



# SUPPORT TO HAITI'S MICROFINANCE, SMALL AND MEDIUM ENTERPRISES SECTOR: YEAR TWO WORKPLAN

July 2007

This publication was produced for review by the United States Agency for International Development. It was prepared by Development Alternatives, Inc.

## **DISCLAIMER**

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# Introduction

Support to Haiti’s Micro, Small, and Medium Enterprises (Haiti MSME) is USAID/Haiti’s next phase in a sequenced strategy to further develop the country’s financial services sector to promote employment generation, improve livelihoods, and boost the economy.

## ***Haiti MSME Vision and Strategy***

Haiti MSME is a financial sector service project designed to facilitate transactions between the demanders and suppliers of financial services through supply-oriented interventions. Haiti MSME will improve the capacity of a core group of financial suppliers – namely strong microfinance institutions (MFIs), banks receiving DCA support, and USAID-supported *caisses populaires* (MSME CP), to design and deliver appropriate financial products to bankable enterprises from USAID’s MarChe, DEED, MYAP, IDEJEN, and KATA projects<sup>1</sup>.

It is Haiti MSME’s responsibility to use appropriate incentives and risk management strategies to encourage the core financial institutions to provide innovative and sustainable financial services. It is the responsibility of USAID’s other projects to identify and strengthen the enterprises to receive financial services. Wherever possible, Haiti MSME will draw upon the financial and human resources offered by these other projects. Together, the projects will determine a joint financial services strategy to be implemented collectively and will decide where program resources can and should play a role. Haiti MSME will establish and chair a Coordinating Unit to implement this strategy. This Coordinating Unit, which includes technical staff from each project within the USAID economic development portfolio, will create fast and efficient mechanisms to respond to demand for financial and grant services in USAID supported projects.

Haiti MSME contract objectives remain unchanged from year one to year two. However, as Haiti MSME enters its second year of implementation, DAI and USAID have revised the project’s strategy to better ensure that the following project objectives are met:

- *Supply Enhancement*—Build capacity of those MFIs and financial institutions best positioned to expand the delivery of financial services to priority geographic areas and productive micro, small, and medium enterprises (MSMEs);
- *Enabling Environment*—Provide guidance for improving the enabling environment for microfinance;
- *Supply Expansion*—Promote the development of new products that meet the diverse needs of MSMEs and encourage service expansion; and
- *Linkages*—Reduce information asymmetries between financial demand and supply and create linkages between USAID-supported enterprises and the Haitian financial sector.

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<sup>1</sup> USAID selected these partner projects because the MSMEs supported by these projects: 1) will receive the capacity-building technical assistance that allows them to become more bankable enterprises; 2) are more likely to contribute to USAID’s overarching goals of increased income and employment generation; and 3) possess financing needs that more directly correspond with the financial services profile adhered to by the Haiti MSME-supported financial services providers.

## Haiti MSME Tool Kit

Haiti MSME draws upon an integrated set of tools to achieve results.

*Performance Innovation Fund (PIF).* Designed to “jump-start” innovative financial development initiatives, PIF—a \$ 1.2 million grant fund, will help Haitian institutions develop products adapted to Haitian needs and to improve their institutional capacity to manage increased product and client diversification.

Haiti MSME will use the Innovation Seminar Series to introduce new product concepts and innovations. Interested PIF applications will benefit from the latest thinking and experiences and will develop proposals for the Haitian context that take into consideration lessons learned and experiences abroad.

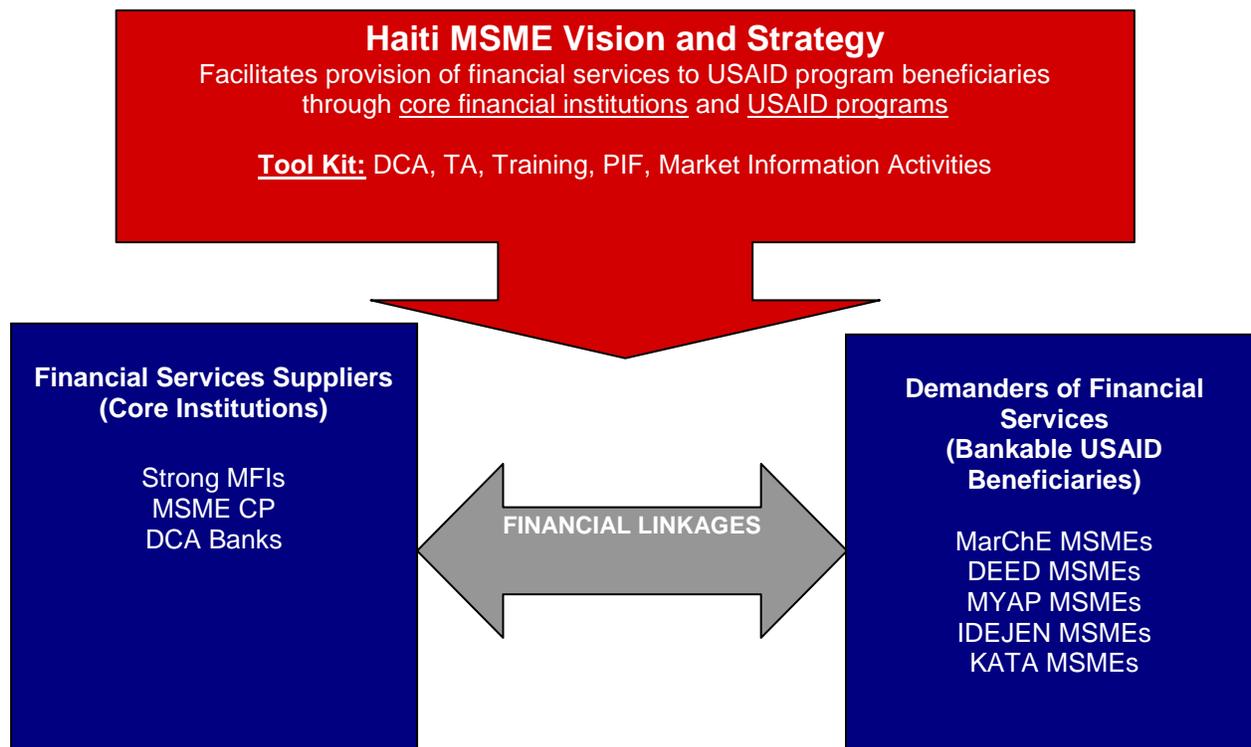
*Development Credit Authority (DCA) Guarantees.* DCA guarantees—a type of structured financial solution—encourage financial institutions to meet the financial needs of MSME productive enterprises by mitigating some of the risk. In addition to the financial guarantee, participating institutions receive tailored technical assistance.

*Capacity-Building Training and Technical Assistance.* Haiti MSME will provide training and technical assistance to those financial institutions best positioned to expand the delivery of financial services to MSMEs. Focused on ensuring local capacity development, Haiti MSME will pair local technical experts with international technical experts as a way of transferring knowledge.

*Market Information Activities.* Financial institutions throughout Haiti lack access to reliable market information. Without access to this type of information, institutions find it difficult to exploit business opportunities. Often, they are reluctant to develop new types of products and expand product offerings to new types of clients. Like financial service suppliers, demanders of financial services also lack critical market information. They do not know what products and services available, by whom, where, and at what terms. Haiti MSME will address this market information constraint by: 1) conducting an annual microfinance census that presents and analyzes industry trends; 2) sharing institutional performance information for core institutions on a quarterly basis; 3) compiling a directory on MFIs’ product and service offerings; and 4) disseminating geographical information system (GIS) maps to graphically illustrate the availability and distribution of financial services supply (see Objective 3 for more information).

The graphic below illustrates how Haiti MSME will improve the access of bankable beneficiaries of USAID’s program to finance by working with and through a core group of institutions to deliver appropriate and demanded financial services.

## Graphic: The Role of Haiti MSME: Facilitating Financial Linkages



## Haiti MSME Program Implementation

To implement the Haiti MSME strategy, the team has designed project activities around the four contractual objectives:

Objective 1: Build Strong Institutions

Objective 2: Improve the Enabling Environment for Microfinance

Objective 3: Promote the Development of New Products and Services

Objective 4: Support Access of Micro, Small, and Medium Enterprises to New Market Opportunities

In the following sections, Haiti MSME presents a written description and causal model for each objective, linking the project activity objectives to activity outputs and then to project outcomes and impacts. Haiti MSME provides a Gantt Chart at the end of the document to indicate timing of project objective activities (see Annex 1: Haiti MSME Year Two Gantt Chart)

For Haiti MSME, success is the achievement of all of the project outcomes (or project results) as defined by the targets set out in the Haiti MSME Performance Management Plan (PMP). The Haiti MSME team understands the need to remain flexible and be willing to reorient project activities and resources to ensure the project attains the outcomes (results).

## **Objective 1: Build Strong Institutions**

### **Project Activity Objectives**

Sound financial institutions with strong managers are the key to expanding access to financial services. MFIs must be well-structured, with managers and staff possessing the skills, and leadership necessary to manage growth and diversification, to identify new market opportunities, and to develop and to deliver products and services that satisfy market demands. Working directly with its core partners, Haiti MSME will reinforce their institutional capacity to better prepare them to meet the needs of an expanded and diversified client base.

### **Activity Outputs**

Outputs under Objective 1 will demonstrate:

#### *Improved technical capacity of core partner institutions and other key market entities*

At year end, Haiti MSME's core partners will be able to better meet current and future client needs. Haiti MSME technical assistance activities will focus on a small group of core institutions—those deemed most capable to achieving sustainable and expanded outreach. Technical assistance will also include the completion of Year One TA partnerships and their components (MIS, governance, and HIV/AIDS risk management).

Technical capacity will also be addressed through the provision of training to the microfinance sector. With the presentation of at least three trainings each quarter, Haiti MSME will address needs identified as critical for the strengthening and expansion of microfinance's outreach.

#### *Improved availability of performance indicators*

As a result of Haiti MSME activities, microfinance performance indicator information will become more regularly available. In partnership with ANIMH, DID, partner banks, and other sector associations, Haiti MSME will develop mechanisms to ensure the timely collection of institutional performance data from core partners. Timely collection of institutional performance data from the core partners will serve two purposes. First, it will ensure USAID receives attributable data necessary to evaluate program results. Second, it will reinforce the importance of institutional performance indicator information for management decision making.

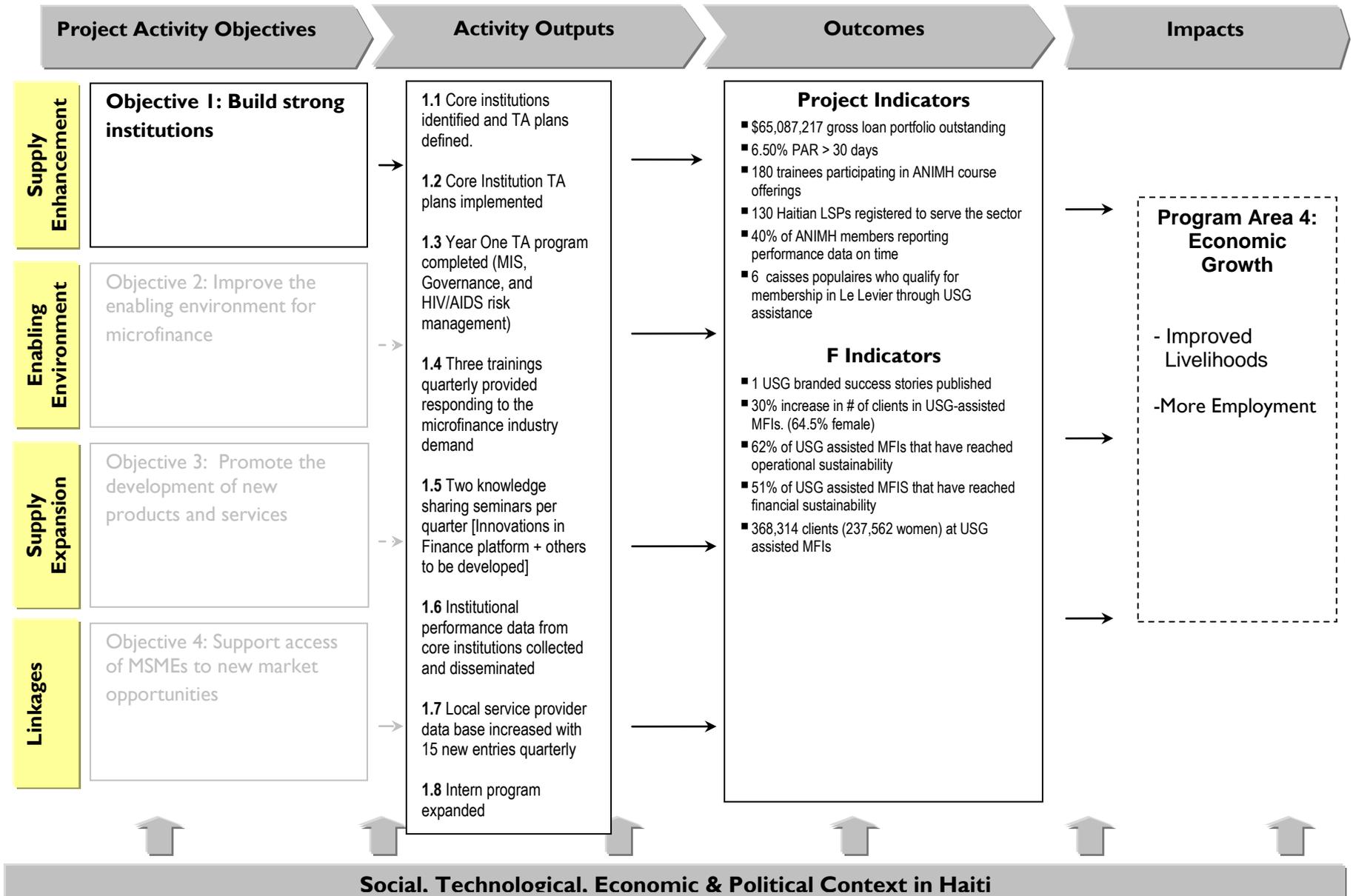
#### *Expanded and improved local service provider resources*

To continue to reinforce local capacity available to the microfinance sector, the Local Service Provider data base begun under year one will be expanded and access will be broadened to other USAID projects and activities. Additionally, Haiti MSME's practice of pairing all expatriate consultants with local consultants will be continued, and its intern program will be expanded.

### **Outcomes**

Success under Objective 1 will be measured by both quantitative and qualitative advances in operational capacity among the core partners and by improved availability of and access to local professional services for the sector.

## Objective 1: Causal Model



## ***Objective 2: Improve the Enabling Environment for Microfinance***

### **Project Activity Objectives**

A key element in building robust financial systems that work for the majority is the existence of an appropriate enabling environment for microfinance, one which encourages the participation of the poorest citizens and supports the institutions serving them. A positive enabling environment can help a wide variety of institutions to develop appropriate financial services to expand outreach to the poorer population.

The visions and strategies that contribute to an enabling environment must reflect a consensus among the main stakeholders: politicians, government administrators, microfinance and other pro-poor institutions, banks, and the customer base. Governments have a particularly critical role to play in developing the policies and regulatory context which form the framework of an appropriate environment. To best inform its policies, a government should have a global view of international trends and “best practice” for enabling environments. It should also have an accurate assessment of which key legal, regulatory, and policy issues need to be addressed, how they can be addressed, and what the constraints and obstacles to achieving needed change may be. Because of the complexity of the constraints to the enabling environment changes needed in Haiti, Haiti MSME’s work under Objective 2 will be refocused to support a diagnostic assessment of the current state of the enabling environment components – the policy, legal, and regulatory structures or voids.

### **Activity Outputs**

Outputs under Objective 2 will demonstrate:

#### *Identification and dissemination of core enabling environment considerations*

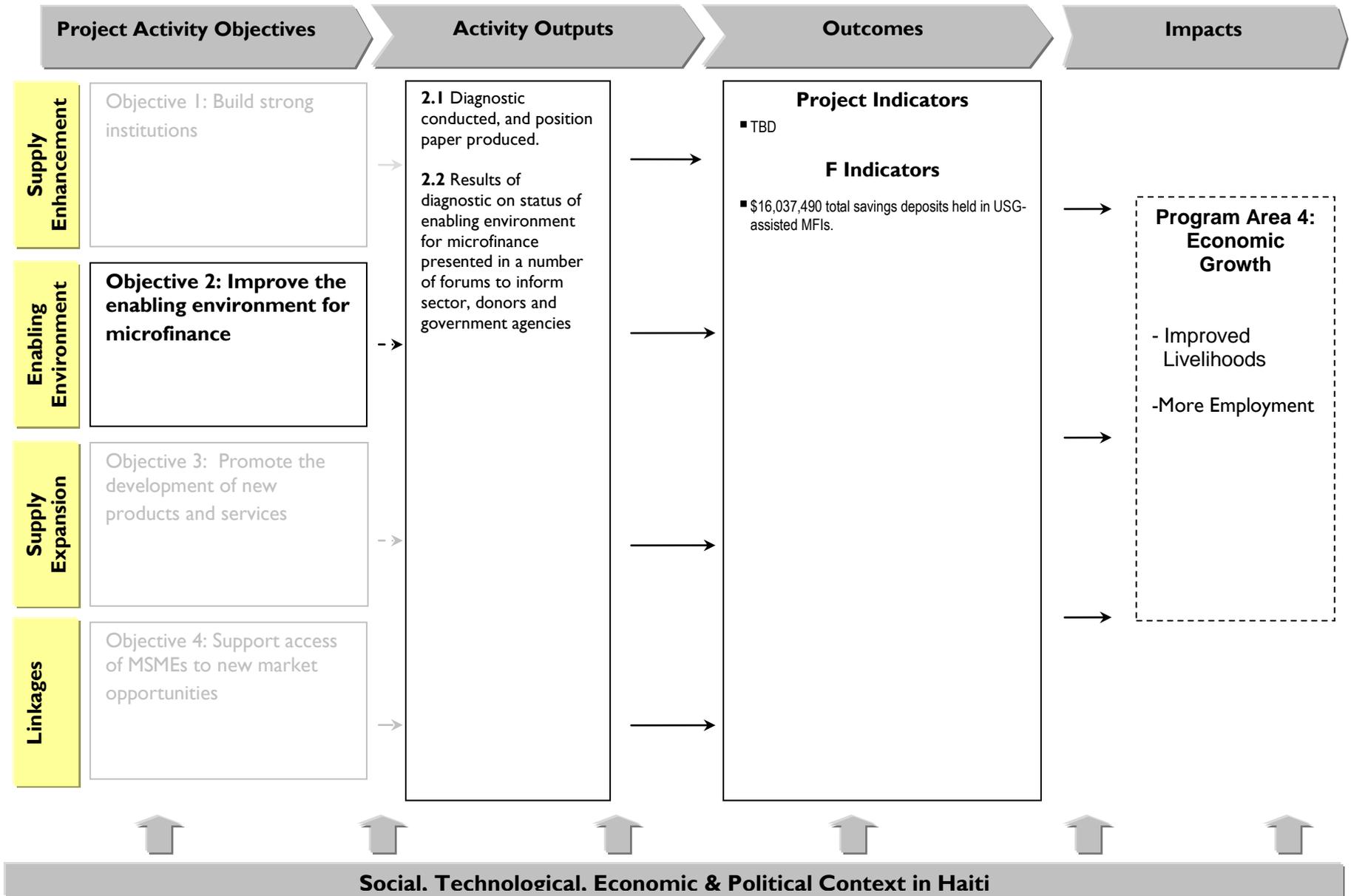
Haiti MSME’s work will focus on the identification of key components of the enabling environment and an assessment of each of those components. The diagnostic will identify key areas of changes needed, based on a best practice approach. The major obstacles and constraints will be identified and resolutions proposed.

A broad dissemination of results of the diagnostic will assist the stakeholders in their work on enabling environment. The results of this study will be published and presented in a series of forums to the microfinance sector, donors, and to the BRH and other government agencies.

### **Outcomes**

Success under Objective 2 will be measured by the reinforcement of the information base available to enabling environment stakeholders. The microfinance sector will be equipped with information needed to support and assist in policy determination. Haitian government agencies, including the BRH and the Ministry of Finance will have a diagnostic which can inform their planning for change.

## Objective 2: Causal Model



## ***Objective 3: Promote the development of new products and services***

### **Project Activity Objective**

Haitian MSMEs and poor households need sustainable access to a wide range of financial services—to finance business operations and growth, smooth consumption, and invest in health and education. Broadening access to finance requires that institutions expand points of service to rural locations; identify new clients, including microenterprises managed by poorer people and SMEs; and develop appropriate products and services. Improved access to finance for Haitian MSMEs can also facilitate their increased contribution to economic growth and jobs creation.

### **Activity Outputs**

Outputs under Objective 3 will demonstrate:

#### *Increased availability of supply side financial sector information*

Financial institutions, associations, donors, investors, and MSMEs all need up-to-date and reliable financial sector information for informed decision-making. Increased availability of supply-side information can facilitate linkages among demanders and suppliers of financial services. To increase availability of supply side information, Haiti MSME will conduct several important data collection and dissemination activities: an annual microfinance census that presents and analyzes industry trends; a directory on microfinance industry information and institutional products and service offerings; and GIS mapping to illustrate the availability and distribution of financial services supply.

#### *Encouraged financial institutions to diversify market, client, and product offerings*

Haiti MSME will reduce institutional risk for new product development or during expansion. Through training, increased access to information, and grant support through the PIF, Haiti MSME will assist institutions in the development of new markets, products, services, processes, linkages, and/or the application of new technologies leading for greater client outreach and satisfaction.

In addition, to increase SME lending and microfinance in rural areas, Haiti MSME will stimulate utilization of existing DCA guarantees in place with partner banks through technical assistance (under Objective 1) and increased dialogue through the SME Seminar Series. Haiti MSME will also work with USAID/Haiti and the USAID Office of Development Credit to design future DCA deals.

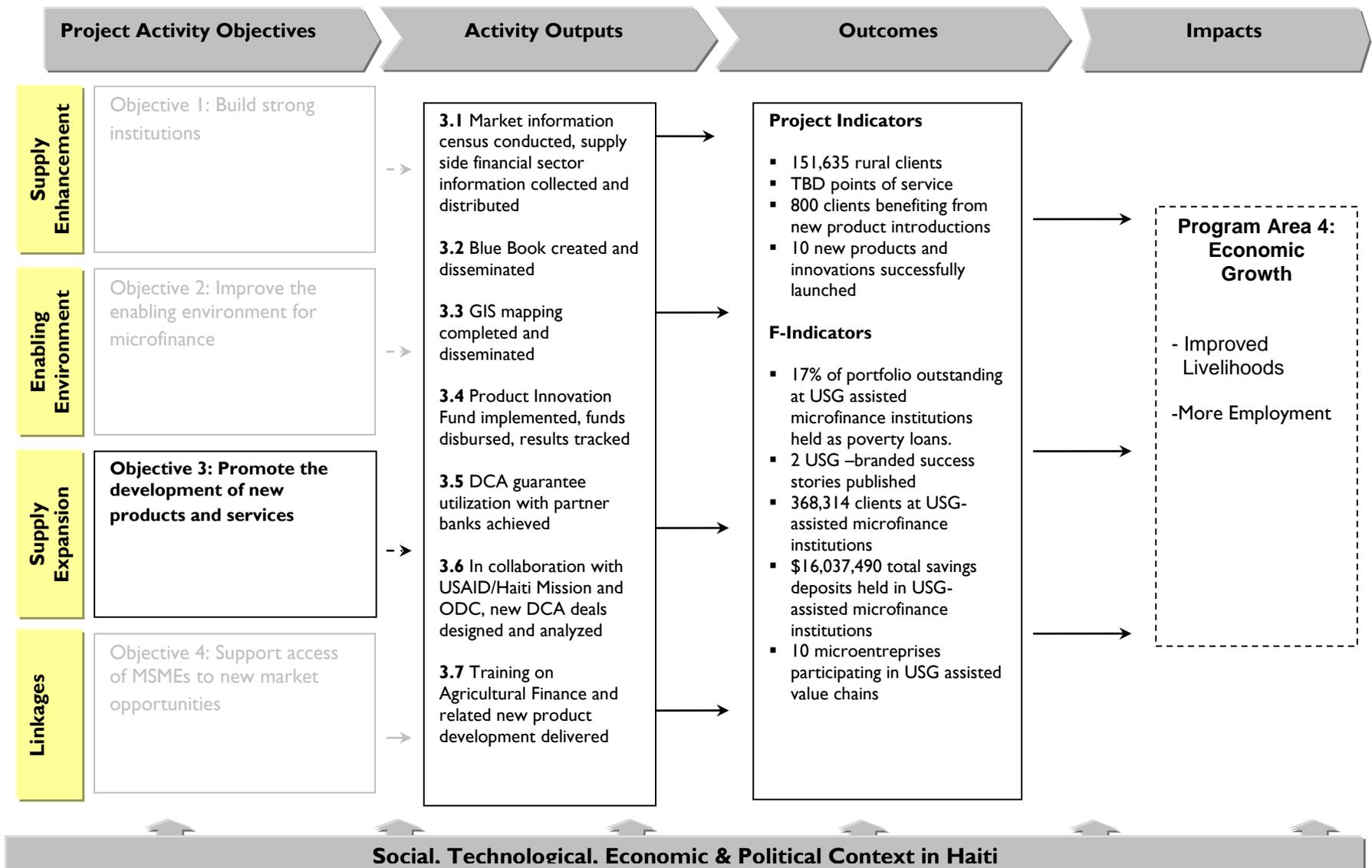
#### *Increased access to agricultural finance*

Increases in financial product availability and financial linkages among value chain actors will stimulate growth within Haiti's agricultural sector. To stimulate dialogue and increase knowledge, Haiti MSME will deliver Agricultural Finance workshops in various zones. Haiti MSME will also offer training on MFI new product development related to agricultural finance.

### **Outcomes**

Activities under Objective 3 will lead to diversification of product offerings, improved availability and dissemination of market information, and increased outreach to new markets. Tangible success will be evident in the increased delivery of financial services to target populations, including the beneficiaries of USAID's livelihood and job creation projects.

### Objective 3: Causal Model



## **Objective 4: Support Access of Micro, Small, and Medium Enterprises to New Market Opportunities**

### **Project Activity Objective**

Productive MSMEs are the engine of economic growth and require access to financial services to benefit from market opportunities, expand, and increase employment. In Haiti, a limited supply of financial products and services, weak integration of value chains, and the scarcity of bankable enterprises are key constraints to competitiveness in the agriculture and productive sectors. Objective 4 will focus on coordination between willing and able financial institutional supply and bankable MSMEs and projects. The coordination is critical in order to match financial products and services with the financial demand of Haiti's productive MSMEs.

### **Activity Outputs**

Outputs under Objective 4 will demonstrate:

#### *Disseminated supply-side information and coordinated financial linkages*

A formal working group among Haiti MSME and USAID partners focused on key high impact populations and productive sectors: KATA, MYAP, IDEJEN, DEED, and Marché – will ensure coordination of financial activities in order to create an impact on improved livelihoods and employment generation.

From direct support to financial supply institutions and financial market supply data collection under Objectives 1 and 3, Haiti MSME will provide and disseminate financial sector data to USAID programs and beneficiaries. The information will include supply side data – such as product types offered and points of service, mapped over or compared to demand-side data – such as market information and population densities in target areas. The goal is to identify demand and supply overlaps in order to coordinate financial linkages, but also to inform where to encourage financial sector expansion.

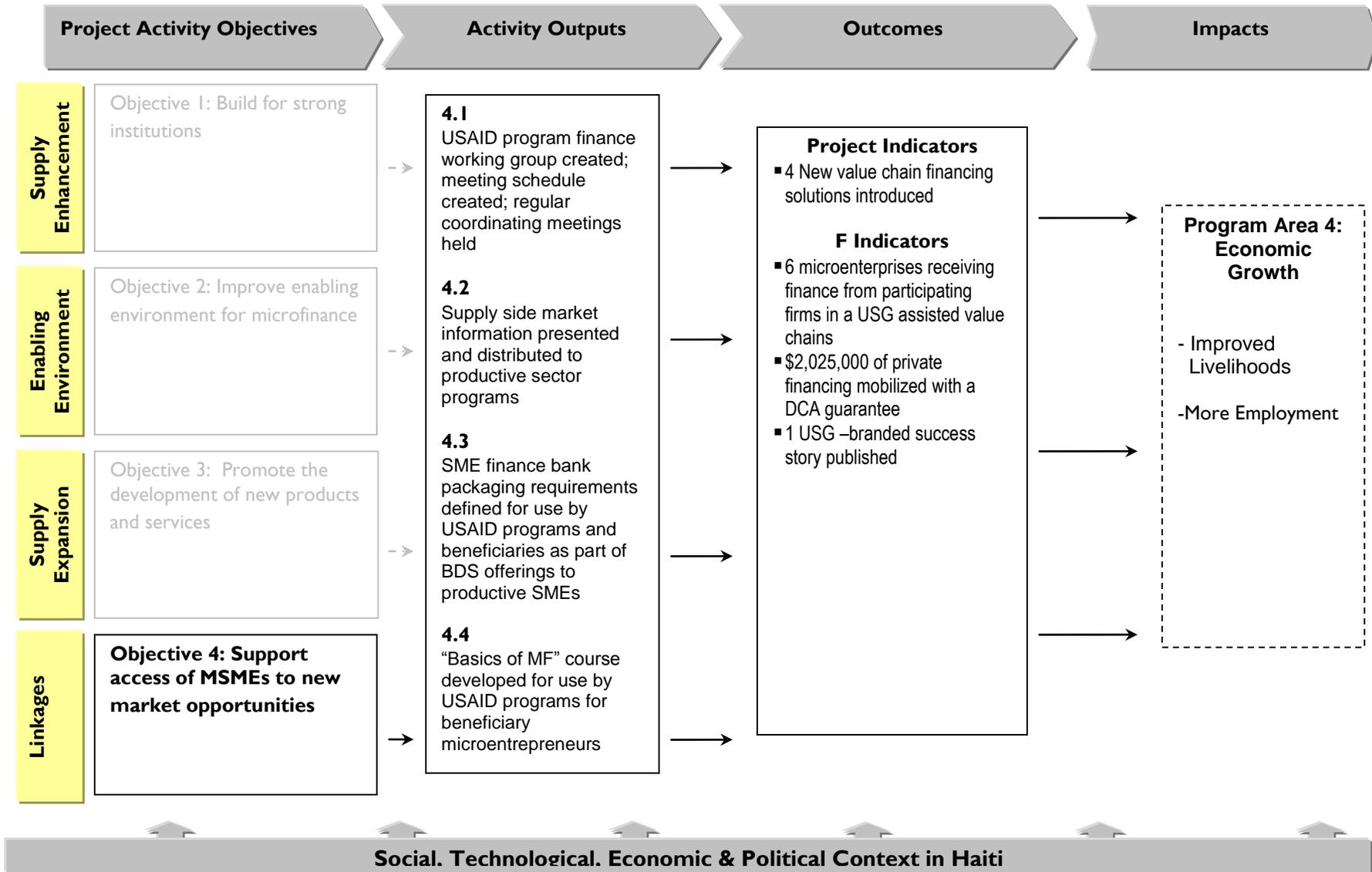
#### *Expedited DCA utilization and collaboration*

DCA guarantee utilization requires willing bank partners, but also bankable enterprises. Thus, Haiti MSME will work with the banks to define MSME finance bank packaging requirements. The requirements will be disseminated to USAID enterprise development programs to inform their technical assistance to their beneficiary SMEs and rural microenterprises. Haiti MSME will provide assistance to design trainings as part of these projects' business development services (BDS) to productive SMEs. This support, as well as Objective 1 direct technical assistance to the partner banks to institutionalize SME finance policies, procedures, and training, should catalyze usage of DCA MSME guarantee facilities.

### **Outcomes**

As a result of activities under Objective 4, information asymmetries will be reduced between financial demand and supply, and financial linkages, particularly financial services meeting the needs of productive sector MSMEs, will be increased between USAID demand beneficiaries and supply institutions.

## Objective 4: Causal Model



## Annex 1: Haiti MSME Year Two Gantt Chart

<p>  Ongoing TA/Implementation                Follow-Up/Coordination               • Deliverable/Event         </p>																				
Objective Output	Year 2 (August 01, 2007- September 31, 2008)														Year 3 (October 2008 – July 19, 2009)					
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Q 1	Q 2	Q 3	Q 4		
<b>Objective 1: Capacity Building for Strong Institutions and Managers</b>																				
<i>Improve Technical Capacity focused Core Partner Institutions and Other Market Entities</i>																				
Core institutions identified and TA plans defined	•																			
TA plans with core institutions implemented			—————																	
Year one TA programming completed (GIS, Corporate Governance, and HIV/AIDS)	—————																			
Trainings provided that respond to microfinance industry demand (at least 3 per quarter)		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•		
Financial innovations seminars presented (at least two per quarter)		•	•	•			•	•		•	•		•	•	•	•	•	•		
<i>Improve availability of performance indicators</i>																				
Core partner institutional performance indicator data collected, analyzed, and disseminated			•			•			•			•			•	•	•	•		
<i>Expand and improve local service provider resources</i>																				
Local service provider database population increased and availability expanded			- - - - -																	
New internship positions developed and placements made			- - - - -																	

Objective Output	Year 2 (August 01, 2007- September 31, 2008)														Year 3 (October 2008 – July 19, 2009)				
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Q 1	Q 2	Q 3	Q 4	
<b>Objective 2: Improve enabling environment for microfinance</b>																			
<i>Identify and disseminate core enabling environment considerations</i>																			
Microfinance Enabling Environment Diagnostic conducted				•													•		
Microfinance Enabling Environment Diagnostic presented and disseminated						•	---	---	---	---	---	---	---	---	---	---	•	---	---
<b>Objective 3: Promote the development of new products and services</b>																			
<i>Increase availability of supply side financial sector information</i>																			
Global MFI census completed, analyzed, produced, and distributed		---		•				---	•					---		•			•
MFI Directory created/ updated				---	---	•										---	•		
GIS mapping of key financial supply data completed			---		•	---	---	---	•	---	---	---	---	---	---	---	---	---	---
<i>Encourage financial institutions to diversify market, client, and product offerings</i>																			
Product innovation fund implemented, funds disbursed, and results tracked	---	---	---	---	•	---	---	---	---	---	---	---	---	---	---	---	---	---	---
DCA relationships tracked and utilization encouraged		---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
SME Seminar Series in association with the Banker's Association completed		•	•	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
New DCA deals design and analysis supported and TA plans developed (if applicable)	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
<i>Increase access to agricultural finance</i>																			
Rural and agricultural finance and related new product development training conducted		•				•				•				•		•			

Objective Output	Year 2 (August 01, 2007- September 31, 2008)														Year 3 (October 2008 – July 19, 2009)			
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Q 1	Q 2	Q 3	Q 4
<b>Objective 4: Support access of MSMEs to new market opportunities</b>																		
<i>Disseminate supply side information and coordinate financial linkages</i>																		
USAID program financial linkages working group created; meeting schedule crated, regular meetings held	-	-	.	-	-	.	-	-	.	-	-	.	-	-	.	.	.	.
Supply side market information presented and distributed to productive sector programs (MFI census, Directory, and GIS mapping)		-	-	-	-	.	-	-	-	-	-	-	-	-	.	-	-	.
<i>Expedite DCA utilization and collaboration</i>																		
SME finance bank packaging requirements defined for use by USAID programs and beneficiaries as part of BDS offerings to productive SMEs				.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
“Basics of MF” course developed to be used by USAID programs for beneficiary microentrepreneurs			.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>General and Administrative</b>																		
Reporting																		
PMP			.			.			.			.			.	.	.	.
MRR				.														
Quarterly reports			.			.			.			.			.	.	.	.
Annual report														.				
Final and lessons learned report																		.
Close Down																		.
Branding and Marking	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-