

Development Alternatives, Inc./FINNET  
Contract No. 521-C-00-00-00019-00

**QUARTERLY REPORT  
(April – June 2005)**

**DEVELOPMENT ALTERNATIVES, INC.**  
**FINNET**  
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**CONTRACT OBJECTIVES**

USAID Haiti Economics Group:

- ◆ Strategic Objective 1: Sustainable Increased Income for the Poor
- ◆ Intermediate Result 1.2: Small and Micro-entrepreneurs Economically Empowered

USAID Haiti's Strategic Objective 1 and Intermediate Result 1.2 mirror DAI/FINNET's goal of facilitating the development of the microfinance sector in Haiti in order to improve and expand the delivery of financial services to the working poor. The DAI/FINNET strategy appropriately focuses primarily on technical assistance in two categories, industry building and institution building.

**EXECUTIVE SUMMARY**

An overall project work plan for five years was initially submitted in May 2000, and the on-going annual activities relative to that plan have been cited in the subsequent annual work plans and the quarterly reports.

A key assumption of the plan was that the USAID mission would choose to exercise the option for an additional year, beginning April 2005 and continuing through to the end of March 2006. We received notification on November 29, 2004 of the mission's intent to exercise the option period. However, no indication of incremental funding for that option year was specified with the notification. Subsequently, we began close down procedures owing to a delay in receipt of funding for the option period.

The DAI/FINNET base contract ended on March 31, 2005. Based on discussions at the end of March with the Economic Growth Office at USAID, DAI/FINNET was instructed to desist with administrative close down procedures. Both the mission and project team undertook actions to put in place a contract modification to extend the project.

The USAID Economic Growth Office informed DAI that it planned to seek early obligation of Fiscal Year 2005 funding in order to maintain the project for an additional year. The mission and DAI tentatively agreed on a budget and work plan for the period April 2005 to March 2006.

During this period of uncertainty, the project momentum slowed as technical activities for April 2005 were delayed or suspended owing to the delay in receipt of obligated

funds. In addition, the subcontracts with DID and ADIR ended on March 31, 2005, which curtailed certain activities.

It is noted that the revised budget and work plan agreed upon with the mission for the option period included a program of technical assistance for microfinance institutions (MFIs) through AGIR but did not include the DID program for credit unions. The previously USAID-supported technical activities in the base period of the contract conducted by DID for a network of credit unions were not originally planned as a part of the option year program. USAID did indicate interest to continue to support the credit unions and also suggested that they would attempt to find funding to reactivate these activities. In the interim, it is hoped that DID will be able to offer ongoing support to the credit unions through the funding it receives from CIDA, the Canadian International Development Agency.

Over the past quarter, the recent increase in the number of kidnappings, car jackings and other incidents of violent crime by gangs in high crime areas not yet secured by the UN forces and Haitian police prompted the Embassy to issue an ordered departure of non essential personnel and dependents in late May. Because the situation continued to pose a threat to American diplomatic personnel, in June, the Embassy ordered a further reduction in staff, and USAID decreased its number of US direct hires to six. For the moment, contractors have not been asked to suspend programming. However, the security concerns have caused some delays and/or cancellation of certain activities by contractors.

Two of the key activities foreseen in this option period were the continued development of CLIS and the final phase of the Human Resources Management Initiative. However, the ongoing security issues have forced us to postpone travel to Haiti by the consultants who are scheduled to provide the technical expertise for the activities. Once we have a higher level of comfort with regard to safety and security, we will endeavor to restart both of these activities later in the year.

Despite the security concerns, progress was achieved on several important fronts:

- ◆ Completed final round of MFI institutional diagnostics of ANIMH members.
- ◆ Began transition planning with ANIMH Board.

**On the industry building side, FINNET:**

- ◆ **Continued to provide guidance to the Board of Directors the Association Nationale des Institutions de Microfinance D’Haiti (ANIMH).** In June ANIMH was notified by the United Nations Capital Development Fund (UNCDF) that regretfully the planned microfinance project to be funded by the United Nations Development Programme (UNDP) had been canceled for fiscal year 2005. This decision was due to the fact that UNDP must concentrate its efforts and resources on other priority programs aimed at supporting the transition government according to

the mandate of the Security Counsel. This being the case, UNDP could not justify funding a microfinance program. On June 6th, DAI/FINNET met with ANIMH Board President, Mr. Sinior Raymond and Executive Director, Ms. Marie Pascale Theodate, to discuss the possible use of the DAI/FINNET office by ANIMH until the association has secured funding to lease its own premises. This proposition was met with reservation as Mr. Raymond believes that it is important for ANIMH to establish a separate identity from that of DAI/FINNET. Several MFIs have offered to lodge ANIMH. However, this option is also not seen as ideal. On June 27, Ms. Theodate, met with members of the DAI/FINNET team to help plan activities that are to be conducted jointly over the next few months, in anticipation of transitioning certain programs to ANIMH. DAI/FINNET and ANIMH also discussed what steps ANIMH is taking to deal with the fact that a key funding source is no longer available.

- ◆ **Announcement of the 2005 USAID Microenterprise Reporting Requirements.** Once again in April, we received the annual notification of USAID's Microenterprise Reporting Requirements (MRR). The MRR is USAID's system of collecting and reporting on all partners and monies spent on microenterprise development -- financial services, business development services, and enabling environment. We have informed all partners of the need to furnish information to USAID. This year, Weidemann Associates, who manages this contract for USAID, will work directly with the MFIs to collect and verify the information.
- ◆ **DAI/FINNET publishes the 7th edition of the MFI census.** The project released the latest edition of the Haitian MFI census, which contains quantitative information on the credit and savings activities of the majority of MFIs operating in Haiti. This census covers the period from October 1, 2003 to September 30, 2004.

#### **On the institution building side, FINNET:**

- ◆ **DAI/FINNET continues support to MFIs affected by the flooding in Gonaives.** During the months of April and June, DAI/FINNET arranged additional deliveries of desks, chairs, and other office equipment to five MFIs in Gonaives whose offices were devastated by the flooding caused by Hurricane Jeanne. With funding from USAID, DAI/FINNET was able to purchase replacement equipment and to engage contractors to repair and refurbish the premises of ACLAM, MCN, BUH, Fondespoir, and Fonkoze.
- ◆ **Canceled New Product Development training to MFIs.** Due to security issues and the constraints for partners to circulate given disturbances in certain areas around the city, the planned training for June 27 to July 1, 2005 was canceled. It will be rescheduled for a later date.
- ◆ **Offered training session on Strategic and Financial Planning (Microfin).** From May 23 to 27, DAI/FINNET's trainers offered another session of this CGAP course,

which involves an in-depth tutorial on the business planning tool. Eight participants from eight MFIs participated, although only six completed the course.

- ◆ **Attended Fonkoze branch opening.** On May 23, 2005, DAI/FINNET attended the inauguration of Fonkoze Foundation's new branch in Pignon. To construct this branch, Fonkoze received financial assistance from two community development organizations active in the Central Plateau--Haiti Outreach and Christian Flight. This well-attended event drew a crowd of about 200 staff, partners, clients, and community members. After the inaugural church service, Fonkoze staff invited attendees to tour the branch, open bank accounts, and learn more about the financial services offered by this branch. Pignon, a town of about 30,000 is located in a difficult to reach part of Haiti. Because of Fonkoze's presence, community members will now have access to a wide range of financial services, including foreign exchange conversion, wire services, as well as savings and credit.
- ◆ **CGAP awards Financial Transparency Prize to ACME.** A ceremony for the awarding of the Financial Transparency Prize given by CGAP to ACME was held April 19, 2005 at the Hotel Montana. Alexia Latortue of CGAP was present in Haiti to present this recognition to Sinior Raymond, the Executive Director of ACME. ACME was the only francophone institution to be honored in 2005 by CGAP. The event was attended by the staff and Board of ACME, numerous representatives of the MFIs and ANIMH, various donors who support the sector and the Governor of the Central Bank. Mr. Raymond also extended special thanks to the donor community that has supported ACME's institutional development, particularly USAID through its projects DAI/PRET and DAI/FINNET, the IDB and UNDP. DAI/FINNET was among those honored with a plaque from ACME in recognition of support for the institution.

## **SUMMARIES OF KEY ACTIVITIES CONDUCTED OVER THIS QUARTER:**

### **Planning Sessions Held with ANIMH Board**

Lloyd Freeman, DAI/FINNET Chief of Party and Alexandra Eustache, Training Director and Special Projects Coordinator, met with ANIMH President, Mr. Sinior Raymond and Vice President, Mr. Jean Edner Nelson on April 27, 2005.

The purpose of the meeting was to get an update on the status of the recently approved program of support for ANIMH through the UNDP and to initiate planning for joint activities to be conducted through March 2006.

Mr. Raymond informed the DAI/FINNET team that the UNDP program support documentation had not yet been signed, and that there were some small modifications still to be made. The protocol was to be signed by UNDP, the Ministry of Planning, the

Central Bank and ANIMH, and it was expected that all parties would sign within the following weeks.

In addition, Mr. Raymond informed DAI/FINNET that the search for an Executive Director of ANIMH was still in process. The selection committee had narrowed the search to two possible candidates from five. A final decision was to be reached in early May. ANIMH expects to recruit a Technical Director to manage the program activities to be undertaken, particularly the training as it is an essential part of the development plan.

According to the protocol, the UNDP intended to recruit and hire a National Expert to coordinate the support program, and to establish an advisory committee to include: UNDP, CGAP, USAID, Ministry of Planning, and the Central Bank. It is hoped that such a composition for the committee will not prove to be restrictive for the evolution of ANIMH.

DAI/FINNET proposed that ANIMH begin to consider how it will manage its participation with the project's planned activities over the course of the next year. It is expected that those activities that are suitable for transition such as the Bad Debtors List, Indicators Working Group, Forums, and the National Conference will require that ANIMH designate a responsible individual or a committee to work with the DAI/FINNET team as early as possible, as the implementation of the program year has already begun.

Though a broad program of training is a critical part of the ANIMH strategic program, ANIMH's lack of an institutional organizational structure at this stage may impede the transition of the complete DAI/FINNET curriculum. In this early period of evolution for ANIMH, a more significant level of planning and coordination will be needed. In addition, a process to incorporate the results of the Microfinanza institutional diagnostics of the ANIMH members into a coherent training framework must also be devised.

On May 19, DAI/FINNET Chief Of Party, Lloyd Freeman, and Manager of Technical Services, Lauren Mitten met with ANIMH board member, Daphne Louissaint (Sogesol), ANIMH Executive Director, Pascale Theodate, and Eunice Irrizary of the Economic Growth Office of USAID. Ms. Louissaint, as the representative of the Board of ANIMH, introduced the recently hired Executive Director, Ms. Marie Pascale Theodate, to the DAI/FINNET team and to USAID.

Since the end of 2004, ANIMH had been actively searching for a qualified local microfinance practitioner to take on this role of Executive Director, alleviating some of the administrative burden currently carried by the President of ANIMH. During the meeting, ANIMH and DAI/FINNET discussed ANIMH's priorities for the upcoming year and the prospective transfer of select DAI/FINNET-managed activities from DAI/FINNET to ANIMH over the course of the year.

On May 20, the Executive Director of ANIMH, Ms. Marie Pascale Theodate, met with members of the DAI/FINNET team to learn more about the Bad Debtors List Group,

currently managed by the project. Through earlier discussions, ANIMH and DAI/FINNET identified the Bad Debtors List Group as a FINNET-managed activity that will eventually be transferred to ANIMH. Until the activity is transferred, ANIMH will work closely with DAI/FINNET to understand the mechanics of delivering this activity.

During this meeting, DAI/FINNET explained the history of the Bad Debtors List Group, highlighted the challenges the project has faced in managing the lists and developing appropriate technology platforms for the lists, and planned the agenda for the upcoming Bad Debtors List meeting, scheduled for May 31, 2005.

### **Meeting of Bad Debtors Group**

On May 31, 2005 at the DAI/FINNET office, the Bad Debtors Working Group held a meeting. As a kick off for the option year, this was the first large meeting of the entire group of microfinance institutions that participate in the exchange of names of clients who are in arrears.

It was also an opportunity to incorporate the formal participation of ANIMH as a first step to transition this activity to ANIMH. Following the close of DAI/FINNET in March of 2006, ANIMH will assume full responsibility for managing the Bad Debtors Group. Sinior Raymond, president of the Board of ANIMH opened the meeting with comments and introduced the new Executive Director, Ms. Marie Pascale Theodate.

Ms. Theodate spoke briefly about the importance of all ANIMH members collaborating to ensure the successful implementation of the association's strategic plan. She reminded the attendees that the transition of the management of this group to ANIMH was a key activity of the plan. Several participants posed questions concerning the role that ANIMH will play in the future.

A concern raised by DAI /FINNET during the discussion was the inconsistency in the submission of reports. It was noted that, in order for the bad debtor list to be useful, the list needs to be as complete as possible—MFIs need to submit all of their bad debtors names in a timely fashion.

Several reasons were presented by MFIs as contributing to their non submission of reports: Sogesol has yet to install the SIPRET software (by choice) and would prefer to have an Excel based interface for its existing network setup; another MFI does not have a computer with the capacity to handle the software. While other MFIs did not offer any specific reasons, it is still apparent that despite training on the software, there are still some MFIs whose personnel do not fully understand how to use the program.

At this juncture, several directors suggested that the contract of participation should be strengthened to ensure that all participants understand their obligation to provide accurate and timely information to the group. It was decided that the membership should develop

a suitable “participation agreement” and that this document should be signed by each MFI. This will be subject to further discussion at a later meeting.

Those in attendance also discussed their use of SIPRET, the software used to manage the list. This software has been installed in 12 of 14 member MFIs. During the month of March 2005, 10 MFIs exchanged names using SIPRET. However, for April 2005, 4 MFIs stated that they were unable to manipulate the software without problems.

In the ensuing discussion, it became evident that the MFIs are experiencing a technical problem with the software, which is affecting their ability to produce the reports on a timely basis. In addition, it was clear that still the ability to use the software correctly continues to be an issue. It was proposed that a list of issues be compiled jointly by DAI/FINNET and the Executive Director. This is a necessary first step to assure efficient use of the system. The next step will be a meeting with Mr. Kello Julien, the DAI/FINNET technical support person, and the group to discuss their specific issues and concerns about the software. A meeting was proposed for July 8, 2005.

In the meantime, it was agreed that an Excel format would be used in order that a list could be compiled as soon as possible. DAI/FINNET will be responsible for providing the format to be used and all lists are to be submitted by June 6, 2005 to allow DAI/FINNET time to compile the data for issuance to MFIs by June 10, 2005.

Those present were very pleased with this early collaboration between DAI/FINNET and ANIMH and agreed that it was an important step for the future of microfinance in Haiti. ANIMH took the opportunity to announce the launching of the association website, [www.animhaiti.org](http://www.animhaiti.org), through which each MFI will have its own Web page. The Website will serve as a means to exchange information and for the members to communicate directly with ANIMH.

### **Microfinanza Completes Final Round of MFI Institutional Diagnostics**

During June 2005, the two-member Microfinanza Srl diagnostic team completed the diagnostic assessments of the final 5 members of the National Association of Microfinance Institutions in Haiti (ANIMH). While in-country, the team completed the diagnostics of BUH, World Relief, FINCA, Micro Credit Capital and SADA. To date, fifteen members of ANIMH have participated in this intervention. These institutional diagnostics are Phase 1 of ANIMH’s three phase program to build the capacity of its members. Phase 2 will focus on obtaining external audits for all members, and Phase 3 will involve completing ratings evaluations.

Microfinanza Srl is an Italian consulting firm, internationally recognized as one of the leading ratings agencies capable of conducting high-quality, affordable institutional assessments and ratings of microfinance institutions around the world. The Consultative Group to Assist the Poorest (CGAP)—a donor consortium set up to help microfinance institutions worldwide—has identified Microfinanza Srl as one of its approved rating

agency partners available to provide assessment and rating services to MFIs through CGAP's Ratings Fund. Microfinanza Srl, which has worked in over twenty-five countries, understands well the microfinance environment in Haiti, having rated one of DAI/FINNET's MFI partners on two occasions and having completed an evaluation of a rural credit program.

### **USAID and DAI/FINNET Discuss Financial Support Options for ANIMH**

On March 8, Mr. Marc Jacquand from the United Nations Capital Development Fund (UNCDF) in New York and Ms. Monique Pierre Antoine from the United Nations Development Program (UNDP) in Haiti informed the DAI/FINNET team of UNCDF/UNDP's decision to grant ANIMH, the National Association of Microfinance Institutions in Haiti, \$450,000 in institutional support. Subsequently in June of 2005, this offer was rescinded due to a need by UNDP to reallocate its resources to support other activities of the transitional government.

In early June, Lloyd Freeman, DAI/FINNET Chief of Party, and Alexandra Eustache, Manager of Training and Special Projects, met with Eunice Irizarry, from USAID's Economic Growth Office. The discussion centered on the recently announced news that UNCDF/UNDP had withdrawn its planned financial support for ANIMH due to budgetary issues. The announcement came as a surprise and was untimely given that ANIMH had, only a month prior, hired an Executive Director, anticipating the signing of the accord with UNCDF/UNDP.

Ms. Irizarry proposed that ANIMH revise the budget and work plan that was recently submitted to USAID for financial consideration. She stated that the revised budget should include, as revenue, the membership dues that the association has received and, as expenses, the salary of the executive director. This budget should reflect the number of months ANIMH is able to self finance.

She indicated that there are some potential hurdles to finding immediate direct funding for ANIMH, citing the mission's limited resources for the current fiscal year and the lack of organizational readiness of ANIMH to meet USAID requirements for a grantee.

Ms. Irizarry indicated that DAI/FINNET should consider providing ANIMH temporary office space and logistical support. This would allow the association time to get its program and activities underway and may be an ideal way to prepare ANIMH to absorb certain DAI/FINNET activities at the project-end. Over the next few months, ANIMH would have time to develop a suitable plan for finding premises that the association can afford. DAI/FINNET indicated that the ANIMH board planned to meet later in the week to consider alternatives and to agree on the next steps. DAI/FINNET was asked to communicate USAID's position to ANIMH.

## **GENERAL ACTIVITY REPORT**

Similar to previous quarters, the general activity report is divided into three parts that correspond to the three principal segments of our work. As outlined in TAMIS Document #1, they are: industry component, institution building component, and financing component. Where possible, documents generated from TAMIS are used as supporting documents to the quarterly report.

### **INDUSTRY COMPONENT**

#### **Information and Networking:**

- ◆ **Website:** [www.daifinnet.com](http://www.daifinnet.com) is regularly updated to reflect project activities inclusive of CARMs, industry news, new partners' information and current training schedule. For the quarter, there were 13,507 hits and 1,396 visitors to the site.
- ◆ **DAI/FINNET meets with Sofihdes.** On May 26<sup>th</sup>, Lauren Mitten, Director of Technical Services met with Jessica Francois, Director of Soficonseils. According to Ms. Francois, all Microfinance Innovation Fund (MIF) contracts will end in June, as Sofihdes will begin the administrative closeout of the MIF in July. Sofihdes' cooperative agreement with USAID ends at the end of September.
- ◆ **USAID, DID and FSE/CIDA Explore Replication of Education Credit Program.** A meeting was held on June 22 with USAID, DID, and the Health and Education Fund (FSE) of the Canadian International Development Agency (CIDA) at the request of USAID. Attending the meeting were: Sylvie Gauvin and Michel Dieuvet of DID; Mireille Perrin of FSE; Eunice Irizarry and Herve Jean Charles of USAID; and Lloyd Freeman, DAI/FINNET Chief of Party. The meeting was set up by Ms. Irizarry to explore the USAID's interest in duplicating an education credit program that was developed by DID with financial support from CIDA.

This education credit program provides loans to parents to finance school fees and text books. These loans are made by the credit unions in the DID network. This program was piloted in Verrettes and St. Marc. CIDA support will end October 2006. For the 2005-2006 school year, USAID would like to replicate this program in Marigot and Camp Perrin, through two credit unions in the DID network, which were supported by USAID funding through DID's subcontract with DAI/FINNET.

Following an earlier meeting organized by USAID to gauge the interest of DID and FSE to replicate this program, Ms. Irizarry prepared a concept paper for submission to USAID/Washington to obtain a \$50,000 matching grant for the USAID/Haiti mission. This grant has now been approved, and USAID/Washington has requested additional information. Ms. Irizarry wanted to confirm the participation of DID and FSE before proceeding with the request.

DID is willing to participate, but only under certain conditions. First, it must receive approval from FSE and CIDA to replicate the program and the tools developed with CIDA funding. Second, DID requests that USAID contract DID directly. Because DID is registered locally as an NGO, a direct contract is possible. Third, CIDA would like to have a written agreement with USAID that confirms the partnership of CIDA and USAID in providing support to this sector and agreeing to share the lessons learned and results of both phases of the program.

The next steps involve submitting an information document to USAID/Washington that outlines budget, program background, milestones/indicators, etc. In order for DID to commit an employee to compile the information required by USAID/Washington and to develop the eventual feasibility study and implementation plan,

DID needs to have a way to cover the costs associated with this early work. FSE may be willing to underwrite the cost of this stage; however, FSE's decision to do so would depend upon USAID's formal agreement to share equally in the lessons learned and results reporting as well as any publicity associated with the replication of the CIDA program. Ms. Irizarry will follow up with Sylvie Gauvin of DID to confirm the next steps.

#### **CARM Activities:**

- ◆ **Training.** Because of the anticipated DAI/FINNET closedown, no training sessions were held by CARM/North and CARM/South this quarter.
- ◆ **Forums.** On May 12, CARM-North held a planning meeting with 13 representatives of 10 MFIs to discuss the tentative schedule of activities foreseen through the end of the project. On June 8, CARM South held a workshop to kick off the activities planned through project end. Eighteen individuals from 11 institutions participated in the session. During the session, a debate arose on how to set an appropriate interest rate for loans. This debate was fueled by the CGAP document on the topic that had been distributed to MFIs at the previous forum. Also, on the same day, the Bad Debtors Group met to consider the request of Sogesol join the group. Following a short presentation by Sogesol and a discussion on the importance of exchanging information, the group approved the adhesion of Sogesol to the group, bringing the total number of institutions participating to 14.
- ◆ **Bad Debtors List.** The Bad debtors list published by CARM-North in May and June included 1,167 names from seven institutions. There were 182 repayments noted on the list. In the Northeast (Fort-Liberte), the list contains 300 names. In the Northwest, the list showed 409 names. For CARM- South in May and June, the list distributed had 964 names from 13 institutions. It was noted that Sogesol has expressed interest to participate with this group of MFIs in the South.

## INSTITUTION BUILDING COMPONENT

The section below provides a summary of the training seminars that were offered during Y6Q1.

ACTIVITY	DATE	Participating Institution(s)
<b><i>Port-au-Prince Based</i></b>		
Business Planning and Financial Management with Microfin	May 23-27	ACME, FHAF, GRAIFSI, GTIF, ID, MCN, SOCABANK, WORLD RELIEF
Delinquency Management	June 15-17	ACME, COD, FHAF, FONDESPOIR, FONKOZE, GTIH, WORLD RELIEF
<b><i>CARM-based</i></b>		
None scheduled		

From May 19 to June 3, Ms. Lauren Mitten, Manager of Technical Services now based in Bethesda, returned to Haiti to resume certain responsibilities related to the DAI/FINNET work plan for the option year.

During this trip, Ms. Mitten focused on finalizing the support packages for the MFIs in Gonaives (Hurricane Jeanne) and updating the related administrative documentation. Ms. Mitten also held various strategic meetings with USAID, ANIMH and several of DAI/FINNET Tier One partners. Summaries of the meetings held with the partner MFIs are provided in the next section.

### **Non-Bank Technical Assistance:**

#### **◆ Individual Institutional Interventions**

##### **ACME**

ACME's priorities for the year are to: 1) reinforce the capacity of the human resource management function, by first hiring a director of Human Resources; 2) build the information technology capability of the MFI, by hiring an IT Manager; 3) improve loan recovery--ACME, like many of the MFIs with clients in Port-au-Prince, is experiencing higher rates of delinquency and high portfolio at risk (PAR); and 4) concentrate on new product development--ACME has a grant from the Inter-American Development Bank (IDB) to conduct a market survey. However, because of IDB restrictions concerning the nationality of the consultant selected to do the work, ACME has not found a suitable candidate—one that speaks French and comes from an IDB-member country.

## **ACLAM**

ACLAM's external audit has been completed by CEGAC.

ACLAM's Institution Building Award grant for the installation of telecommunications infrastructure is still open. The installation has been completed for the Port-au-Prince branch and is working well. Multicom is due to complete the installation in Les Cayes by the beginning of June and will start working on the installation in Port-de-Paix shortly thereafter.

ACLAM's priorities for the upcoming year are the following: 1) improve capacity of the internal control unit by training staff and by putting in place systems and procedures; 2) develop accounting manuals and procedures; 3) select and install an MIS (ACLAM currently uses Quickbooks to manage their accounting. They do not have a loan portfolio tracking system.) They are potentially interested in Loan Performer or SIEM.

Many of these requested interventions are a result of the recommendations highlighted in the Microfinanza diagnostic report and the findings mentioned in the CEGEC external audit report.

DAI/FINNET has agreed to assist ACLAM with the development of accounting procedures and manual, the selection of a loan portfolio tracking software, and the reinforcement of internal controls.

## **GRAIFSI**

DAI/FINNET continued to assist GRAIFSI with the installation of a robust management information system. A Loan Performer database was developed for GRAIFSI's branch in the South-East. Also, DAI/FINNET has been working with GRAIFSI to put together a procedures manual for Peachtree, the accounting system. This manual should be complete by the end of July.

## **GTIH**

DAI/FINNET finalized the Loan Performer Manual and submitted the document to GTIH management.

## **FEMA/WORLD RELIEF**

FEMA, the microcredit program of World Relief, moved locations. As a result of this move, the institution experienced some damage to their client database. DAI/FINNET will work with FEMA to reinstall a complete, non-corrupted version of the database, where necessary.

## **FHAF**

FHAF is pleased with the diagnostic work completed by Microfinanza. As a result of the diagnostic report, FHAF has a much clearer idea of what needs to be done in order for the MFI to improve its institutional capacity and how the organization can prioritize the needed interventions. Some of the priority activities highlighted by the Executive Director of the MFI are:

- Strengthen and increase the involvement of the Board of Directors—FHAF understands that their Board is a resource and should be used as such ;
- Undergo an external audit ;
- Reinforcement of the internal audit process;
- Improve loan loss provisioning and write off loans ;
- Increase capacity of “old” employees—FHAF has recently started using stricter criteria when recruiting new credit officers. The new credit officers are proving to be much more capable than the previously hired credit officers (those that, because of seniority, are often in a position to supervise the newer officers). FHAF would like to provide all credit officers (and especially the older ones) with training run by FINNET. FHAF’s hope is that this training will level out the field a bit more ; and
- Install a telecommunications infrastructure and branch network

## **FONDESPOIR**

Mr. Bien-Aime, the Executive Director of Fondespoir, requested assistance in the following areas:

- Installation of a telecommunications infrastructure and branch network, which he anticipates will cost around \$31,500 for the 7 branches (5 currently in operation, 2 to be opened soon).
- Strategic planning—Fondespoir would like assistance to develop a strategic plan, as this is an activity that the organization hasn’t undertaken in the past. Fondespoir has a business plan for the period ending at the end of this year.
- External audit—Fondespoir recognizes the importance of an external audit. Unlike other MFIs, Fondespoir has no key stakeholders and no international donors. Mr. Bien Aime believes that with externally audited financial statements, Fondespoir will be in a better position to access external funding sources. According to Mr. Bien Aime, the institution is ready to undertake this exercise—financial systems are in place and the required financial reports can be generated.

## **FONKOZE**

Since the departure of Jean-Edner Nelson, Fonkoze Foundation Director, Anne Hatings, has been actively searching for a new CEO to run Fonkoze Financial

Services. Until the a CEO is hired, Sharmi Sobhan will serve as the Acting CEO, splitting her time between Haiti and New York, where she works as Director of Fonkoze/USA.

Fonkoze's priorities for the upcoming year are: 1) hiring a new CEO to replace Jean-Edner Nelson; 2) developing a new strategic plan (would like to have a strategic planning session facilitated by an outsider); 3) hiring a Director of Training (budget permitting); and 4) providing employees with specialized training offered by DAI/FINNET.

Fonkoze Foundation's priority training needs are: 1) Introduction of Microfinance; 2) Customer Service; 3) Leadership and Supervision (management training course, and not a course on how to supervise a portfolio); 4) Basic Credit Skills; and 5) Adult Education Techniques.

Fonkoze expects to benefit from the DAI/FINNET Human Resource Management Initiative, which aims to improve the HR functions within select MFIs. Dr. Nancy Horn, an HR consultant hired by DAI/FINNET to work with the MFIs, is programmed to spend one week with Fonkoze in August. Fonkoze Financial Services has requested that the consultant help the MFI to do the following: 1) Improve the salary grid; 2) Implement a retention strategy (increase motivation and job satisfaction); 3) Develop a benefits management strategy; 4) Formalize performance evaluation; and 5) Train middle managers on how to be mentors, how to supervise, how to handle crises with employees, how to provide feedback, and how to motivate.

### **MCN**

DAI/FINNET and the Human Resource Manager for MCN discussed Dr. Nancy Horn's upcoming consulting assignment, tentatively scheduled for August. MCN is interested in participating in the 1-week training on general human resources management and would like to continue working with Dr. Horn on some of MCN's specific needs, such as putting in place a formal performance evaluation system and offering a leadership/supervisor training course for branch managers.

## **Commercial Bank Technical Assistance:**

### **◆ Individual Institutional Interventions**

#### **BUH-Kredi Popile**

According to Ms. Myrtha Lamothe, Director of BUH's microcredit program, Kredi Popile, the organization's primary objective is to grow its portfolio by expanding the number of clients outside of Port-au-Prince.

BUH is experiencing problems with their Port-au-Prince portfolio—repayment is down and delinquencies are up, because commercial activity has declined for the clients in the more dangerous areas.

To ease the workload and to increase efficiency, Ms. Lamothe has organized her credit officers into “centers”, which are run by senior officers. These senior officers supervise 6-7 more junior officers.

Ms. Lamothe would like DAI/FINNET to conduct specific training sessions for new credit officers in basic credit and introduction to microfinance (the same types of training DAI/FINNET organized for BUH last year). DAI/FINNET has agreed to this request and is in the process of planning the training sessions.

Ms. Lamothe is very interested in having Kredi Popile join CLIS.

At the time of the meeting, BUH had just completed the Microfinanza diagnostic. Ms. Lamothe hopes that she can use the results of the diagnostic to suggest some organizational changes to BUH. Currently, one of her major constraints is the Kredi Popile is a product of the bank. She relies of BUH support (ie. IT) and has to “pay” for this support, which is expensive and time-consuming. The Director of BUH sits on the loan review committee, which often slows down the review process. They have to arrange the committee meetings around his schedule and have to “pay” his salary while he participates. She states that she doesn’t get sufficient financial information on her profitability (income and expenses) on a regular basis.

### **Credit Union Technical Assistance:**

Under a subcontract that terminated March 31, 2005 with Development Alternatives Inc. (DAI), Developpement Internationale Desjardins (DID) of Canada was given the responsibility to enlarge the scope of the FINNET program to include credit unions. This mandate allowed DID to expand the work it was currently doing with the sector under an existing contract with the Canadian International Development Agency (CIDA). Through FINNET, DID embarked on a program to establish a number of credit unions in the south, south-east and north-west. Given the expiration of the subcontract, there were no activities supported by USAID in this quarter.

## **FINANCING COMPONENT**

### **Institution Building Financial Assistance Awards Program:**

The Institution Building Financial Assistance Fund (IBA) is used to provide Tier One and Tier Two partners with targeted and timely technical assistance or financial support in a specific operational area or to reinforce the infrastructure of the institution.

No new awards were made this quarter.

During the quarter, the DAI/FINNET team concentrated on completing the deliveries of the equipment and materials purchased for the MFIs affected by the flooding caused by Hurricane Jeanne. As noted in previous quarterly reports, USAID provided DAI/FINNET with \$250,000 to be channeled to the affected MFIs. These funds were made available to allow the MFIs to reestablish their offices, make the much needed repairs to their premises, and to purchase replacement equipment and office supplies.

DAI/FINNET is in the process of closing-out and auditing all IBA grant files. A separate report will be compiled for all IBA awards made to the MFIs affected by Hurricane Jeanne. This report, detailing the equipment purchased for each institution and the amounts disbursed, will be sent to USAID.

## **PROJECT MANAGEMENT**

### **Personnel:**

As of the quarter ending June 30, 2005, FINNET employed 15 people: three seniors, six juniors, and five support personnel. Additional short contractual consultants are engaged on an as needed basis.

### **Results Reporting – Monitoring & Evaluation:**

A separate section of the quarterly report is devoted to the statistical results of key partners. As the reporting systems of partners improve, the information in the report will be enhanced.

### **Budget Comments:**

USAID approved a contract modification (maard #18) on May 2, 2005, to revise the estimated contract budget to include the option year budget of \$1,663,403; and to provide an incremental funding of \$600,000, thereby increasing the total obligated amount from \$8,108,000 to \$8,708,000. This represented the first tranche of obligated funds for the option period.

As of June 30, 2005, a summary of financial information pertaining to invoicing is as follows:

Contract Amount:	USD 11,975,405
Amount Obligated:	USD 8,708,000
Cumulative Amount Invoiced:	USD 8,217,639
Monthly Burn Rate since inception:	USD 128,400

As of June 30, 2005, the percentage of funded amount spent has reached 94.4%.

## **TAMIS DOCUMENT INDEX**

1. Major Work Plan Components
2. Partners Report
  - a. Tier One
  - b. Tier Two
3. Resource Center Activity Report
4. Cumulative Output Report
5. Training Statistics Report

**PARTNER LIST**  
**TAMIS Document # 2**

**TIER ONE - KEY PARTNERS**

<b>INSTITUTION</b>	<b>METHODOLOGY</b>	<b>COMMENTS</b>
ACLAM (World Concern)	Village Banking	NGO
ACME	Individual Loans	NGO
Banque de l'Union Haitienne (BUH)	Individual Loans	Commercial Bank
COD/EMH	Village Banking	NGO
FINCA/Haiti	Village Banking	NGO
FHAF	Individual Loans	NGO
FONKOZE	Solidarity Group	NGO
Micro Credit National (MCN)	Individual Loans	Limited partnership
SOGESOL	Individual	Commercial Bank

**TIER TWO PARTNERS**

<b>INSTITUTION</b>	<b>METHODOLOGY</b>	<b>COMMENTS</b>
Capital Bank	Individual Loans	Commercial Bank
Fondespoir	Village Banking	NGO
GRAIFSI	Credit Mutuals	NGO
GTIH	Individual Loans	NGO
SADA	Village Banking	NGO
ID	Individual Lending	NGO
World Relief/MED	Village Banking	NGO

**INDICATORS FOR TIER ONE PARTNERS**  
June 30, 2005

	ACLAM	ACME	COD/EMH*	BUH	FHAF*	FINCA**	FONKOZE (Foundation)	FONKOZE (Fin. Services)	MCN	SOGESOL	TOTAL
Rate: USD 1 = HTG 39.92											
<b>Number of Clients/Loans</b>	7,483	7,281	5,891	3,410	5,279	13,790	6,000	21,183	6,296	7,086	83,699
<b>% Female</b>	93.0%	67.0%	86.7%	n/a	91.0%	n/a	98.0%	99.0%	54.7%	62.0%	
<b>Value of Portfolio (USD)</b>	378,629	3,233,704	155,485	2,839,584	1,117,641	751,501	1,544,368	3,216,874	6,615,036	4,874,540	\$ 24,727,364
<b>Value of Portfolio (HTG)</b>	#####	#####	6,206,973	#####	#####	#####	#####	#####	#####	#####	HTG 987,116,370
<b>Savings (USD)</b>	77,627	n/a	140,172	n/a	0	n/a	749,626	5,057,298	n/a	n/a	\$ 6,024,722
<b>Savings (HTG)</b>	3,098,861	n/a	5,595,659	n/a		n/a	#####	#####	n/a	n/a	HTG 240,506,922
<b>Avg loan size (HTG)</b>	2,020	17,730	1,054	33,242	8,452	2,175	10,275	6,062.30	41,943	27,461	HTG
<b>Portfolio at Risk 1 day</b>	51.00%	18.00%	n/a	n/a	33.00%	49.00%	n/a	n/a	16.84%	29.00%	
<b>Portfolio at Risk 30 days</b>	19.00%	9.00%	22.31%	n/a	19.00%	10.73%	4.80%	6.00%	11.88%	18.00%	
<b>Write-Off Rate %</b>	n/a	1.60%	19.59%	n/a	n/a	0.68%	0.04%	1.00%	4.21%	20.44%	
<b>Operating Self-Sufficiency</b>	107	129	140	n/a	156	97	n/a	n/a	105	108	
<b>Financial Self-Sufficiency</b>	105	114	n/a	n/a	147	70	n/a	n/a	103	101	

\* Indicators for FHAF and COD/EMH are for the period ending on December 2004. FHAF and COD/EMH were unable to supply us with indicators by the requested date.

\*\*At the time of this report, FINNET could not reach FINCA to request updated portfolio figures. The value of portfolio figure in HTG and US is from March 31, 2005.