

- Microfinance Institution Strengthening—to build and further develop the capacity of the microfinance institutions; and
- Microfinance Industry Building—to establish and/or support the development of the infrastructure necessary to advance a sustainable microfinance sector.

USAID obligated $9,463,000 to the contract, out of a total contract value of $11,975,405. Of that total, DAI spent $9,253,010. Of this amount, DAI disbursed $591,175 in the form of financial assistance awards through the Institution Building Financial Assistance Award Fund (IBA).

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[1] Operational Self-Sufficiency is the financial capacity of an institution to cover all operating costs with operating income.

[2] The indictors used by USAID/Haiti in its reporting to Washington, D.C. are 1) Increase in value of loans by 25 % each year, and 2) Increase the number of microfinance institutions (MFIs) achieving Operational Self Sufficiency from zero to four. These indictors are important measures of program impact. However, to convey a more complete picture of what USAID, FINNET, and the partner MFIs have accomplished over the six-year contract period, this report discusses program impact more broadly to include key results at the client, institution, and industry levels.

IMPACT ON CLIENTS

The economically active poor now have far better access to financial services than they ever did. Greater numbers of clients are receiving services from greater numbers (and varieties) of institutions. Since the start of USAID's investment in the microfinance sector in Haiti, four commercial banks (BUH, MCN, Sogesol, and Unibank) capable of reaching greater numbers of clients, not only with credit but with savings as well, through their already establish branch networks, have entered the sector.

Despite the political and economic challenges, and destruction caused by Hurricane Jeanne, FINNET partner MFIs and caisses populaires (credit unions) have been able to disburse larger volumes of loans to increasing numbers of clients. For key partner MFIs, the number of clients with loans increased by more than 416 %, from 17,839 at the end of March 2001 to 92,114 at the end of December 2005. The combined portfolio value for the ten key partners increased by $23,752,241 during the project, from $5,375,601 (129,014,429 HTG)[3] at the end of year one to $29,127,842 (1,252,497,202 HTG) at the end of December 2005.

The caisses populaires experienced equally impressive **growth, with the number of credit clients** increasing by 536 %, from 807 clients in March 2002 to 5,133 in October 2005. The combined volume of loans for all the caisses expanded by $1,573,578, from $404,536 (11,327,000 HTG) at the end of year 2 to $1,978,114 (87,037,000 HTG) at the end of October, exceeding project objectives by $60,551 (26,037,000 HTG).

It is well-documented that the poor need access to savings services just as much as, if not more than, to credit. Since project inception, the number of savers and the volume of savings have increased dramatically, with more and more Haitians trusting the caisses to appropriately and securely manage their assets. USAID's investment built the institutional capacity of, and consequently the public's confidence in, 19 caisses, after a pyramid-type scheme caused the collapse of many caisses.

For this group of institutions, the number of **savers grew** by more than 385 %, from only 5,759 savers in March of 2002 to 27,933 in October 2005. The combined volume of savings increased by more than $1,982,016, from $373,393 (10,455,000 HTG) at the end of year 2 to $2,355,409 (103,638,000 HTG) at the end of October 2005.

Women are gaining increasing access to financial services. For the caisses, the percent of female credit clients increased from 23 % in March 2002 to 55.7 % in October 2005. The percent of female caisses members grew from 36.3 % to 51.3 % over this same period. For the four key partner MFIs participating in the program at the end of year one, the average percent of female credit clients was 73.75 %. By the end of December 2005, the average percent of female clients for the eight partner MFIs supplying this data was 81.68 %.

IMPACT ON MICROFINANCE INSTITUTIONS AND CAISSES POPULAIRES

Due to USAID's substantive and unwavering support to a select group of MFIs in Haiti, a cadre of viable institutions with the strength to reach larger numbers of poorer more vulnerable clients, exists within the country. These institutions possess improved accounting, financial management, internal controls, and human resource systems. They operate more efficiently and, more frequently, are covering their operational and financial costs.

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[3] The exchange rate at the end of year one (March 31,2001) was 24 gourdes to one USD; the rate at the end of year two (March 31, 2002) was 28 gourdes to one USD; the rate on October 31, 2005 was 44 gourdes to one USD; and the rate on December 31, 2005 was 43 gourdes to one USD.

The caisses play a critical role in providing financial services in Haiti, particularly secure savings in the four most marginalized provinces. At the end of FINNET, the nineteen USAID-supported caisses served 27,933 members, benefiting more than 100,000 Haitians, who were either client family members or employees of the enterprises run by caisses clients.

These caisses have achieved remarkable results—especially considering that 75 % of them are less than five years old. The cash management, accounting, and internal controls procedures of all caisses have greatly improved. One FINNET caisses—in Marigot—already meets the standards required by the Federation Le Levier. All nineteen caisses are now capable of furnish reliable, on-time financial data, up from only nine institutions in March 2002. Overall operational self-sufficiency increased from 130 % from the end of year two to 163.18 % at the end of October 2005. For this same period, financial self-sufficiency grew from 113 % to 129.17 %.

FINNET exceed USAID targets regarding operational and financial self-sufficiency. As of December 31, 2005, five of the ten key non-caisses partners achieved operational self-sufficiency and three attained financial self-sufficiency.

Five key partners reported a Portfolio at Risk (+ 30 days) at less than eight % at project end, demonstrating their capacity to weather political and economic shocks and natural disasters that plagued Haiti during the contract period.

Working not only with the ten key partners, FINNET invested in improving the accounting and financial management functions of FHAF, Graifsi, World Relief/FEMA, GTIH, Fondespoir, COD/EMH, ACLAM, ACME, and SADA. Furthermore, FINNET worked with MFIs to select and procure appropriate management information systems to manage the institutions' accounting and portfolio information. Because of USAID's support, Fonkoze, ACLAM, ID, Fondespoir, COD/EMH, ACME, World Relief/FEMA, Graifsi, GTIH, and FHAF all now have in place the MIS required to generate financial reports needed for effective management. Information gathered through these systems improve portfolio management and client services, and help institutions to plan growth and outreach strategies.

IMPACT ON MICROFINANCE INDUSTRY

At project inception, the microfinance industry in Haiti was composed primarily of retail units operating more or less independently of one another and lacking the industry support infrastructure, such as credit reference systems, service providers, and performance benchmarking, necessary to support institutional growth and efficiency. Today, as a result of USAID-financed industry-building activities, basic industry architecture, such as an industry association, credit information sharing systems, and performance standards, are in place. Also, MFIs value collaboration and are working together to develop the sector.

Following the USAID-sponsored forum on performance indicators, four MFIs and FINNET worked together to develop an agreed upon, standardized set of indicators and formed the Indicators Working Group. This group, at project end, had grown from four to sixteen MFIs.

With support from FINNET, a group of MFIs established the National Association of Microfinance Institutions in Haiti (ANIMH) to advocate on behalf of and to provide services to non-cooperative microfinance institutions throughout Haiti. At project end, ANIMH had eighteen members, an elected Board of Directors, a salaried Executive Director, and successfully sought funding from the Soros Foundation. ANIMH assumed responsibility for key FINNET activities, such as the Indicators Working Group, bad debtors list, training curriculum and resource center.

FINNET developed a MFI Core Training Curriculum containing twenty-eight courses on topics relevant for MFI personnel and designed to build capacity in financial management, accounting, human resource management, and general business skills. To ensure that training continued post-FINNET, the team built the training skills of four local trainers and transferred the training curriculum to ANIMH at project end.

LESSONS LEARNED AND RECOMMENDATIONS FOR FUTURE PROGRAMMING

Clients want sustainable and convenient access to a broad range of financial services at affordable rates. Through USAID's investment in Haiti, FINNET learned valuable lessons on how to build stronger institutions, capable of reaching increasing numbers of the economically active poor in more remote locations with a wider range of innovative services. These lessons should guide future investment and support in the sector in Haiti and could prove useful for others planning to invest in other microfinance sectors around the world.

Create incentives for innovation. Training in conjunction with limited follow-up technical assistance in new product development has proven unsuccessful in encouraging more than just a few institutions to develop and test new products and technologies. Providing MFIs with tailored, on-going technical assistance in new product development and with in-kind financial assistance, through an Innovation Fund, may be a better approach.

Pick the winners. Focusing limited project resources on the institutions that are best positioned to increase outreach and deliver quality services efficiently to the economically active poor proved to be a sound strategy. FINNET selected as its ten key partners those institutions capable of reaching increasingly larger numbers of clients. They typically are institutions with dedicated and transparent management, willing to follow microfinance best practices and work collaboratively with the technical assistance team.

But don't ignore the rest. The project made available limited access to direct technical assistance and training to other interested MFIs, recognizing that some of these institutions were serving poorer and more vulnerable clients in areas not served by the key partners.

Do not resuscitate. All institutions do not need to survive, in order for the Haitian microfinance sector to be robust and dynamic. Stronger institutions can absorb the clients of weaker institutions that are inefficiently serving small numbers of clients. FINNET worked with MEDA and FONKOZE to transfer MEDA's clients to FONKOZE, when MEDA closed microfinance operations in Haiti.

There is no such thing as a free lunch. In return for technical assistance and financial support, institutions need to be held accountable to agreed-upon performance standards. If an institution does not meet the standards, then it should not continue to receive assistance. FINNET required key partner institutions to sign memoranda of understanding with the project, agreeing to supply indicator information on a specified schedule and follow microfinance best practices.

Wanted: Dedicated leaders. Institutional leadership is imperative. It is the single most important factor contributing to the successful implementation of the technical assistance interventions and increased institutional performance and growth. In those cases where management commitment to microfinance waned, FINNET found it wise to divert resources to other institutions more interested in improving their microfinance operations. A project can do little to improve an institution led by a disinterested or uncooperative management team.

Reinforce institutional infrastructure. Many MFIs need more than technical assistance and training. These institutions needed capital equipment, including computers, Internet infrastructure, and generators—items not generally covered by a technical assistance project but frequently necessary to manage operations effectively. This need was greater for those institutions without key international stakeholders willing to provide the financial resources to build the capital infrastructure of their Haitian partners. FINNET used the IBA to partially-finance capital equipment purchase and installation.

It is never too early to plan your exit. As a program exit strategy, FINNET supported the formation of ANIMH and transferred key activities to the association. In order to ensure a smooth transfer and to encourage the MFIs to see ANIMH as a membership organization capable of delivering many of the services offered by FINNET, FINNET and ANIMH worked together to plan the transition and to host certain activities during the last year and a half of the contract.

Build local service delivery capacity. The market for support services in Haiti is not well-developed, with only CEGAC, AGIR, GRAFIN, and a few others capable of delivering quality services to MFIs. MFIs are not in the habit of procuring and paying for the needed services directly, covering the full-cost of the services. To encourage market development, program activities need to facilitate the provision of services to MFIs by local providers by having the MFIs interview, evaluate, and select the providers, support the capacity-building of these providers, and only cover part of the cost.

ADMINISTRATIVE AND CONTRACTUAL LESSONS LEARNED

Follow USAID's reporting schedule. Performance indicator information should be annualized based on the USAID year rather than on the project year, making it easier for USAID/Haiti to report to USAID/Washington.

IBA = flexible. The IBA was not a separate grant fund but rather a line item in the program budget. This made it easier for USAID to approve the movement of money from a budget line item (where the funds were not going to be spent) to the IBA line item, where they were needed.

An in-country Contracts Officer is best. Having a contracts officer based in-country facilitates the approval process and the implementation of technical activity. For the last few years of the FINNET contract, a permanent contracts officer with signatory authority did not reside in-country. Not having someone in-country will slow down the approval process. However, because of the involvement and dedication of FINNET's Cognizant Technical Officer, Eunice Irizarry, who remained in frequent contact with the project and with whomever and wherever the Contracts Officer was at the time, FINNET did not experience many major contractual delays.

INTRODUCTION

From inception on April 1, 2000 until contract end on March 31, 2006, Financial Services Network for Entrepreneurial Empowerment (FINNET), a project financed by USAID and managed by Development Alternatives, Inc (DAI), provided tailored and in-depth technical assistance and support to Haitian microfinance institutions and other industry players to facilitate the development of the microfinance sector in Haiti in order to improve and expand the delivery of financial services to the economically active poor. As a result of this work, at the time of contract end, the Haitian microfinance industry was expected to consist of several operationally and financially sustainable MFIs capable of serving large numbers of entrepreneurs throughout the country.

FINNET was to build upon the progress made and successes achieved by the Program for the Recovery of the Economy in Transition (PRET), the microfinance support project financed by USAID and managed by Development Alternatives, Inc. (DAI) from September 1, 1995 until March 31, 2000. The progress made under PRET was achieved primarily through the introduction of best practice methods for group and individual microfinance to a well-chosen selection of Haitian microfinance organizations.

At FINNET project start, the Haitian microfinance sector faced a new series of challenges.

- **Managing Growth.** With select MFIs possessing a few thousand clients each and some with multiple points of service, the institutions, in order to better manage their growth, required skills in organizational design, human resource development, systems, policies and procedures, and financial and strategic planning.

- **Achieving Sustainability.** Sustainability was more an abstract concept than a real concern for most MFIs. Institutions needed to understand that sustainability is a key part in any institutional growth strategy, requiring that MFI managers view their organizations as true financial institutions concerned with improving profitability, protecting capital, and covering the cost of funds to expand outreach.

- **Expanding and Diversifying Outreach.** Microfinance provision remained primarily urban and oriented to commerce and services.

- **Creating a Supportive Microfinance Industry.** The microfinance sector in Haiti was a relatively young industry composed of primarily retail units operating more or less independently of one another and lacking the industry support infrastructure, such as credit reference systems, service providers, and performance benchmarking, necessary to support institutional growth and efficiency.

To address these challenges and to achieve results, USAID designed and implemented program interventions in two main areas:

- **Microfinance Institution Strengthening**—to build and further develop the capacity of the microfinance institutions in the areas of financial management and accounting; internal controls, audit, and supervision; business planning and financial projections; information technology; market research and marketing; and product development.

- **Microfinance Industry Building**—to establish and/or support the development of the infrastructure necessary to advance a sustainable microfinance sector by promoting information sharing and networking among institutions; developing common performance standards; establishing credit reference systems; and formalizing a microfinance association.

Over the past six years, FINNET's interventions have evolved to reflect the developmental level of the sector and the specific MFI needs. During the first year of the project (April 2000 to March 2001), the project team worked to put in place the technical assistance strategies outlined in the 5-year project work plan. The team conducted institutional evaluations, selected key partners, and developed institutional action plans. The team began to lay the groundwork for some of the more prominent industry building activities, such as the Indicators Working Group and the Bad Debtors List Exchange.

The activities for the period April 2001 to March 2002 concentrated, for the most part, on addressing the specific institutional development needs identified by the key partners.

During the third year (April 2002 to March 2003), the team built upon progress made during the first two years, adding to the list of key partners, continuing the provision of direct technical assistance to these institutions, and promoting the message of sustainability.

Year four (April 2003 to March 2004) was a year marked by the formation and institutionalization of l’Association Nationale des Institutions de Microfinance d’Haiti (ANIMH), the National Association of Microfinance Institutions in Haiti.

From April 2004 to March 2005, FINNET continued to support ANIMH and provided technical assistance to MFI partners. The project expanded and refined the MFI Core Training Curriculum, by introducing eight new courses and by adapting a number of Port-au-Prince based training courses to the specific needs of the MFI staff in the provinces.

During the sixth and final year of the project, FINNET focused on the transfer of certain FINNET-managed activities, including the Bad Debtors List Exchange, Indicators Working Group, resource center, and MFI training curriculum, to ANIMH.

The total contract value for FINNET was $ 11,975,405 for the base contract and one-year option, of which USAID allocated a total of $9,463,000 to FINNET. Of the allocated funds, the project used $9,253,010, of which $591,175 was disbursed in the form of institution building financial assistance awards (IBA).

Because of the significant amount of resources USAID allocated to the development of the Haitian microfinance sector, it is worthwhile to examine the impact that this investment has had. This report analyses the impact FINNET activities have had on the microfinance institutions and on the microfinance industry and describes in greater detail the progress of select key project interventions, such as the formation of ANIMH, the creation of the Bad Debtors List Exchange, and the development of the microfinance training program/curriculum.

Final results reported were obtained at the end of December 2005, unless otherwise noted. All monetary amounts are in gourdes. The exchange rate at the end of 2005 was approximately 43 gourdes to the dollar.

MICROFINANCE INSTITUTION STRENGTHENING: IMPACT ON MICROFINANCE PARTNERS

One of FINNET's principal objectives was to work with institutions to expand financial services in secondary cities and other underserved regions, adopt best practice methods, and move toward financial sustainability. To meet this objective, FINNET designed and implemented a program of technical assistance interventions, training, and financial assistance for both cooperative and non-cooperative MFIs.

FINNET MICROFINANCE PARTNERS

Recognizing that with limited resources the project would not be able to provide customized programs for institutional development to all institutions, FINNET selected a core group of non-cooperative MFIs to receive extensive, tailored assistance. However, to ensure that all institutions could access FINNET services and expertise, the project made limited services and training available to other interested MFIs. The tiered system of technical assistance delivery and the partners receiving assistance under each tier are described later in this section of the report.

Because of the important role that caisses populaires (financial cooperatives/credit unions) play in the provision of credit and savings services to large numbers of economically active Haitians outside of Port-au-Prince, FINNET, working through Développement international Desjardins (DID), delivered a separate program of technical assistance to nineteen caisses in the Southeast, South, and Northwest regions.

KEY MICROFINANCE PARTNERS (TIER ONE)

Key partner institutions are those microfinance institutions that are considered to be most capable of attaining financial sustainability and who have demonstrated a commitment to following global microfinance best practices. Each key partner received a focused package of technical assistance interventions, based on the institution's agreed upon individualized work plan with FINNET and tailored to the needs and absorptive capacity of the institution. The FINNET Manager of Technical Services, in collaboration with the management of the key partner MFI, developed these individualized work plans on an annual basis. As a key partner, the institution could access financial assistance for materials and equipment and consulting services through the Institution Building Financial Assistance Award Fund (IBA).

Over the contract period, the list of key partners did not remain static. In 2001, the list included five institutions, of which four were non-bank MFIs—ACLAM, ACME, COD/EMH, and MEDA—and one was a bank, BUH. Table 1 shows the complete list of key partners from project inception to project close. It is important to note that MEDA closed its microfinance program in Haiti on June 30, 2004. With assistance from FINNET, MEDA transferred part of its portfolio to another MFI, Fonkoze. On July 1, 2004, Fonkoze split its operations into two separate entities—Fonkoze Foundation and Fonkoze Financial Services. FINNET recognized the organizations as separate entities, each with its own management, and planned technical assistance interventions accordingly.

TABLE 1: LIST OF KEY FINNET PARTNERS FROM 2000 TO 2006

Year Partnership Started	Microfinance Institution	Status
2001	ACLAM	Operational
	ACME	Operational
	BUH	Operational
	COD/EMH	Operational
	MEDA	Closed
2002	FONKOZE	Operational
	MCN	Operational
	FHAF	Operational
2004	SOGESOL	Operational
	FINCA	Operational

FINNET selected a wide range of key partners, subscribing to a variety of legal statuses, offering a range of financial services in a wide geographic area, and following different lending methodologies. Table 2 illustrates the differences among the institutions and the scope of their activities.

TABLE 2: PROFILE OF KEY PARTNERS—NON-FINANCIAL INFORMATION

Institution	Program Inception	Legal Status	Methodology	Areas of Operation	Financial Services
ACME	1997	Non-profit association	Individual Credit	West (Port-au-Prince)	Credit
ACLAM	1990	Non-governmental Organization (NGO)	Village Banking	South, West, North-West, North	Credit
BUH	1997	Commercial Bank	Individual Credit	South, West, Artibonite, North-West, North, North-East	Credit
COD/EMH	1992	Religious Institution	Village Banking	Grande-Anse, South, West, North	Credit, Savings, Microinsurance
FHAF	1982	NGO	Individual Credit	West, South, South-East	Credit
			Credit Mutuals		
FINCA/ HAITI	1989	NGO	Village Banking	South, North-East	Credit

Institution	Program Inception	Legal Status	Methodology	Areas of Operation	Financial Services
FONKOZE	1994	Foundation	Solidarity Groups	North, North-East, North-West, South, South-East, Artibonite, Grande-Anse, West	Credit, Savings, Currency Exchange, Transfer
			Individual Credit		
MCN	1999	Corporation	Individual Credit	South, South-East, West, Artibonite, North-West, North	Credit
SOGESOL	2000	Corporation	Individual Credit	West, Artibonite, North-West, North	Credit, Savings

SECONDARY PARTNERS (TIER TWO)

Secondary or Tier Two partners are those institutions that received assistance in specific areas on a case by case basis, depending upon the availability of project funds. The project did not develop detailed annual work plans for these institutions. These institutions could submit proposals to the IBA for consideration. Table 3 provides a brief overview of these partners.

TABLE 3: PROFILE OF SECONDARY PARTNERS

Institution	Program Inception	Legal Status	Methodology	Areas of Operation	Financial Services
Fondespoir	1992	NGO	Village Banking, Individual Credit, Solidarity Groups	West, Artibonite	Credit
GRAIFSI	1995	Non-profit association	Village Banking, Credit Mutuals, Individual Credit	West, South-East, South, Grande Anse, North, North-East	Credit
GTIH	1995	Non-profit association	Individual Credit	West	Credit
ID	1998	NGO	Individual Credit	West	Credit
Micro Crédit Capital	2003	Bank	Individual Credit	West	Crédit
SADA	2000	NGO	Village Banking	West	Credit
World Relief/FEMA (previously MED)	2000	NGO	Village Banking	West	Credit

GENERAL PARTNERS (TIER THREE)

The institutions that fall into this category are those that participated in the industry building activities—such as the leadership forums, national conference, Indicators Working Group and Bad

Debtors Exchange—and training sessions organized by FINNET. These institutions did not receive direct technical assistance from the project. General partners include: Catholic Relief Services (CRS), BPH, and Concern Worldwide. Catholic Relief Services does not directly operate a microfinance program in Haiti; rather, the organization provides support to a network of CARITAS programs that deliver microfinance services. Concern Worldwide, like CRS, does not directly operate a microfinance program. Instead, Concern provides funding and support to existing MFIs, including Fonkoze.

CAISSES POPULAIRES PARTNERS

FINNET engaged the services of Développement International Desjardins (DID), a Canadian organization that supports the development of credit unions worldwide, to provide a package of technical assistance to nineteen caisses populaires in the South East, South, North West, and Les Nippes. A more detailed description of the activities undertaken by DID and their accomplishments in the credit union sector is included in DID's final report, submitted under separate cover.

INSTITUTIONAL STRENGTHENING

ORGANIZATIONAL DEVELOPMENT TECHNICAL ASSISTANCE

FINNET provided high quality technical assistance in the area of organizational development and capacity building to those microfinance institutions considered most capable of attaining financial sustainability and demonstrated a commitment to microfinance best practices. As previously mentioned, Tier One and Tier Two partners were eligible for direct technical assistance, but the amount and extent of the assistance depended upon whether the recipient MFI was Tier One or Tier Two.

FINNET, through our experiences working with various institutions on different technical assistance interventions, has learned that the following four "practices" are critical to the success of the technical assistance interventions:

- The institution and the FINNET team must jointly identify the technical assistance needs and the corresponding interventions.
- The consultant, either local or international, charged with providing assistance to the institution should possess the correct mix of technical and language skills and should understand the environmental constraints affecting MFIs in Haiti.
- The timing and sequence of technical assistance interventions should be based on the institution's absorptive capacity and priorities.
- Results of each intervention need to be monitored, in order for FINNET to evaluate the success of the intervention and to determine the next course of action or follow-on activity.

Six key technical assistance areas focused on by FINNET during the contract period were: 1) Human Resource Management; 2) Internal Controls/Risk Management; 3) Marketing Research and New Product Development; 4) Strategic Planning; 5) Installation of Communications Infrastructure; and 6) Accounting and Financial Management; and 7) External Audit. FINNET provided other technical assistance interventions to partners on an as-needed basis. Table 4 lists these interventions.

Human Resource Management

MFIs must have qualified and motivated staffs in order to reach an acceptable level of institutional development and outreach. Proactive human resource management (HRM) should be a priority for all MFIs as they seek to professionalize and formalize operations. MFIs must incorporate a well-defined HRM strategy, including an implementation plan and budget, into their overall business and strategic plans.

To support MFIs to address these needs, FINNET conceived an HRM initiative, launched in Year 4. This initiative focused on three priority areas:

- Human Resource Strategy, Planning and Organization
- Human Resource Administration, Policies, and Procedures
- Human Resource Acquisition, Training and Development

FINNET's approach to helping Haitian MFIs strengthen their human resources functions involved four steps:

- Delivered a one-day workshop to introduce MFIs to the strategic importance of HRM and to briefly describe the components of HRM;
- Conducted diagnostics of the HRM functions of three key partners—ACME, Fonkoze, and MCN—competitively selected through an Request for Application process and developed technical assistance action plans with these institutions based on the results of the diagnostics;
- Provided tailored and targeted technical assistance, based on these action plans; and
- Offered a full-week course on HRM for HR managers.

As a result of FINNET's HRM initiative, Fonkoze, ACME, and MCN improved their HR functions, hiring appropriate HR staff, revising and implementing HR policies and procedures, and establishing salary scales and recruitment procedures. FINNET trained directors and key HR personnel from a wide range of institutions in basic HR management topics, including recruitment, orientation, performance evaluation, job analysis, and staff development.

Internal Controls/Risk Management

FINNET implemented activities aimed at enhancing the internal controls and risk management of MFIs. FINNET delivered the CGAP course on Risk Management and Internal Controls to all partner MFIs, developed a guide to internal controls, and provided MFIs with training on how to use this guide to put in place an internal controls program.

This guide provided a comprehensive description of the internal controls review process, such as how to select an appropriate sample, what types of organizational resources and documentation are required, how to utilize the questionnaire tool to document findings, and how to analyze the results and draft recommendations. Any MFI using the guide was able to:

- Define and understand the role and the importance of putting in place internal controls and risk management policies and procedures;
- Identify and evaluate the adequacy of internal control risks within their institution;
- Monitor and provide an independent assessment of their institution's compliance with established policies and procedures; and

- Identify risks in a timely manner and develop plans for corrective action.

Also, FINNET provided direct technical assistance to FHAF, ACME, and MEDA, conducting internal controls diagnostics of these institutions and proposing recommendations for improvement. FINNET worked with MEDA to develop an internal controls manual and a village bank audit tool.

Although many MFIs still need assistance in this area, all now recognize the importance of strong internal controls and risk management, and the majority has made significant improvements in this area.

Marketing Research and New Product Development

As institutions grow and evolve and as competition increases, it becomes increasingly important for institutions to understand their clients and to design new products to meet their clients' needs.

FINNET offered two sessions of the Microsave Marketing Research Course—Market Research for Microfinance—to partner institutions and sent trainers to a training of trainers program in Senegal for training on the CGAP New Product Development course. Furthermore, the project worked with ACLAM to conduct market research and a client satisfaction survey, provided advice to Fonkoze on the development of an individual credit product, co-financed the development and implementation of COD/EMH's micro health insurance pilot, and helped BUH design an education loan product.

Strategic Planning

Strategic planning—the process by which an institution plans for its future and develops the necessary procedures and operations to achieve that future—is imperative for an institution's long-term viability. The strategic planning process enables an MFI to outline its mission and objectives, assess it strengths and weaknesses, identify opportunities and threats, and develop strategies for achieving the stated objectives.

FINNET discovered that most MFI partners did not have detailed, well-conceived strategic plans. Moreover, these institutions often did not have a systematic process by which the plan is developed, updated, and refined to reflect changing external and internal factors. To build local capacity to provide strategic planning services, FINNET sent three trainers to CAPAF, CGAP's training center in Senegal, to complete a training of trainers program on the Strategic and Business Planning (MICROFIN) course. These trainers returned to Haiti to train key staff in FINNET's partner institutions in strategic planning and financial modeling. In addition, FINNET staff and consultants advised select institutions on how to develop strategic plans.

Management Information Systems (MIS) and Installation of Communications Infrastructure

FINNET worked with partner institutions to select and procure appropriate management information systems to manage the institutions' accounting and portfolio information. Accounting and portfolio tracking systems were selected based on the size and level of development of the institution, cost, and availability of in-country technical support. In some cases, FINNET helped key partner institutions partially cover the cost of the accounting and/or portfolio tracking systems with IBA funds. After the selection and procurement process was completed, FINNET installed and configured the systems and trained key staff on the systems' features and usage.

Fonkoze, ACLAM, ID, Fondespoir, COD/EMH, ACME, World Relief/FEMA, Graifsi, GTIH, and FHAF all now have in place the MIS required to generate financial reports needed for effective management.

MFIs in Haiti recognized the importance of sharing financial data between their branches and headquarters on a real-time basis and asked FINNET to help them finance the installation of robust communication systems and the development of inter-branch networks. Without such systems, information flowed very slowly from one branch or office to another and without access to timely information, institutions could not make wise business decisions in an efficient manner. FINNET staff worked with the interested partners to determine their communications needs and to identify appropriate systems and configurations to meet those needs. Through the IBA, FINNET was able to assist several MFIs with installation of communication infrastructures, covering part of the cost of the labor and equipment. FINNET expected the MFIs to cover the full cost of the Internet Service Provider.

Because of FINNET financial and technical assistance, MCN, ACME, Graifsi, ID, and ACLAM all now possess Internet-connectivity, and the majority of these MFIs can upload and download financial data from the branch offices to the headquarters through this Internet connection.

Accounting and Financial Management

To increase growth, outreach, and performance of MFIs, FINNET aimed to improve the financial management and accounting practices of partner MFIs. Through FINNET's subcontractor AGIR, MFIs received guidance: on 1) establishing accounting policies and procedures; 2) developing accounting and credit manuals; 3) preparing standardized financial statements for management and board review; 4) conducting financial statement and ratio analysis to improve management and board decision-making; and 5) strengthening the accounting function by building an accounting department and training staff.

The project realized very early on that many accountants and financial managers lack the basic skills needed to be effective at their jobs and that on-the-job training provided by their institutions was, most often, insufficient to improve their ability. To address this need, FINNET offered several training sessions on Accounting for Microfinance and Financial Management, which are both part of the CGAP training curriculum, to accountants and financial managers from a wide range of MFIs. Also, the project provided tailored in-house training to MFI staff involved in the accounting function.

As a result of these interventions, the project improved the accounting and financial management functions of FHAF, Graifsi, World Relief/FEMA, GTIH, Fondespoir, COD/EMH, ACLAM, ACME, and SADA.

External Audit

External audits—the examination and review of financial records, transactions, systems and controls by professional accountants in accordance with generally accepted auditing standards—provide independent confirmation of the validity of the information, and the systems that produce it. Until recently, MFIs have tended to scrutinize their activities using assessments and project evaluations rather than external audits.

Recognizing the growing importance of external audits and the lack of preparedness of MFIs and audit firms, FINNET and Freedom From Hunger (FFH) joined together to launch a series of technical support activities.

FINNET and FFH felt that a collaborative effort would ensure a high-quality financial systems review of the partners and would facilitate the creation of a market for MFI audits in Haiti. Together, the two technical assistance providers outlined a framework for the external audit process, drawing on CGAP's "External Audits of Microfinance Institutions: A Handbook" and the experience of consultants in the field. The year-long initiative involved four major phases of technical assistance:

- **Pre-audit preparation** – outlining terms of reference, holding individual meetings with potential Haitian audit firms, engaging an international expert to conduct workshops for audit firms and the MFIs, and developing resource materials.
- **Technical assistance to MFIs to prepare for the audit** – reviewing accounting systems, raising awareness about internal control procedures, and assisting with the organization and classification of documents.
- **Support during the audit process** – answering questions on best practices for both the MFIs and audit firms, and ensuring that draft reports were discussed with the MFIs.
- **Post-audit activities** – debriefing with audit firms and MFIs, and providing technical assistance in implementing the recommendations issued by the auditors.

Three MFIs underwent their first external audit exercise in 2002. FINNET covered part of the cost of the first audit, and over the remaining contract period, FINNET continued to provide a partial subsidy to those MFIs interested in receiving subsequent external audits.

Based on this experience, FINNET and FFH wrote and distributed a technical note geared toward technical assistance providers and donors planning to support external audits for microfinance.

TABLE 4: TYPES OF TECHNICAL ASSISTANCE AND RECIPIENT ORGANIZATIONS

Type of Technical Assistance	Recipient Organizations
Human Resource Management	ACME, MCN, FONKOZE,
Internal Controls	FHAF, ACME, MEDA,
External Audit	COD/EMH, ACLAM, ACME, FONKOZE
Internal Staff Training	COD/EMH, FONKOZE, ACLAM, MEDA, FHAF, BUH,
Accounting/ Financial Management	FINCA, FODEPE, ACLAM, ACME, COD/EMH, FONKOZE, World Relief, SADA, FHAF, MEDA, GTIH, GRAIFSI
Client Satisfaction Survey	ACLAM
Strategic and Business Planning	MEDA, Fondespoir, FONKOZE
Development of Operational, Accounting, Credit Manuals	MEDA, SADA, ID, World Relief/MED, GTIH, GRAIFSI, FHAF, COD/EMH, ACLAM
Evaluation of an HIV/AIDS Training Module	FONKOZE
Due Diligence/ Preparation for Merger	MEDA, FONKOZE
Development of New Products	FONKOZE (individual credit), BUH (return to school loan product); COD/EMH (micro health insurance)
Delinquency Management and Loan Recovery	BUH

Type of Technical Assistance	Recipient Organizations
Management Information Systems	World Relief/MED, ID, Fondespoir, ACLAM, FHAF, GRAIFSI, GTIH
Market Research and the Development of New Products	ACLAM, ACME, SOGESOL, BUH, COD/EMH, FONKOZE
Advisory Services for Conversion to Commercial Bank	FONKOZE
Internal Account Review and Restructuring	MEDA
IT Diagnostics	ACLAM, ACME, MEDA
Establishment of Administrative Policies and Procedures	FINCA

Training

Training played a fundamental part in strengthening the MFI capacity. The training program organized by FINNET included three types of training:

- Technical training on topics relevant for MFI personnel and designed to build capacity in financial management, accounting, human resource management, delinquency management, etcetera;
- General training on the principles and practices of microfinance, including lending methodologies, the evolution of microfinance, and the history of microfinance in Haiti, offered to MFIs and others involved in the sector as a way of encouraging adherence to microfinance best practices; and
- Business skills training not specifically related to microfinance, designed to improve skills in time management, effective leadership, team-building, and oral communication and presentation.

Over the course of the contract period, the reputation of FINNET as a provider of quality training grew, with the project adding new courses to the growing curriculum each year. Table 5 lists all of the courses offered by FINNET.

TABLE 5: FINNET MICROFINANCE CURRICULUM

	Course Title
1	Fundamental Principles of Accounting for Microfinance (CGAP)
2	Delinquency Management (CGAP)
3	Financial Analysis for Microfinance (CGAP)
4	Interest Rate Setting (CGAP)
5	Risk Management and Internal Controls (CGAP)
6	Business Planning and Financial Projections—MICROFIN (CGAP)
7	Management Information Systems (CGAP)
8	New Product Development (CGAP)
9	Basic Credit Principles (I)

	Course Title
10	Basic Credit Principles (II)
11	Portfolio Supervision
12	Introduction to Microfinance
13	Village Bank Methodology: Introduction to the Original Model and Adaptations
14	NGO Transformation: Commercialization of Microfinance
15	Microfinance and Environmental Management
16	Microfinance and HIV/AIDS
17	Effective Leadership
18	Time Management
19	Organizational Change and Team-Building
20	Communication
21	Oral Presentation
22	Principles of Adult Education
23	Marketing and Client Management
24	Customer Service
25	Human Resource Management
26	Basic Computer Skills—Microsoft Word, Excel, Powerpoint, Access
27	Web-site Development and Maintenance
28	Introduction to Windows

What started out as a training program only open to key partners became a training program open to all industry participants by contract end. In total, FINNET organized 232 learning events (including training sessions, seminars, workshops, and forums), for over 3818 participants.

Through satellite offices in Cap-Haitian and Les Cayes, FINNET was able to train MFI personnel who would not ordinarily have access to the training offered by the project in Port-au-Prince. Also, the project offered MFI personnel access to alternative training sites by sponsoring (through the IBA) participation at international training programs, such as the Boulder Microfinance Program and the Microenterprise Development Institute in New Hampshire.

Although FINNET offered most training sessions to participants from a wide variety of institutions (which is one way to encourage networking and shared-learning), FINNET learned that, in order to make an impact within an institution, it is sometimes necessary to offer an individualized training session for staff of that institution only. For example, the project designed and delivered a one-day training session on NGO Transformation to all Fonkoze employees in connection with the institution’s transformation from foundation to financial services company.

Wherever possible, FINNET contracted local consultants to develop and deliver the training materials. Furthermore, FINNET built local resource capacity to deliver training by sending local trainers (two from GRAFIN, one from AGIR, and one from FINNET) to CAPAF training of trainers programs in Senegal to become certified to deliver select CGAP courses in Haiti. At project end, the four certified Haitian trainers remain available to provide training to MFI personnel, either through an arrangement with ANIMH or directly to the requesting MFI.

Institution Building Financial Assistance Award Fund

FINNET established the Institution Building Financial Assistance Award fund (IBA) to provide financing for:

- Commodities and non-expendable equipment expenditures for qualified MFIs that will enable specific institution building activities;
- Payment of services that contribute in a specified manner to developing a qualified institution's capacity or the capabilities of its senior and mid-level staff; and
- Payment of goods or services linked to one of FINNET's industry building initiatives.

Upon invitation by FINNET, the applicant submitted a written request, including a description of the proposed activity, an explanation of how the activity will strengthen the institution's operations, timing of the activity, and amount of funding requested, which was not to exceed $25,000. FINNET evaluated the requests based on: 1) the contribution of the funded activity to advancing the institution's capacity building; 2) cost effectiveness; and 3) the degree to which the activity complemented FINNET's program goals and objectives.

Table 6 contains a list of all the organizations that have received financial assistance through the IBA, the amount of the award, and the type of assistance financed. It is important to note that, in some cases, the actual disbursements differ slightly from the award amounts. Award amounts are based on estimated costs, whereas disbursed amounts are based on actual costs at the time services were rendered or equipment was procured. The total amount awarded was $365,259 and disbursed was $344,711.

TABLE 6: SUMMARY OF INSTITUTION BUILDING FINANCIAL ASSISTANCE AWARD FUND AWARDS

Award No.	Institution	Description	Award Amount
1	BUH	Attendance at the Challenges to Commercialization Conference in Washington, D.C.	$1,816.00
2	COD/EMH	Attendance at the Challenges to Commercialization Conference in Washington, D.C.	$3,632.00
3	Fonkoze	Attendance at the Challenges to Commercialization Conference in Washington, D.C.	$3,632.00
4	MEDA	Attendance at the Challenges to Commercialization Conference in Washington, D.C.	$1,816.00
5	COD/EMH	Attendance at Boulder 2001 Microfinance Training Program	$8,000.00
6	FODEPE	Attendance at Boulder 2001 Microfinance Training Program	$8,000.00
7	MEDA	Attendance at Boulder 2001 Microfinance Training Program	$24,000.00
8	COD/EMH	Purchase of ACCPAC and Related Hardware (Accounting)	$8,664.00
9	ACME	Purchase of Network Server and Inverter	$9,870.00
10	ACLAM	Technical Assistance with Solomon IV (Accounting)	$3,420.00

Award No.	Institution	Description	Award Amount
11	Fonkoze	Payment for External Audit	$9,975.00
12	ACME	Purchase and Installation of Loan Performer (Loan Portfolio Tracking)	$1,251.00
13	MEDA	Financial Assistance for Internal Account Re-engineering	$10,000.00
14	Fonkoze	Market Study Assistance	$2,500.00
15	Fonkoze	Purchase of Servers for Branch Offices	$18,000.00
16	Fonkoze	Business Plan Preparation	$7,500.00
17	Fonkoze	Study Tour to London to Visit Emerge	$3,300.00
18	MEDA	Attendance at Boulder 2002 Microfinance Training Program	$8,500.00
19	BUH	Attendance at Microbanking 2002 Seminar	$8,000.00
20	ACME	Attendance at Microbanking 2002 Seminar	$8,000.00
21	FHAF	Attendance at Microbanking 2002 Seminar	$8,000.00
22	MCN	Training Program on New Product Development	$1,650.00
23	ACME	Assistance with Payment for External Audit	$10,832.00
24	MEDA	Partial Payment of Communication and Change Management Training	$2,523.00
25	MCN	Purchase of Inverter	$6,600.00
26	Fonkoze	Training on eMerge Core Banking System	$18,000.00
27	Fonkoze	Installation of eMerge	$12,000.00
28	MCN	Training and Technical Assistance for MCN's Accounting and Finance Department	$4,000.00
29	ACME	Partial Funding of Microfinanza Rating	$3,800.00
30	GTIH	Attendance at Boulder 2003 Microfinance Training Program	$8,688.00
31	ACLAM	Payment for External Audit	$8,500.00
32	Sogesol	Attendance at Bank Akademie Training, Germany	$8,000.00
33	MCN	Attendance at Boulder 2003 Microfinance Training Program	$8,688.00
34	MCN	Installation of Communication Equipment (Satellite)	$6,864.10
35	ACME	External Audit	$13,404.00
36	ACLAM	Installation of Communication System	$13,694.00
37	FHAF	MIS Installation	$21,756.00
38	Sogesol	Participation at New Hampshire MICROFIN Course	$6,500.00
39	MCN	Attendance at Boulder 2004 Microfinance Training Program	$8,688.00
40	ACME	Attendance at Boulder 2004 Microfinance Training Program	$8,688.00

Award No.	Institution	Description	Award Amount
41	ACME	Installation of Telecommunications Infrastructure	$20,139.00
42	ID	Installation of Telecommunications Infrastructure	$2,409.00
43	Graifsi	Installation of Telecommunications Infrastructure	$11,960.00
Total Amount Awarded			$365,259.10

Helping Microfinance Institutions to Rebuild and Resume Operations in the Aftermath of Hurricane Jeanne

On September 18, 2004, Hurricane Jeanne inundated Haiti's northern region, leaving Gonaives, the hardest hit city, and the surrounding area under almost 10 feet of water. The flooding claimed more than 1,900 lives and left more than 300,000 homeless.

The impact of this type of disaster on small business owners and farmers is obvious and well-documented. Less obvious is the trickle-down effect such an event has on MFIs that support this population. Small business owners depend on MFIs, which are often their only access to much needed financial services, including working capital loans. When an MFI's clients are unable to repay their loans—because their businesses or homes have been destroyed or their health costs have increased dramatically—or when the institution itself has suffered extensive damage, the MFI faces the risk of significant write-offs and shortages of capital for re-lending, leaving its employees and clients in a precarious situation.

On October 1, 2004, the National Association of Microfinance Institutions in Haiti (ANIMH) Board of Directors and FINNET called a meeting with the hurricane-affected MFIs to ascertain the extent of the damage and their losses. Six FINNET partner institutions—ACLAM, BUH, Fonkoze, Fondespoir, MCN, and Sogesol—are dealing with the aftermath of Jeanne, having experienced major equipment losses and serious damage to their branch offices in the amount of approximately $250,000. About 42 employees lost their homes and belongings, and many were unable to return to work immediately. Early estimates revealed that about 5,542 clients would be unable or hard-pressed to repay their debts, which could amount to $1.6 million in capital losses for the institutions.

During a briefing with USAID on October 4, 2004, USAID agreed to provide FINNET with funding to help the affected MFIs reestablish their offices and operations. Together, USAID and FINNET identified the IBA as a mechanism to respond rapidly to the needs of the MFIs affected by the flooding.

Through the IBA, USAID and FINNET channeled to the MFIs the approximately $250,000 required to purchase replacement equipment and motorcycles and to hire contractors to repair and rebuild damaged premises. It is important to note that the MFIs could not use the IBA as a way to recapitalize their loan portfolios. Table 7 lists the amount disbursed per institution and the cost of transportation and delivery. Because FINNET did not pay for transportation and delivery on an individual, institutional-basis, but rather as a group, the project kept these charges separate. Including all purchases and the cost of transportation and delivery, FINNET disbursed $246,462.65.

TABLE 7: INSTITUTION BUILDING FINANCIAL ASSISTANCE AWARD FUND—HURRICANE JEANNE

Recipient Institution	Amount Disbursed
Fonkoze	$57,756.41
MCN	$26,534.59
BUH	$51,917.53
ACLAM	$60,402.61
Fondespoir	$37,632.51
Transportation and Delivery Charges	$12,219.00

In August 2005, FINNET submitted to USAID/Haiti a separate report containing the list of institutional awards for the MFIs affected by Hurricane Jeanne and the items purchased for and delivered to these institutions.

IMPACT OF INSTITUTION STRENGTHENING INTERVENTIONS ON MICROFINANCE INSTITUTIONS

OVERVIEW OF RESULTS FOR NON-COOPERATIVE MFIS

- FINNET-supported MFIs **offer a wide range of financial services**, including credit, savings, currency exchange, and wire transfer services, to the working poor **in all Departments** in Haiti—West, South, South-East, North, North-East, Grande-Anse, and Artibonite.
- The combined number of **clients with loans for all key partner MFIs increased by 74,275, from 17,839** at the end of March 2001 **to 92,114** at the end of December 2005.
- The combined **portfolio value for all key partners grew from 129,014,429 gourdes** at the end of year one **to 1,252,497,202 gourdes** at the end of December 2005.
- Women are gaining increasing access to financial services. For the four key partner MFIs participating in the program at the end of year one, the average percent of female credit clients was 73.75%. By the end of December 2005, **the average percent of female clients for the eight partner MFIs supplying this data was 81.68 %**.
- By the end of 2005, **five tier one partners achieved Operational Self-Sufficiency** and **three reached Financial Self-Sufficiency**.
- Despite a politically and economically volatile environment, five of the ten current key partners reported a lower Portfolio at Risk (+30 days) for December 31, 2005 than for March 31, 2001. **Five MFIs reported PAR at less than 8 %.**
- As a result of FINNET technical assistance, **three key partners formalized their human resource departments**, hiring appropriate HR staff, revising and implementing HR policies and procedures, and establishing salary scales and recruitment procedures.
- Over **3818 participants** attended the **232 learning events** delivered and/or funded by FINNET.

- **Four MFIs underwent external audits in 2002**, as part of the FINNET-funded external audit program. All four saw the relevance of external audits because of this intervention, and consequently, underwent subsequent external audits over the remaining contract period.
- FINNET assisted Fonkoze, ACLAM, ID, Fondespoir, COD/EMH, ACME, World Relief/FEMA, Graifsi, GTIH, and FHAF with the **installation of accounting and/or portfolio tracking systems**. These institutions all have in place the MIS required to generate financial reports required for effective management.
- FHAF, Graifsi, World Relief/FEMA, GTIH, Fondespoir, COD/EMH, ACLAM, ACME and SADA received **assistance to develop accounting policies and procedures manuals**, and key staff within these institutions received training on these procedures.
- As a result of FINNET-funded and provided assistance, MCN, ACME, Graifsi, ID, and ACLAM all **now possess Internet-connectivity**, and the majority of these MFIs can upload and download financial data from the branch offices to the headquarters through this Internet connection.
- With financial assistance through the IBA, **five MFIs reestablished their operations in Gonaives** after Hurricane Jeanne destroyed assets and physical infrastructure.

Key Partners

During the first year of the project, USAID and FINNET decided on a short list of indicators to be furnished by each of the key partners and began collecting these indicators in March 2001. The list of indicators included:

- Number of Clients with Loans
- Value of Portfolio
- Value of Savings
- Annual Loan Loss (%)
- Operational Self-Sufficiency
- Financial Self-Sufficiency
- Portfolio at Risk (1 day)
- Portfolio at Risk (30 days)
- Percentage of Female Clients

The following tables present the indicators for each of FINNET's key partners. One should note that certain MFIs became key partners later in the contract period, and as a result, data for the first few years of the project will not appear in the tables for these MFIs for these years.

TABLE 8: NUMBER OF CLIENTS WITH LOANS

Institution	3/31/2001	3/31/2002	3/31/2003	3/31/2004	3/31/2005	12/31/2005
ACLAM	3,402	5,854	5,407	6,346	7,613	8,337
ACME	2,318	3,900	4,361	6,030	6,974	9,063
BUH	3,690	3,218	1,270	1,619	2,736	3,665
COD/EMH	6,755	8,152	6,526	5,451	5,891	4,359
FINCA	N/A	N/A	N/A	N/A	12,175	13,688
FHAF	N/A	N/A	2,667	3,561	5,279	5,493
FONKOZE	N/A	9,135	11,500	22,125	5,237	10,265
FONKOZE (SFF)	N/A	N/A	N/A	N/A	21,040	20,825
MEDA	1,674	6,337	4,942	1,233	N/A	N/A
MCN	N/A	N/A	3,509	4,925	5,474	8,488
SOGESOL	N/A	N/A	N/A	N/A	7,609	7,931
TOTAL	17,839	36,596	40,182	51,290	80,028	92,114

The data for COD/EMH for March 31, 2002 is from December 31, 2001. The data for Fonkoze and ACLAM for March 31, 2003 is from December 31, 2002. The data for MCN for March 31, 2004 is from December 31, 2003. The data for March 31, 2005 for Sogesol, FHAF, and COD/EMH are from December 31, 2004.

The combined number of clients with loans for all key partner MFIs increased from 17,839 clients at the end of year one to 92,114 at the end of December 2005. The large increase is partly due to the fact that, over the life of the contract, FINNET added additional key partners, capable of achieving sustainability and greater outreach. MEDA's program ended in 2004, transferring all good clients to Fonkoze. For COD/EMH and BUH, the number of clients with loans decreased over the period.[4]

TABLE 9: VALUE OF PORTFOLIO (GOURDES)

Institution	3/31/2001	3/31/2002	3/31/2003	3/31/2004	3/31/2005	12/31/2005
ACLAM	4,554,000	7,086,352	10,842,655	12,698,996	16,511,147	20,877,035
ACME	13,409,000	31,833,282	44,941,986	87,966,996	117,554,830	168,035,519
BUH	96,600,000	82,646,018	27,539,659	55,450,647	103,634,664	136,243,743
COD/EMH	9,821,000	12,570,168	6,996,691	6,589,759	6,206,973	6,798,430
FINCA	N/A	N/A	N/A	N/A	29,999,911	46,455,652
FHAF	N/A	N/A	29,638,941	28,734,003	44,616,217	56,375,732
FONKOZE	N/A	23,496,980	35,985,987	99,873,917	45,254,353	103,829,785

[4] BUH suffered a delinquency crisis in 2002. FINNET worked with BUH management to develop a plan to restructure the microfinance department, restore the proper levels of portfolio supervision and control, and implement an effective program of delinquency management and loan recovery. COD/EMH has experienced high turnover in key management positions, such as that of the executive director, effecting the organization's performance.

Institution	3/31/2001	3/31/2002	3/31/2003	3/31/2004	3/31/2005	12/31/2005
FONKOZE (SFF)	N/A	N/A	N/A	N/A	119,870,640	151,449,503
MEDA	4,630,429	10,631,790	4,319,104	2,191,259	N/A	N/A
MCN	N/A	N/A	123,477,281	239,485,105	231,369,144	315,234,932
SOGESOL	N/A	N/A	N/A	N/A	216,459,784	247,646,871
TOTAL	129,014,429	168,264,590	283,742,304	532,990,682	931,477,663	1,252,497,202

The data for COD/EMH for March 31, 2002 is from December 31, 2001. The data for Fonkoze and ACLAM for March 31, 2003 is from December 31, 2002. The data for MCN for March 31, 2004 is from December 31, 2003. The data for March 31, 2005 for Sogesol, FHAF, and COD/EMH are from December 31, 2004.

Overall, **the combined portfolio value for all key partner institutions grew from 129,014,429 gourdes at the end of year one to 1,252,497,202 gourdes at the end of December 2005**. The addition of new, dynamic key partners over the life of the project can explain this large overall increase. Also, the portfolio values of all MFIs, except MEDA—whose clients became those of Fonkoze when the MEDA program ended—and COD/EMH, increased substantially over the six year period.

TABLE 10: VOLUME OF SAVINGS (GOURDES)

Institution	3/31/2001	3/31/2002	3/31/2003	3/31/2004	3/31/2005	12/31/2005
ACLAM	747,500	N/A	7,277,746	3,346,965	3,942,090	3,175,441
COD/EMH	4,807,000	1,637,584	4,558,380	5,054,539	5,595,659	5,958,680
FINCA	N/A	N/A	N/A	N/A	N/A	19,304,764
FONKOZE	N/A	76,302,954	148,654,520	193,283,490	27,544,236	74,292,152
FONKOZE (SFF)	N/A	N/A	N/A	N/A	198,096,581	247,305,335
MEDA	N/A	N/A	N/A	2,371,102	N/A	N/A
TOTAL	5,554,500	77,940,538	160,490,646	204,056,096	235,178,560	350,036,372

The data for COD/EMH for March 31, 2002 is from December 31, 2001. The data for Fonkoze and ACLAM for March 31, 2003 are from December 31, 2002. The data for March 31, 2005 for COD/EMH is from December 31, 2004.

ACME, BUH, FHAF, MCN, and Sogesol are not permitted to collect savings, which is why these MFIs do not appear in this table. MCN and Sogesol are partly owned by banks, Unibank and Sogebank, respectively. Many MCN and Sogesol microfinance clients hold bank accounts at Unibank and Sogebank. **For all institutions that collect savings, the amount of savings, expressed in gourdes, has increased from year one to project end.**

TABLE 11: OPERATIONAL SELF-SUFFICIENCY (OSS)

Institution	3/31/2001	3/31/2002	3/31/2003	3/31/2004	3/31/2005	12/31/2005
ACLAM	0.57	0.9	N/A	1.19	1.10	0.89
ACME	1.43	1.42	1.36	1.46	1.31	1.22
BUH	Over 5	N/A	N/A	N/A	N/A	N/A
COD/EMH	0.87	0.69	0.86	0.76	1.40	1.16
FINCA	N/A	N/A	N/A	N A	0.94	0.72
FHAF	N/A	N/A	1.66	0.73	1.56	1.31
FONKOZE	N/A	N/A	0.97	1.16	N/A	N/A
FONKOZE (SFF)	N/A	N/A	N/A	N/A	0.90	0.73
MEDA	0.24	0.37	0.22	N/A	N/A	N/A
MCN	N/A	N/A	N/A	1.12	1.22	1.02
SOGESOL	N/A	N/A	N/A	N/A	1.02	1.11

The data for COD/EMH for March 31, 2002 is from December 31, 2001. The data for Fonkoze and ACLAM for March 31, 2003 is from December 31, 2002. The data for MCN for March 31, 2004 is from December 31, 2003. The data for March 31, 2005 for Sogesol, FHAF, and COD/EMH are from December 31, 2004.

At the end of the first project year, two tier one partners—BUH and ACME—reached Operational Self-Sufficiency (OSS). **By the end of 2005, five tier one partners achieved OSS**.

TABLE 12: FINANCIAL SELF-SUFFICIENCY (FSS)

Institution	3/31/2001	3/31/2002	3/31/2003	3/31/2004	3/31/2005	12/31/2005
ACLAM	0	N/A	N/A	N/A	0.61	0.89
ACME	0	1.2	1.04	1.22	1.09	1.06
BUH	Over 3	N/A	N/A	N/A	N/A	N/A
COD/EMH	N/A	N/A	N/A	N/A	N/A	1.16
FINCA	N/A	N/A	N/A	N/A	0.47	0.71
FHAF	N/A	N/A	0.40	0.19	1.47	0.59
FONKOZE	N/A	N/A	0.80	1.04	N/A	N /A
FONKOZE (SFF)	N/A	N/A	N/A	N/A	0.77	0.70
MEDA	0	0.3	0.19	N/A	N/A	N/A
MCN	N/A	N/A	0.34	0.35	0.96	N/A
SOGESOL	N/A	N/A	N/A	N/A	0.88	1.05

The data for COD/EMH for March 31, 2002 is from December 31, 2001. The data for Fonkoze and ACLAM for March 31, 2003 are from December 31, 2002. The data for MCN for March 31, 2004 is from December 31, 2003. The data for March 31, 2005 for Sogesol, FHAF, and COD/EMH are from December 31, 2004.

By December 2005, **three MFIs reached Financial Self-Sufficiency** (FSS), whereas after year one, only one institution was able to cover all its operational costs plus financial costs (including the cost of capital and inflation).

TABLE 13: PORTFOLIO AT RISK (+ 30 DAYS)

Institution	3/31/2001	3/31/2002	3/31/2003	3/31/2004	3/31/2005	12/31/2005
ACLAM	N /A	25.00%	N/A	20.28%	26.00%	18.00%
ACME	11.00%	4.50%	7.90%	10.60%	11.60%	6.90%
BUH	19.00%	20.00%	36.00%	26.00%	N/A	N/A
COD/EMH	9.00%	9.80%	24.10%	20.20%	22.31%	15.11%
FINCA	N/A	N/A	N/A	N/A	10.84%	13.99%
FHAF	N/A	N/A	30.00%	37.46%	19.00%	18.00%
FONKOZE	N/A	6.0%	2.00%	1.90%	2.10%	4.40%
FONKOZE (SFF)	N/A	N/A	N/A	N /A	5.80%	5.63%
MEDA	7.00%	4.70%	15.20%	N/A	N/A	N/A
MCN	N/A	N/A	N/A	4.80%	11.47%	5.46%
SOGESOL	N/A	N/A	N/A	N/A	20.00%	5.80%

The data for COD/EMH for March 31, 2002 is from December 31, 2001. The data for Fonkoze and ACLAM for March 31, 2003 are from December 31, 2002. The data for MCN for March 31, 2004 is from December 31, 2003. The data for March 31, 2005 for Sogesol, FHAF, and COD/EMH are from December 31, 2004.

Despite a politically and economically volatile environment, five of the ten current key partners reported a lower Portfolio at Risk (+30 days) for December 31, 2005 than for March 31, 2001. **Five MFIs reported PAR at less than 8 %.**

TABLE 14: PERCENT FEMALE CLIENTS

Institution	3/31/2001	3/31/2002	3/31/2003	3/31/2004	3/31/2005	12/31/2005
ACLAM	90%	90%	90%	91%	93%	91%
ACME	59%	65%	68%	67%	66%	66%
BUH	N/A	65%	N/A	N/A	N/A	N/A
COD/EMH	92%	89%	87%	85.3%	86.7%	85%
FINCA	N/A	N/A	N/A	N/A	N/A	99.6%
FHAF	N/A	N/A	99%	93%	91%	96%
FONKOZE	N/A	N/A	90%	96%	99%	N/A
FONKOZE (SFF)	N/A	N/A	N/A	N/A	99%	99.63%
MEDA	54%	61%	62%	62%	N/A	N/A
MCN	N/A	N/A	50%	46.3%	54.1%	58.2%

Institution	3/31/2001	3/31/2002	3/31/2003	3/31/2004	3/31/2005	12/31/2005
SOGESOL	N/A	N/A	N/A	N/A	60%	58%

The data for COD/EMH for March 31, 2002 is from December 31, 2001. The data for Fonkoze and ACLAM for March 31, 2003 are from December 31, 2002. The data for MCN for March 31, 2004 is from December 31, 2003. The data for March 31, 2005 for Sogesol, FHAF, and COD/EMH are from December 31, 2004.

This table shows that the majority of all clients served by FINNET's key partners are women. Almost all MFIs (at least all of those that report on this indicator) serve predominantly female clients, meaning **more than 50% of their clients are women**. Because the volume of loans increased from year one to year five and the percentage of female clients either remained the same or increased, one can assume that at project end a greater number of women are accessing microfinance than at project start.

OTHER PARTNERS

According to the FINNET contract, USAID required that FINNET report the performance indicators for key partners only. Consequently, we do not present performance indicators for other MFIs receiving intermittent technical assistance and training from the project.

KEY RESULTS FOR CAISSES POPULAIRES

Caisses populaires play a critical role in the provision of financial services—credit and savings-to the economically active poor, especially to those living in rural or remote areas of the country. The primary financial service provided by the caisses is savings.

FINNET's work with the caisses has produced remarkable results, exceeding all project targets except for three: 1) cost per unit lent; 2) portfolio at risk; and 3) percent of women managers employed by the caisses. Key results include:

- The **volume of savings** increased from 10,455,000 gourdes at the end of year 2 to 103,638,000 gourdes at the end of October 2005, exceeding project objectives by 32,238,000 gourdes.
- The **number of savings clients** grew from 5,759 in March 2002 to 27,933 in October 2005.
- The **volume of loans** expanded from 11,327,000 gourdes at the end of year 2 to 87,037,000 gourdes at the end of October 2005, exceeding project objectives by 26,037,000 gourdes.
- The **number of loans** grew from 807 in March 2002 to 5,133 in October 2005.
- The **percent of female credit clients** increased from 23% in March 2002 to 55.7% in October 2005, and the **percent of female members** increased from 36.3% to 51.3% for this same period.
- **Operational self-sufficiency increased** from 130% to 163.18 % from the end of year two to the end of October 2005. **Financial self-sufficiency grew** from 113% to 129.17% during this same period.
- **Portfolio at risk** greater than 90 days declined from 4.6% in March 2003 to 3.7% in October 2005. Portfolio at risk at 30 days declined from 10.5% in March 2004 to 9.83% in October 2005, despite socioeconomic and political conditions in the country.

- The **number of caisses capable of furnishing data** grew from nine in March 2002 to 19 in October 2005, meeting the project's expectation that all of the assisted caisses be able to furnish the requested performance data.

Table 15 contains a detailed presentation of the results achieved by the 19 caisses assisted by DID under the FINNET contract. FINNET's contract with DID ended in December 2005. Data collected by DID is for the period ending on October 31, 2005.

TABLE 15: RESULTS FROM DID-ASSISTED CAISSES POPULAIRES

Indicators	3/31/2002	3/31/2003	3/31/2004	3/31/2005	10/31/2005	Project Targets
Financial Sustainability						
Return on Assets	3.80 %	-0.86 %	-11.78 %	-5.61 %	5.41 %	2.64 %
Operational Self-Sufficiency	130.00 %	109.3 %	79.5 %	97.4 %	163.18 %	147.60 %
Financial Self-Sufficiency	113.00 %	76.9 %	66.7 %	84.0 %	129.17%	110.60 %
Capital Ratio	9.10 %	12.8 %	16.13 %	19.0 %	21.4 %	15.20 %
Operational Efficiency						
Number of Borrowers/Loan Officer	192	169	147	178	177	142
Portfolio/Loan Officer (000)	2,151	1,242	1,534	2,789	3,001	1,849
% of Savings in Loans	83 %	60 %	67.7 %	89 %	83.98 %	70.13 %
Average Loan Size (000)	14,038	7,357	10,428	15,697	16,956	16,168
Average Saving/Account	1,815	1,952	2,542	2,745	3,470	2,854
Cost Per Unit Lent	N/A	N/A	15.8 %	15.1 %	18.57 %	10.3 %
Portfolio Quality						
Portfolio at Risk (91 days)	N/A	4.6 %	3.3 %	1.9 %	3.70 %	2 %
Portfolio at Risk (+ 30 days)	N/A	N/A	10.5 %	5.59 %	9.83 %	8.00 %
Growth						
Growth in Membership (annual)	350 %	-91.1 %	42.2 %	38.9 %	46.59 %	45.44 %
Growth in Savings (annual)	689 %	-93.5 %	74 %	38 %	74.08 %	40.00 %
Growth in Loans (annual)	477 %	-95.1 %	96 %	81 %	54.19 %	24.00 %
Distribution						
Number of Points of Services Supplying Data	9	15	18	19	19	19
Number of Members (Accounts)	5,759	11,102	16,116	20,316	27,933	22,620
Number of Members/Caisse	640	740	895	1 070	1 397	1 138

Indicators	3/31/2002	3/31/2003	3/31/2004	3/31/2005	10/31/2005	Project Targets
Number of Credit Clients	807	2,025	2,795	3,377	5,133	3,772
% of Female Members	36.30 %	50.90 %	51.00 %	51.7 %	51.3 %	47.20 %
% de Female Managers	23.00 %	22.00 %	22.00 %	22.90 %	22.9 %	25.00 %
Volume of Savings (000)	10,455	24,642	43,076	59,533	103,638	71,400
Volume of Loans (000)	11,327	14,904	29,156	53,009	87,037	61,000
% of Loans to Women	23 %	66 %	56.6 %	60.9 %	55.7 %	40.00 %
Assets (000)	13,990	31,513	55,324	79,560	138,939	60,390

MICROFINANCE INDUSTRY BUILDING: IMPACT ON THE MICROFINANCE SECTOR

At project inception, the microfinance sector in Haiti was composed primarily of retail units operating more or less independently of one another and lacking the industry support infrastructure, such as credit reference systems, service providers, and performance benchmarking, necessary to support institutional growth and efficiency. One of FINNET's principal objectives was to improve the enabling environment for microfinance in Haiti by building linkages among organizations and developing the capacity of local service providers to improve the enabling environment for microfinance in Haiti. To attain this objective, FINNET focused on four key areas in industry building:

- Disseminating information and promoting best practices and current trends and innovations in microfinance;
- Developing local capacity to provide services to the microfinance sector, including training, external audit, and information technology;
- Providing a platform for MFIs to network to exchange ideas, and to discuss common issues of interest; and
- Promoting financial linkages to enhance the quality, diversity and efficiency of microfinance to clients throughout Haiti.

CENTRES D'APPUI REGIONAUX A LA MICROFINANCE (CARMS)

Recognizing that building a microfinance industry requires working with more than just the institutions and staff based in Port-au-Prince, FINNET operated, in addition to the headquarters in Port-au-Prince, two satellite offices in the provinces: CARM/South in Les Cayes, and CARM/North in Cap Haitian. Through these regional offices, MFI personnel gained access to training, information, and office services, such as Internet access, document preparation, and research support.

The partner forums organized by both CARMs provided MFIs with the opportunity to network. About once a month, the CARMs would invite MFI managers to the office to discuss microfinance topics pertinent to their situations.

The CARMs played an important role as the sole provider of microfinance training in the provinces, often adapting the courses offered in Port-au-Prince to the specific needs of the MFIs operating in the provinces. Over the contract period, the two CARMs increased outreach, delivering training and other services to MFIs in Fort-Liberte and Port-de-Paix, up North.

One of the CARMs key activities is the sharing of bad debtor information. What started out as a CARM-initiated and managed activity is now an activity managed by a group of MFIs in the South and other in the North, attesting to the MFIs' improved capacity to organize themselves, increased willingness to share information, and improved understanding of the importance of credit information-sharing.

In the South, a committee composed of Sogesol, FHAF, and CARITAS, manage the list for 13 institutions. Since the closure of CARM/South, this group has published two lists. The latest version of the list contained approximately 1500 names.

In the North-West, the committee is comprised of DID and two of the DID-supported caisses, KOPLES and SOCEM. There are nine participating institutions. By project end, this committee had published on list without assistance from CARM/North, which contained 529 names.

FINNET worked with a group of MFIs to combine the bad debtors lists from the North and the North-East and to set up a committee (comprised of FHD, BUH, and CPF—*La Caisse Populaire Fraternite)* to manage this combined list. At project end, this list contained 1655 names from the 16 participating institutions.

INDUSTRY BUILDING

During the course of the project, FINNET initiated a series of industry building interventions to promote information sharing, collaboration, best practices, and capacity building of local providers.

INFORMATION DISSEMINATION

Leadership Forums

FINNET organized and sponsored eight Leadership Forums. The forums provide leaders in the microfinance sector an opportunity to meet and dialogue on issues and trends pertinent to the sector. FINNET organized the last forum in conjunction with ANIMH. Table 16 contains the list of forums held over the six-year contract.

TABLE 16: LEADERSHIP FORUMS

Topic	Number of Participants
Agricultural Lending	18
Integration of Microfinance Institutions into the Financial System	16
Microfinance Legal Regulatory Environment	19
Performance Standards	35
Challenges to Microfinance Commercialization—Lessons Learned from Washington, D.C. Conference	20
Creation of a Microfinance Association	21
Credit Bureaus	37
Microfinance Post Natural Disaster-Gonaives	18

National Conferences

FINNET's national conference served as an important vehicle for Haitian MFIs to gain exposure to international best practices and standards and to learn more about a topic of particular interest or concern. By bringing experts and practitioners from other countries, Haitian MFIs had the opportunity to learn about how microfinance has evolved in other countries and to compare their own practices with the experiences of other MFIs in the global industry.

FINNET held 3 conferences on the following topics: 1) Information and Communications Technology for MFIs; 2) Knowing the Market; and 3) Standards, Ratings, and Transparency. More than 300 participants attended these events.

Surveys and Technical Notes

Over the life of the contract, FINNET published the following technical notes, surveys and reports for members of the Haitian microfinance sector:

- Technical Note 1: Credit Bureaus and Microfinance—A Look at El Salvador
- Technical Note 2: Microfinance Institution Standards—A Tool for Improving Performance
- Technical Note 3: Promoting Transparency—External Audit Experience of MFIs in Haiti
- Salary Survey of MFI Personnel, 2002 (developed in conjunction with Freedom from Hunger)
- Salary Survey of MFI Personnel, 2004
- Study on the Supply of Microfinance Services
- Census of Microfinance Institutions, July 2000
- Census of Microfinance Institutions, December 2000
- Census of Microfinance Institutions, April 2002
- Census of Microfinance Institutions, April 2003
- Census of Microfinance Institutions, June 2004
- Census of Microfinance Institutions, June 2005

Resource Center and Website

The FINNET Resource Center, which was open to anyone interested in learning more about microfinance, held more than 1,000 titles in English, French, and Spanish. At project close, the project transferred the Resource Center documents and electronic catalog to ANIMH.

The FINNET website averaged over 15,000 hits per quarter and served as a useful point of reference for partners, donors, and other organizations inside and outside of Haiti. Through the website, interested parties could access the FINNET Resource Center, results from various surveys conducted by the project, and general information on the project's key partners. FINNET transferred much of the documentation housed on the website to ANIMH. This information will become accessible through the ANIMH website once it is completed.

CLIENT CREDIT INFORMATION EXCHANGE

The formalized exchange of clients' credit information among MFIs in Haiti is an important step towards developing a functioning credit bureau in Haiti. To promote this exchange of client information, FINNET facilitated two initiatives: 1) the Bad Debtors List Exchange Group, and 2) the Customer Liability Information System (CLIS).

Bad Debtors List Exchange Group

In July 1999 (under PRET, the microfinance support project managed by DAI for USAID from 1995 to 2000), DAI worked with six MFIs to form the Bad Debtors List Exchange Group—the group responsible for sharing names of bad debtors. This group included only those MFIs with clients in Port-au-Prince. On a monthly basis, FINNET, with input from each participating MFI, compiled the bad debtor list using Excel.

In January 2002, FINNET developed the first bad debtors list software. One of this software's weaknesses was that once an MFI entered a name, the MFI could not remove it. MFIs expressed interest in modifying the software to permit a change a change in status, when a bad debtor repaid his/her loan. When FINNET tried to modify the program code, we experienced major problems with the system and decided to develop a more flexible software.

In August 2003, FINNET started developing the second bad debtors list software, called SIPRIT, using MSQL and Visual Basic. FINNET installed this new software at 11 of the 13 participating MFIs in February 2004. (One MFI is no longer actively lending, and another chose not to install the system.) This new software allows MFIs to indicate when a bad debtor has repaid his/her loan.

At project end, SIPRIT captured more than 14,000 names from the 11 participating MFIs, and FINNET transferred SIPRIT management to ANIMH. Because local programmers developed SIPRIT, in-country support exists should ANIMH need technical assistance.

As previously mentioned, FINNET also facilitated the exchange of bad debtor information in the provinces, through the CARMs. In September 2001, the office in the south began publishing a bad debtors list for those MFIs in the area. The office in the north began its information sharing in February 2002. The CARMS managed both of these lists using Excel and kept the information separate to that generated in Port-au-Prince. By project end, two groups of MFIs had assumed management responsibility for these lists. The list in the north/north-east contained 1655 names from 16 participating MFIs, the one in the north-west included 529 names from 9 institutions, and the one in the south contained 1500 names from 13 institutions.

Customer Liability Information System (CLIS)

The Bad Debtors List Exchange Group only shared negative client information—specifically the names of those clients who were delinquent in repaying their loans. Some MFIs expressed an interest in sharing not only the names of bad debtors but the names and credit information for all clients as well. FINNET agreed to help this group of MFIs explore the development of a viable, low-cost, Web-based system, capable of sharing and storing client credit history information on a real-time basis. From April 2003 to contract end, FINNET and its partners made significant progress on this initiative. A system called the Customer Liability Information System (CLIS) was developed and pilot-tested at two participating MFIs.

The pilot test was a success: CLIS works. By project end, two MFIs—ACME and Sogesol—shared client credit information via this system. In order to progress from the pilot phase to the full-implementation phase (which would involve the majority of MFIs), USAID would need to invest in improving the telecommunications infrastructure of the interested MFIs to allow them to upload and download information to the system. Because the system currently supports only MFIs following the individual credit methodology, a programmer would need to adapt the system to include different methodologies.

PERFORMANCE INDICATORS AND STANDARDS

FINNET, as part of its initiative to demonstrate to Haitian MFIs the importance and purpose of sharing standardized performance indicators, facilitated the collection and distribution of an indicators report to participating MFIs on a quarterly basis. This initiative grew out of the Leadership Forum on performance standards and indicators organized by FINNET in December 2000. Following the forum, four MFIs and FINNET developed an agreed upon, standardized set of indicators.

As an incentive for MFIs to supply data on a timely basis, FINNET only distributed the report to those members that had furnished by an agreed upon date. Late institutions did not receive the published list of indicators from other MFIs.

Realizing that many MFIs lacked the capacity to calculate the indicators correctly, FINNET held several training sessions on how to calculate and interpret the indicators. In mid-2003, FINNET revised the definitions and indicators to reflect those that were internationally accepted (those used by CGAP and the MIX).

By project end, the group of MFIs sharing indicators, called the Indicators Working Group, had grown from the original four MFIs to 16.

LOCAL SERVICE PROVIDER CAPACITY BUILDING

Whenever possible, to encourage the deepening of a local market for microfinance support services, FINNET hired local consultants and consulting firms to provide technical assistance and services to partner MFIs. AGIR, a Haitian consulting firm approved by USAID as a key subcontractor on the project, provided the bulk of the technical assistance and training in the areas of accounting, financial management, internal controls, and strategic and business planning. Other firms included: GRAFIN (training-various), Merove Pierre (external audit), PAGS (external audit), CEGEC (external audit, accounting), ECOSOF (credit bureau), INESA (training-customer service), Multicom (information communications technology installation), Consultex (accounting) and IRAM (strategic planning).

In certain cases, FINNET paired local consultants with international consultants as a way of building local capacity and transferring knowledge. For example, a local IT specialist worked alongside the CLIS programmer. An international external audit expert provided to the local audit firms training on how to work with microfinance institutions.

ASSOCIATION BUILDING

Since 2002, FINNET played major role in supporting the establishment of a microfinance association for non-cooperative MFIs in Haiti. Although another association for non-cooperative MFIs was present at the time, this association, KNFP, limited participation to only those MFIs active in rural areas. ANACAPH limited membership to only cooperative institutions—the caisses.

In June 2002, FINNET organized and conducted two significant meetings with MFI partners, with the objective of helping sector partners move forward with their idea of establishing a national association of Haitian MFIs. From these meetings, consensus developed. Participating MFIs agreed that an association was necessary not only to provide a voice for the sector but also to provide services of common interest to its membership. They formed a task force to propose a name, vision, mission, charter/by-laws, and institutional development plan for the association. A year later, in June 2003, ANIMH received its registration certificate and began developing its strategic plan. On December 4, 2003, ANIMH held its first General Assembly, during which the association's members elected ANIMH's first Board of Directors.

All of the major decisions concerning the development of the association were made initially by the interim advisory committee and later by the elected Board of Directors. FINNET, recognizing that the association needed to remain an autonomous unit, supported ANIMH in its decisions. Per the request of ANIMH, FINNET paid a consultant selected by ANIMH to develop the strategic plan; provided basic administrative services on behalf of the Board; covered start-up operational costs; engaged the services of Microfinanza to conduct institutional diagnostics of all ANIMH members; and developed a web-site for the association.

Today, ANIMH has 18 members, an elected Board of Directors, a salaried Executive Director, and rented office space. ANIMH successfully sought funding from alternative sources. Member dues and a grant from the Soros Foundation partially finance ANIMH's current operations.

Institutional Diagnostics of ANIMH Members

The Board of ANIMH requested that FINNET help the association to undertake a comprehensive institutional exercise of its members. Before being able to develop an institutional development program for its members, ANIMH wanted to understand the strengths, weaknesses, opportunities and challenges facing all its members.

ANIMH engaged a consulting firm, Microfinanza, selected through a Request for Proposal process and paid for by FINNET, to complete the assessments. By June 2005, Microfinanza had completed all 16 assessments. Each participating MFI received a detailed analysis of its strengths and weaknesses and recommendations in the following areas:

- Strategic Planning
- Financial Management
- Accounting and Budgeting
- Personnel and Human Resources Management
- Credit Risk Management Processes
- Management Information Systems and Information Technology
- Risk Management and Internal Controls

The consultants provided ANIMH with a consolidated synthesis of the overall findings and conclusions to guide ANIMH's strategy to support its members' institutional development. Some of the key weaknesses outlined in this consolidated report include:

- Most MFI lack adequate Board involvement and supervision. Board members often do not possess the skills required to effectively govern a financial institution and sufficient time to be intimately involved.
- Many MFIs do not have current strategic and business plans. Some possess business plans and not strategic plans. Others possess strategic plans and not business plans.
- The human resource management function is poorly developed in most MFIs. Succession plans do not exist.
- Regarding information technology and MIS, most MFIs lack the internal capacity to address IT issues independently. Institutions are reliant on outside technical assistance. A large majority of MFIs do not adequately protect their data: they lack firewalls and password protection; and they do not back up their data on a regular basis.

- Accounting manuals are not updated to reflect changes in procedures and accounting procedures are not routinely followed.
- Financial statements frequently do not include notes and comments.
- Many institutions have not implemented internal controls or the internal controls in place are inadequate.
- Many institutions do not systematically, and in a detailed manner, analyze financial performance. Financial reports are not generated on a timely basis and distributed to key stakeholders.
- Credit manuals are not kept up to date, and portfolio information is not generated and distributed on a timely basis.

Transfer of Key Activities to ANIMH

During the final year of program activities, FINNET focused on transferring key FINNET-managed activities to ANIMH. ANIMH assumed management of the Port-au-Prince bad debtors list, coordination of the Indicators Working Group, responsibility for the Microfinance Resource Center, and management of the MFI Training Curriculum.

In order to ensure a smooth transfer and to encourage the sector's support of ANIMH, FINNET and ANIMH jointly organized several events, such as the Indicators Working Group meetings, Bad Debtors List Exchange Group meetings, and a forum on microfinance in post natural disaster environment.

FINNET shared with ANIMH management some lessons learned gleaned from the project's experiences in delivering an extensive training program of locally-developed curricula and CGAP-developed courses. Some of the recommendations for successfully implementing such a training program include:

- Obtain a statement of interest in training from each MFI;
- Ask MFIs to complete a training needs assessment questionnaire;
- Meet with each Director to develop a training needs strategy;
- Offer a standard microfinance curriculum over a set period—individuals completing all courses receive a microfinance certificate; and
- Continue the FINNET format of offering general microfinance and skills development courses and CGAP designed courses.

ANIMH is well-positioned to become a sustainable membership-based organization capable of providing demand-driven services to its members.

IMPACT OF INDUSTRY BUILDING INTERVENTIONS ON THE SECTOR

KEY RESULTS OF INDUSTRY BUILDING INTERVENTIONS

- Collaboration, coordination, and trust increased among MFIs. A **microfinance association for non-cooperative MFIs was created** with financial support and technical assistance from FINNET. This association, ANIMH, assumed responsibility for key FINNET activities.

- Following the FINNET-sponsored forum on performance indicators, four MFIs and FINNET **developed an agreed upon, standardized set of indicators and formed the Indicators Working Group**. By project end, this group contained 16 MFIs and was managed by ANIMH.
- FINNET developed an **MFI Core Training Curriculum containing twenty-eight courses** on topics relevant for MFI personnel and designed to build capacity in areas including financial management, accounting, human resource management, and general business skills. FINNET transferred this curriculum to ANIMH.
- Four local trainers were **certified to deliver seven CGAP training courses and other courses developed by FINNET**.
- FINNET, in collaboration with Freedom from Hunger, **trained three Haitian audit firms on how to conduct external audits** of microfinance institutions. The MFIs recognize the importance of external audits and will continue to access these services long after the project ends.
- The **Bad Debtors Lists** originally managed by FINNET's regional offices (CARMS) are **now managed by groups of MFIs** in the South, North, and North-West. At project end, the list in the North/North-East contained **1655 names from 16 participating MFIs**, the one in the North-West included **529 names from nine institutions**, and the one in the South contained **1500 names from 13 institutions**.
- FINNET successfully transferred **management of SIPRIT, the bad debtors list database in Port-au-Prince, to AHIMH.** At project end, the database captured more than **14,000 names from the 11 participating MFIs**.

ENVIRONMENTAL IMPACT OF PROJECT ACTIVITIES

FINNET is aware that the U.S. government requires that projects, programs, or activities authorized by USAID be subject to an initial environmental examination (IEE) or an environmental impact assessment (EIA). However, any program, project, or activity that does not affect the natural or physical environment is precluded from this requirement.

In the case of FINNET activities, neither an IEE nor EIA was required, because FINNET's activities did not have a direct impact on the environment. According to TITLE 22--FOREIGN RELATIONS, CHAPTER II—AGENCY FOR INTERNATIONAL DEVELOPMENT PART 216—ENVIRONMENTAL PROCEDURES, Sec. 216.2 "Applicability of procedures:"

"The following classes of actions have been determined generally to have a significant effect on the environment and an Environmental Assessment or Environmental Impact Statement, as appropriate, will be required:

- Programs of river basin development;
- Irrigation or water management projects, including dams and impoundments;
- Agricultural land leveling;
- Drainage projects;
- Large scale agricultural mechanization;
- New lands development;
- Resettlement projects;
- Penetration road building or road improvement projects;
- Powerplants;
- Industrial plants;
- Potable water and sewerage projects other than those that are small-scale."

Furthermore, Section 216.2 "Applicability of procedures" includes the following action, for which an Initial Environmental Examination, Environmental Assessment and Environmental Impact Statement generally is not required: "Support for intermediate credit institutions when the objective is to assist in the capitalization of the institution or part thereof and when such support does not involve reservation of the right to review and approve individual loans made by the institution."

Even though a formal environmental assessment was not necessary, FINNET remained cognizant of the current dismal state the environment in Haiti, designing program interventions that did not exacerbate this problem. It is important to note that FINNET's key partners are concerned about the state of the environment and do not finance resource-depleting enterprises, such as woodcutting for charcoal production. Also, at a partner's request, FINNET organized a training session on Microfinance and Environmental Management open to all MFIs interested in learning more about how they can evaluate and monitor the potential impact certain enterprises could have on the environment.

CONCLUSION: NEXT STEPS FOR THE MICROFINANCE SECTOR

Microfinance plays important role in Haiti, where so much of the economy is in the informal sector. Looking forward to the next five years, we expect that the informal economy will continue to be a vital part of the Haitian economic landscape. USAID has the opportunity to build on the existing solid foundation to expand access to financial services down and out to poorer and more rural populations and upward to less poor, small business owners by expanding points of services and product offering, improving the business environment and promoting financial linkages.

As USAID begins to plan for the next generation of support to the financial services sector in Haiti, here are some specific ideas regarding next steps for the microfinance sector:

- Increase breadth and depth of outreach by expanding product and service offerings and points of services and by targeting different segments of the financial services market
  - A large, untapped market for microfinance services, not only credit, exists in Haiti. At present, the MFIs are serving a fairly narrow range of clients (predominantly in Port-au-Prince and the other larger secondary cities) with a limited range of products.
  - Broadening access to finance requires the increase of points of service (to include more remote, rural locations), identification of new clients (including both microenterprises managed by poorer people and small and medium enterprises that have greater potential for economic growth), and development of new appropriate products and services (not all MFIs need to offer these products and services themselves—linkages can be formed with other institutions to deliver these services to the MFIs' clients.)
  - Even though MFIs offer loans for consumption, production, and services, the large majority of loans disbursed are for petty commerce. There is little variation in loan size, term, and effective interest rate (around 4% per month). With the volatile political-economic situation, MFIs view loans for petty commerce as less risky and are less interested in increasing loans for production.
  - MFIs, in general, have been slow to develop and test new products. Other services (non-credit products), such as insurance, remittances, foreign exchange, and savings, are needed as well.
  - The caisses populaires offer secure savings. It is important to continue building the capacity of the FINNET-supported caisses, so that they may be incorporated into the DID federation.
- Strengthen microfinance institutions in key areas, and in a limited way, based on performance
  - After more than a decade of direct technical assistance funded by USAID, many MFIs are reliant upon USAID-funded projects for the provision of technical assistance. USAID should only partially cover the cost of technical assistance for those microfinance institutions willing to and capable of meeting certain performance targets.
  - Program activities should concentrate resources in key technical assistance areas, such as human resources, strategic and business planning, new product development, and financial management, rather than in all areas.
  - USAID-funded consultants should work with competitively-selected local support organizations to deliver the technical assistance, ensuring the transfer of technical skills to the local consultants.

- Build a microfinance support industry
  - The market for support services in Haiti is not well-developed, with only CEGAC, AGIR, GRAFIN, and a few other local service providers capable of delivering quality services to MFIs. Furthermore, MFIs are not in the habit of procuring and paying for the needed services directly, covering the full-cost of the services. In most cases, the services are procured and paid for by donor-supported projects. Program activities need to facilitate the provision of services to MFIs by local providers and support the capacity-building of these providers. MFIs need a range of service providers from which to choose.
  - USAID-funded microfinance activities should work with/through the association whenever possible, specifically in the area of legal-regulatory reform, to ensure that the MFIs continue to recognize the association as a key player in the microfinance support industry.
- Encourage a supportive policy and legal-regulatory environment for microfinance
  - The Central Bank of Haiti has paid little attention to microfinance, meaning little has been done to encourage or to directly hinder activities. Should the Central Bank decide to regulate and supervise microfinance, it is important that it understands the merits of *appropriate* regulation and supervision. Over regulation and supervision could end up stifling the proliferation of microfinance. MFIs also need to understand what the ramifications of regulation and supervision would be. With a new government in power, USAID activities, working through ANIMH—who is very interested in this area—could restart dialogue with the Central Bank on this topic.
- Support enterprise development and improve the enabling environment for business
  - Customs, tax, business registration streamlining and other reforms need to take place in order to improve the enabling environment for business in Haiti. Entrepreneurs—including microentrepreneurs—are hindered by inefficient customs regulations and processes, etcetera. With an improved business environment, Haiti will experience an increase in profitable businesses, and consequently, an increase in employment.
  - Services to help small and medium enterprises expand and integrate into value chains in new ways are a significant need in Haiti at present. Finance alone will not lead to sustained economic growth in a devastated private sector. USAID could support the development of key sectors by conducting sector-specific market studies, strengthening these sectors, and working with financial institutions to ensure that these sectors have access to the needed financial services.