

CARIBBEAN DEVELOPMENT BANK



**SUPPORT FOR THE ESTABLISHMENT OF A SPECIALISED MICRO AND SMALL
BUSINESS FINANCING ASSESSMENT UNIT WITHIN THE *FÉDÉRATION LE LEVIER* -
HAITI**

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Considered at the Two Hundred and Seventy-First Meeting
of the Board of Directors on May 16, 2016

BD 71/16

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CARIBBEAN DEVELOPMENT BANK

TWO HUNDRED AND SEVENTY-FIRST MEETING OF THE BOARD OF DIRECTORS

TO BE HELD IN JAMAICA

MAY 16, 2016

PAPER BD 71/16

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[Dollars (\$) throughout refer to United States Dollars (USD) unless otherwise stated.]

1. THE REQUEST

1.01 By letter dated September 24, 2015, the Multilateral Investment Fund (MIF), a member of the Inter-American Development Bank Group (IDB)^{1/}, requested a contribution from CDB to complement other resources being provided by Global Affairs Canada and MIF to support the creation of a specialised micro and small enterprise (MSE) financing business assessment unit, which will be linked to a network of savings and credit cooperatives in Haiti - *Fédération des Caisses Populaires Haïtiennes (FECAPH) – (Le Levier)*. CDB was requested to make a contribution of an amount not exceeding the equivalent of five hundred thousand United States dollars (USD500,000). This initiative is designed to assist in strengthening the capacity of the financial institutions (FIs) within *Le Levier's* network to better appraise credit applications from MSE clients, thereby improving their access to financing instruments including business loans, and saving products and services.

2. BACKGROUND

2.01 For decades, Haiti had experienced a steady decline in economic and social development, culminating in very high levels of poverty and indigence. The country's real gross domestic product (GDP) per capita declined by close to 45 percent (%) between 1960 and 2005. During the period 2005–07, with the support of the international community, the Haitian economy witnessed some improvement with growth rates of 1.8, 2.3 and 3.3%, respectively. However, in 2008, severe internal and external shocks (hurricanes, high fuel and food prices and global financial and economic crises) led to a decline in economic growth to 0.8%. In 2009, real output growth rebounded to 2.9% despite the impact of the global economic crisis. The earthquake of January 2010, significantly set back Haiti in the strides it was making towards reversing economic and social decline. Damage and losses from the earthquake were estimated at 120% of GDP (2009) or \$7.8 billion (bn). The Port-au-Prince metropolitan area, where the impact of the earthquake was most severe, accounted for 25% of the population and a significant share of Haiti's economic activity. Real GDP output rose by 5.5% during 2011 as economic activity rebounded from the damage caused by the earthquake. Fueled in part by continued reconstruction activity, growth continued during 2012 and 2013 at 2.9 and 4.2%, respectively. Real output growth during 2015 decelerated to 1.7%, compared with

^{1/} MIF, a member of the IDB Group, is the largest provider of technical assistance (TA) for private-sector development in Latin America and the Caribbean (LAC). MIF's core beneficiaries include micro and small businesses, small farms, and poor and vulnerable households, particularly those that are female-headed. MIF designs and finances pilot projects to test pioneering approaches aimed at building economic opportunity and decreasing poverty.

2.8% growth attained during 2014. Haiti's Human Development Index (HDI)^{2/} in 2014 was reported at 0.471, on a scale of zero to one, placing it at 168th out of 187 countries. This index places Haiti among the countries with the lowest HDI in the world and makes it the lowest in LAC.

2.02 It was estimated that prior to the earthquake, about 78% of the population was poor, i.e. living below the international threshold of \$2.00 a day and among these 54% were extremely poor living below \$1.00 a day^{3/}. A more recent estimate determined the extreme poverty level to be 40% for those earning less than \$1.00 per day^{4/}. A high level of inequality accompanies Haiti's high poverty level. The richest 20% of the population accounts for more than 64% of the total income of the country, against the 1% held by the poorest 20% of the population^{5/}. This level of income inequality places Haiti among the most unequal countries in LAC and in the world. Poverty in Haiti is associated with several factors. Among these is the lack of access to basic social infrastructure such as schools that provide education, generally, and technical and vocational training, specifically, which is associated with access to sustainable employment, including entrepreneurship. Another factor is the lack of access to clean and modern forms of energy services, which are necessary underpinnings for the provision of many social services. In addition, Haiti's family structure, similarly to a number of the Bank's borrowing member countries (BMCs) is dominated by female-headship among households represented in the lower quintiles. This reality contributes to social and economic vulnerability of households, particularly those that are dependent on income-generation in the informal sector, which, in many cases are characterised by large household size, high dependency ratios, limited agency and weak social capital. Formal unemployment and underemployment are widespread and the unemployment rate is estimated to be two-thirds of the labour force. Thus, the majority of the population is informally employed.

2.03 Haiti is a highly fragile state, with a large segment of the population dependent on the agricultural sector, which accounts for over 25% of GDP. Agriculture consists of mainly small-scale subsistence farming and remains susceptible to frequent weather-related natural disasters. Remittances are the primary source of foreign exchange earnings, estimated to be close to 20% of GDP and more than twice the earnings from exports. Exports are dominated by apparel exports which have been facilitated by duty-free access to the United States (US) market since 2006. Apparel exports account for about 90% of the country's exports and access to the US market is expected to be in place at least until 2020.

2.04 There are several factors that impede social and economic development and make the country unattractive to investors, among these are the weak educational attainment by the majority of citizens, poor infrastructure, environmental degradation, deep domestic institutional and structural weaknesses and weak governance, political instability and citizen insecurity. Though there has been some progress over the last decade, these challenges remain daunting and, in some cases, have been exacerbated by the January 2010 earthquake and frequent natural disasters.

2.05 Addressing poverty in Haiti requires, among other strategies, making significant effort to broaden and sustain economic growth, reduce unemployment and improve productivity at all levels of economic

^{2/} United Nations Development Programme Human Development Report-*Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience*.

^{3/} *Institut Haïtien de Statistique et D'Informatique*.

^{4/} *National Food Security Coordination/National Food Security Survey (2011)*, cited in the National Poverty Reduction Strategy prepared in collaboration with International Monetary Fund, Washington, D.C. June, 2014:5.

^{5/} *Investing in People to Fight Poverty in Haiti (Overview) – Reflections for Evidence-based Policymaking (2013)*. Paper prepared by the National Observatory on Poverty and Social Exclusion and the World Bank (WB) Group.

activity. Much of this will require providing the appropriate enabling environment and support for the development of the private sector. This notwithstanding, the private sector remains weak and a number of constraints impede its development. These include (i) high level of informality; (ii) high cost and inadequate access to finance; (iii) the lack of economic and social infrastructure, which makes it costly to open and conduct business in Haiti; (iv) lack of technical expertise for establishing and developing businesses; (v) substantial migration of skilled labour; (vi) high security costs associated with business operations; (vii) a complicated tax system; (viii) onerous requirements for opening businesses; (ix) and land tenure issues including a lack of property rights. In addition, pervasive gender inequality disadvantages women more than men and constrains a significant proportion of the population from maximising their income-earning potential in the labour market. Furthermore, fragmented private sector development coordination, a scarcity of data and information, limited provision of basic services, low levels of education and an inadequately trained workforce significantly limit Haiti's productivity, competitiveness and inclusive economic growth.

2.06 Cognisant of these weaknesses, the Government of Haiti (GOH) has already taken several important steps to improve the enabling environment to support private sector development. These include the establishment, in September 2012, of the Presidential Commission for the Reform of Commercial Laws [*Commission pour la Reforme du Droit des Affaires* (CPRA)] as the entity in charge of drafting legal reforms to the business environment, initiation of activities related to setting up a Partial Credit Guarantee Fund and a credit registry at the Central Bank, commitment to review Haiti's tariff system and policies aimed at attracting foreign investment, stimulating manufacturing, and strengthening productive capacity, and the undertaking of a national census of formal and informal businesses by the Ministry of Commerce and Industry in 2014. The Ministry intends to use this data to inform efforts to strengthen micro, small and medium-sized enterprises (MSME) including increasing their access to local procurement opportunities and credit, and build capacity to meet international standards in order to enter new markets.

Financial Sector in Haiti

2.07 The financial sector in Haiti is comprised primarily of commercial banks, microfinance institutions (MFI) and financial cooperatives. The commercial banking sector in Haiti comprises eight banks. Branches are highly concentrated in the greater Port-au-Prince region (66%) with only five banks having any operations outside the city at all. The commercial banking sector is also highly concentrated, with the three largest banks accounting for 86% of all assets in the commercial banking sector.^{6/} UNIBANK is Haiti's largest commercial bank with \$1.2 bn in assets, while Micro Credit National is the largest MFI, with \$23 million (mn) in loans and 19,000 clients. With respect to financial cooperatives, there were 220 credit cooperatives operating in Haiti in 2008, 90% of which operated in rural areas. These credit cooperatives served more than 340,000 Haitians, with savings totaling \$36.1 mn and credit totaling \$35.5 mn.

2.08 According to WB, domestic credit to the private sector as a percentage of GDP is very low, at 19% in 2013, well below LAC's regional level of 28.2%. According to the European Investment Union's 2014 Microscope on Financial Inclusion, at 2.74 per 100,000 people, commercial bank penetration is among the lowest in the world. There is a geographical gap in credit provision as the majority of banks and approximately 30% of MFIs are located in the Port-au-Prince Region, leaving the rural population underserved. MFIs and other non-bank FIs are the main providers of credit in Haiti.

2.09 Access to finance in Haiti has been hindered by the country's general economic environment, the financial regulatory environment and the high cost of credit, especially in the microfinance sector.

^{6/} United States Agency for International Development MSME Haiti Programme, July 2008.

Commercial banks typically charge annual interest rates of 8-15%, while MFIs charge 2-4% per month (24-48% per year) and pawnbrokers and moneylenders charge up to 20% per month (240% per year). The lack of a credit bureau makes it difficult for FIs to assess risk and monitor over indebtedness. Due in part to the general economic environment, FIs are unwilling to make uncalculated risks and thus act conservatively when granting credit. Therefore, only a small proportion of liquid assets are loaned.

2.10 Cognisant of these challenges, efforts are ongoing by GOH to enhance the regulatory framework and to bring regulations in line with international best practices. These efforts include the adoption of the Law for Savings and Credit Cooperatives. Further amendments to this legislation are also currently being proposed by the Central Bank of Haiti, to improve the regulation of the Haitian cooperative sector.

Micro, Small and Medium-sized Enterprises in Haiti

2.11 It is estimated that there are around 900,000 MSMEs comprising 633,613 informal micro-enterprises, 206,969 formal micro-enterprises, 36,524 very small enterprises, 18,745 small enterprises, and 3,326 medium enterprises.^{7/} It is estimated that 70-80% of all economic activity is informal, 99% of all businesses unregistered, and total “informal” assets equal \$12.8 bn (over 200% of GDP). While this has a profound impact on the Haitian government’s ability to generate tax revenue, it also means that a large portion of the population represents prospective microfinance clients. In 2012–13 the Ministry of Trade and Industry conducted the first national small and medium-sized enterprise (SME) census, but the results are not yet available. On one side of this MSME spectrum, medium-sized enterprises whose financing need averages approximately \$150,000 have some access to finance through commercial banks. These commercial banks are generally those that have recently downscaled their operations and expanded their portfolio from exclusively large businesses and which find medium enterprises (often referred to as the upper end of the missing middle) to be a natural market for their financial products and services. On the other side of the spectrum, MFIs and several savings and credit cooperatives are active in providing financing to (informal) micro-enterprises, whose financing need averages approximately \$2,000. Despite the efforts of the financial system, neither of the financing needs of medium-sized enterprises nor those of informal micro-enterprises, particularly those that are female-owned, are fully served, resulting from a number of constraints including lack of collateral.

2.12 There exists, however, a segment in-between informal micro-enterprises and medium enterprises, which is referred to as formal micro, very small and small enterprises, or MSEs, (in the context of this project), where very few financial intermediaries operate with appropriate lending methodologies. It is estimated that those formal micro and very small enterprises whose financing needs average \$6,000, while small enterprises require \$23,000 on average to satisfy their financing needs. Therefore, overall aggregate Haitian MSEs face a financing gap in the aggregate of \$1.9 bn.^{8/} Table 2.1 illustrates the financing stratification of the MSME market in Haiti.

2.13 Although MFIs, and savings and credit cooperatives have started exploring the possibility of serving this unserved segment, developing a small business financing assessment unit, requires a comprehensive approach which takes considerable time and financial and non-financial resources to establish. The process also involves technical analysis, credit underwriting and supervision as well as investing in building the capacity of staff through training. It also implies adjustments to internal processes and procedures, management information system, information technology functionality, and organisational

^{7/} Defined by number of employees: informal micro 1-4, very small 5-9, small 10-49, and medium 50-250. Enterprise Finance Gap Database of the International Finance Corporation (IFC): <https://finances.worldbank.org/EnterpriseFinance/IFC-Enterprise-Finance-Gap-Database-Raw-Data/2ppx-k958>.

^{8/} *Idem* for the numbers cited here.

structure. Introducing successful and sustainable small business financing operations is a process, not a one-time event.^{9/} Therefore, while it would be ideal for each savings and credit cooperative to develop its own small business financing capacity, given the time and financial constraints mentioned above, and the need to close the \$1.9 bn financing gap, an approach utilising collective action is needed to significantly increase MSE financing in Haiti.

TABLE 2.1: FINANCING STRATIFICATION OF MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES MARKET IN HAITI

Size of Business	Average Loan Size Requested	Financial Institution
Medium-sized Enterprises	\$150,000	Commercial Banks (Underserved)
Small Enterprises	\$23,000	Unserved/Underserved
Formal, Micro and Very Small Enterprises	\$6,000	Unserved/Underserved
Micro-enterprises	\$2,000	MFI's, Savings and Credit Cooperatives

2.14 It is against this background that CDB is seeking to contribute towards the establishment of a specialised MSE business financing assessment unit entitled “*Centre Financier pour Entrepreneurs (CFE)*”, to service *Le Levier*.

2.15 *Le Levier* is a cooperative structure founded on June 30, 2007 under the umbrella of the June, 2002 law for the operation of credit unions and the federation of credit unions. It is a financial institution to which the Central Bank of Haiti (*Banque de la Republique d’Haiti*) delegates certain supervisory responsibilities for its federated first-tier savings and credit cooperatives.

2.16 *Le Levier* commenced operations with an initial network of 14 cooperatives in 2007, which were supported by the MIF. Currently, *Le Levier* has 43 cooperatives in its network comprising 29 federated cooperatives^{10/} and 14 non-federated cooperatives which are currently receiving TA to strengthen their institutional capacity in order to be able to comply with the statutory requirements, and policies that will enable them to gain full membership status. *Le Levier*’s network of cooperatives covers the 10 departments of Haiti with 72 service points (branches) and 651,000 clients [indirectly benefiting approximately 2.8 million (mn) people, or more than 25% of the nation’s total population], of which around 40% are women.

2.17 The objectives of *Le Levier* include: (i) protecting the interests of the cooperatives through self-regulation and promoting their institutional development, (ii) receiving deposits from the federated and non-federated cooperatives to provide financing to those cooperatives with financing needs; and (iii) representing the federated cooperatives, either directly or through another body, to promote their integration into the national financial system. *Le Levier* provides TA and training to its network of cooperatives in areas such as governance, financial planning, and auditing.

2.18 As of September 2014^{11/}, *Le Levier* had total assets of \$12.8 mn, deposits from the cooperatives of \$9 mn, and equity of \$1.3 mn. At the cooperatives level, the federated cooperatives had combined total

^{9/}IDB – MIF and Internationale Projekt Consult GmbH (IPC), 2011, IPC Guide for Small Business Lending.

^{10/} Federated cooperatives are those which are in full compliance with regulations of the Central Bank of Haiti for cooperatives.

^{11/} *Le Levier*’s fiscal year ends September 30.

assets of \$92.6 mn, and a combined loan portfolio of \$53.3 mn, with the latter experiencing a growth of 21.1% compared to September 2013. The total principal value outstanding of loans that have at least one payment greater than 30 days overdue (PAR>30), stood at 14%. As of the same date, combined deposits from members totaled nearly \$61.5 mn.

2.19 The governance framework for *Le Levier* includes the General Assembly which constitutes the membership of the cooperatives, a Board of Directors (BOD) comprised of seven members and an Ethics Commission (EC) comprised three members. The general assembly is the supreme authority of the cooperative. Its decisions bind all the members provided that they comply with the present law and with the By-laws. In accordance with the By-Laws of the Cooperatives, one-third of the BOD and EC must be rotated every year. The BOD meets every two months and the General Assembly is convened at least once a year. One female currently serves on the current BOD.

2.20 A profile of *Le Levier* including the list of federated and non-federated savings and credit cooperatives, and *Le Levier's* organisational structure and current BOD are presented in Appendix 1 and Appendix 2, respectively.

3. DESCRIPTION OF THE AFFILIATED CFE MODEL

3.01 The proposed specialised MSE finance business assessment unit is based on the “Affiliated CFE Model”, developed by *Développement International Desjardins* (DID) of Canada. DID is a subsidiary of the Desjardins Group,^{12/} formed in 1970 with the purpose of sharing the Desjardins Group’s experience in Quebec with developing countries in development or emerging economies. CFEs are specialised business support units established at and inside second-tier level institutions. DID specialises in providing financial and technical support for locally owned-and-operated FIs that are rooted in the community. This CFE Model has been proven successful in Rwanda, Burkina Faso, Mali, Senegal, and Benin.^{13/} Through a partnership between MIF and DID, an “Operator Investor” CFE model^{14/} has also been implemented in Panama. As part of its ethos, DID actively demonstrates a strong commitment to promoting inclusive finance and gender equality as drivers and essential leverage for sustainable development. This project will be the first implementation of the Affiliated CFE model in LAC. The key guiding principle for DID in implementing CFE’s model is “build, operate and transfer (BOT).” DID sets up (builds) and operates the CFE in collaboration with local partners, and gradually transfers the administration of the CFE to its local partners once financial self-sufficiency has been achieved, typically after a period of 5 years.

3.02 The mission of an CFE is to provide relevant financial products and services, to growth-oriented businesses primarily in the SME segment thereby enhancing their sustainability. DID first introduced this

^{12/} The Desjardins Group (www.desjardins.com) dates back to 1900 and holds assets of CAD 229 bn (approximately \$197 bn) as of December 2014. The Desjardins Group is the largest cooperative financial group and the sixth largest banking institution in Canada (and the fourth largest cooperative financial group in the world). Its long-term credit ratings are: A+ (Standard and Poor’s), AA (DBRS), Aa2 (Moody’s), and AA- (Fitch). The Desjardins Group comprises a network of financial service cooperatives (*caisses* and credit unions), and some 20 subsidiaries in fields such as life and general insurance, securities brokerage, venture capital and asset management. With 7 mn members and over 45,000 employees, the Desjardins Group is a sound and highly effective cooperative enterprise.

^{13/} The Affiliated CFE model in Benin with *Faîtière des Caisses d’Epargne et de Crédit Agricole Mutuel du Bénin* (FECECAM), which was implemented in February 2014, with 135 savings and credit cooperatives and service outlets under the network (1 mn members, loan portfolio of \$60 mn, and members’ savings of \$100 mn achieved 76 business owners as clients, and a loan portfolio of \$580,000, \$7,600 on average in one year of its implementation.

^{14/} The Operator-Investor CFE model involves creating an independent legal entity licensed as a financial intermediary, initially co-owned by DID, local partners and international investors, and managed by DID experts generally for the first five years.

concept to Quebec, Canada in 1998, and since then has been setting up and operating around 50 CFEs, serving more than 400,000 businesses in Canada, through its' network of savings and credit cooperatives. The CFEs' expertise in SME finance is utilised by the network's first-tier savings and credit cooperatives to address the financial needs of their clients. More specifically, a member client of a savings and credit cooperative in DID's network, who has a specific need for financing his/her business, is referred to the corresponding CFE that has specialised staff and analytical tools for assessing this need. CFE then makes a recommendation and based on this, the savings and credit cooperative ultimately grants the loan and bears the credit risk.

3.03 Infographics depicting the relationship between the CFE and the savings cooperatives are depicted Table 3.1 and 3.2, respectively.

TABLE 3.1: CENTRE FINANCIER POUR ENTREPRENEURS' RELATIONSHIP WITH SAVING COOPERATIVES

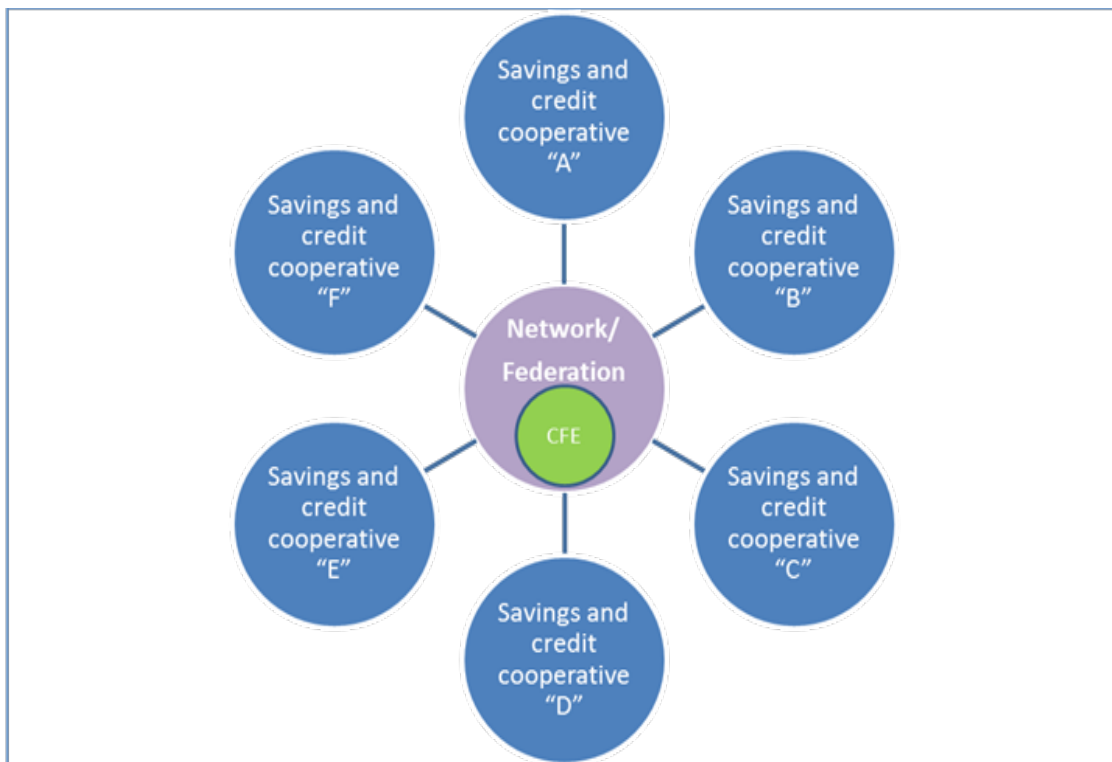
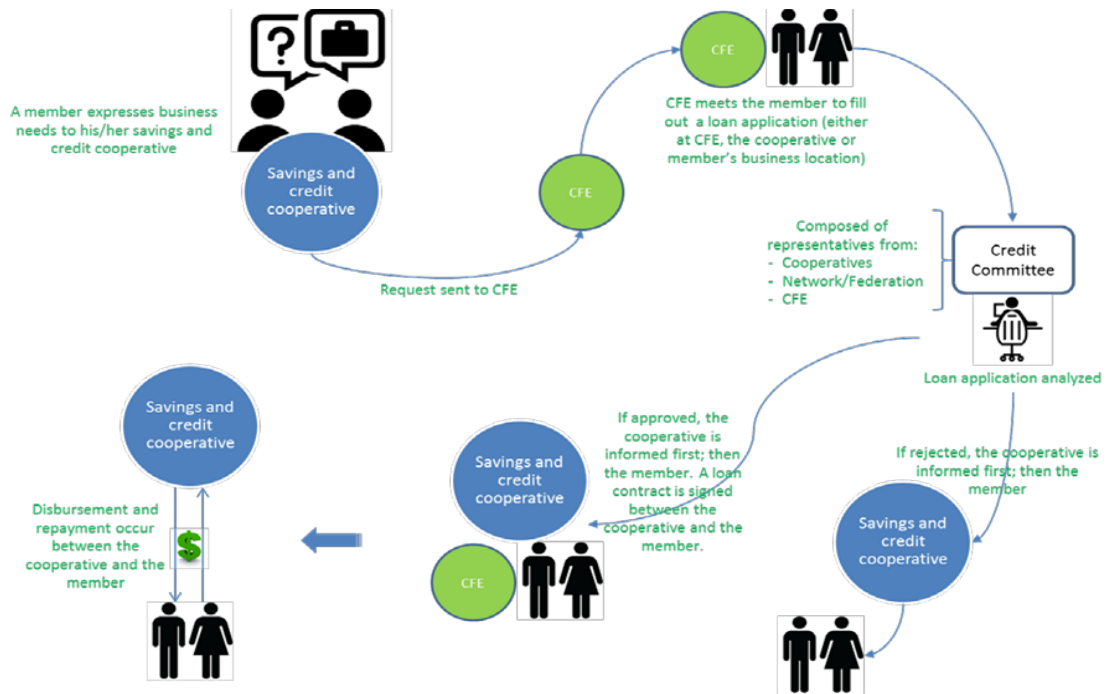


TABLE 3.2: THE PROCESS OF *CENTRE FINANCIER POUR ENTREPRENEURS*' RELATIONSHIP WITH SAVING COOPERATIVES



3.04 A summary of the key features of the operations of CFE are as follows:

- (a) CFE will function as a business support unit inside the network of savings and credit cooperatives. It operates in accordance with the agreement subscribed by and between the relevant financial institution (in this case - *Le Levier*) (on behalf of the CFE) and participating savings and credit cooperatives.
- (b) Business loans are granted by individual savings and credit cooperatives, not by CFE, and each savings and credit cooperative bears the credit risk it granted based on the recommendation of CFE.
- (c) Revenues from business loans granted through CFE belong to the savings and credit cooperative, from which the borrowing entrepreneur is a member. Business loans which are too large for an individual savings and credit cooperative can be syndicated with other savings and credit cooperatives in the network, through CFE in a transparent manner *vis-à-vis* the borrower.
- (d) Each member with business needs deals with the savings and credit cooperative he/she is a member of, along with the CFE. The savings and credit cooperative arranges an appointment with the CFE on behalf of its member. The CFE loan officer meets the client in the facilities of the corresponding savings and credit cooperative.
- (e) CFE never handles members' money, as the members perform their loan, saving and other types of financial transactions principally at their savings and credit cooperatives.

- (f) CFE operations are supervised by a management committee which consists of the general managers of participating savings and credit cooperatives and a representative from the network/federation (in this case - *Le Levier*).
- (g) CFE's and participating savings and credit cooperatives' operations are computerised and synchronised so that data can be shared.
- (h) CFE's capital and operating costs are shared among the participating savings and credit cooperatives in accordance with the subscribed agreement. Typically, capital costs are shared in proportion to the asset size of each savings and credit cooperative, and operating costs according to a formula which takes into account the relative proportion of the business loan portfolio and the relative number of active loans of each savings and credit cooperative.
- (i) CFE mainstreams gender in its operations.
- (j) CFE's manager has the delegated authority to undertake gender-sensitive recruitment of professional and support staff and manages CFE's budget.

Lessons Learned from previous Implementation of *Centre Financier pour Entrepreneurs* Models

3.05 A number of lessons learned by DID based on previous implementation of the Affiliated CFE models in savings and credit cooperative networks in Africa and Panama have been taken into consideration in designing this project. These include:

- (a) The best approach is to pilot CFE with a limited number of first-tier savings and credit cooperatives (maximum five) before considering replicating the model on a larger scale.
- (b) It is important to initiate CFE's management transfer planning as soon as possible after CFE's implementation to build local capacity through ongoing training programme for staff and managers.
- (c) In terms of establishing CFE "branding" it is important to have a strong marketing approach through a close communication and coordination between the federation/CFE and first-tier savings and credit cooperatives, so they both know they commonly own CFE, share the same vision and undertake complementary actions.
- (d) A strong governance structure and management team, with buy-in of the federation, is crucial and should be supplemented by a strong IT system that facilitates management reporting.

4. PROPOSAL

4.01 It is proposed that CDB provide a contribution to the programme through MIF of an amount not exceeding five hundred thousand United States dollars (\$500,000) from its Special Fund Resources (SFR) to contribute towards the establishment of a specialised MSE financing business assessment unit, within *Le Levier* in order to develop the necessary capacity to better assess credit financing requests of its member cooperatives, thereby enabling increased access to financial products and services primarily for unserved and underserved formal micro and very small male and female-owned enterprises in Haiti.

5. **PROJECT DESCRIPTION**

5.01 The project will comprise two components:

- (a) **Component I:** TA to Support the Establishment and Implementation of the Affiliated CFE Model in the *Le Levier* network of cooperatives. Gender equality considerations will be incorporated in activities within this component.
- (b) **Component II:** Loan to *Le Levier* which, in turn will be onlent to first-tier savings and credit cooperatives that utilise the CFE's capacity to originate a MSE portfolio.

Component I

5.02 TA to Support the Establishment and Implementation of DID's Affiliated CFE Model in *Le Levier*. Resources will be used to finance the following sub-components:

- (a) **Component I-1:** Establishment of an CFE in *Le Levier's* network.
 - (i) The objective of this component is to set up the CFE, define its *modus operandi*, build professional expertise among female and male staff, and carry out a pilot with a few selected savings and credit cooperatives. This component will be executed over four phases: (i) development of a business plan of the CFE; (ii) strategic collaboration with the savings and credit cooperatives in *Le Levier's* network; (iii) establishment of a pilot CFE operation; and (iv) rollout of CFE's operations.
 - (ii) The expected results of this component are: an updated feasibility study; a study tour to Canada ; production of a detailed business plan; design of financial products and services; definition of the governance structure and the relationship between the CFE and participating savings and credit cooperatives; development of a master agreement to be signed by and between Le Levier (on behalf of the CFE) and each of participating savings and credit cooperatives; implementation of the management information system (MIS); implementation of operational processes and procedures (credit operations, internal control, customer account management, accounting, reporting, etc.); hiring and training of dedicated personnel; selection of participating savings and credit cooperatives (three to five cooperatives to start as a pilot); and a gender-sensitive promotion and awareness-raising campaign to potential MSE clients.
 - (iii) It is proposed that CDB's contribution of \$500,000 be used exclusively to finance activities under this sub-component of Component 1.
- (b) **Component I-2:** Consolidation of the CFE and its transfer to a local management team comprising men and women.
 - (i) This component will focus on enabling the local management team of *Le Levier* to become managers of the CFE, a process that calls for close and intensive training and coaching of the elected executives and officers, designing new financial products and services, and increasing the number of participating savings and credit cooperatives in utilising *Le Levier's* CFE capacity.

- (ii) The principal results of this component are expected to be a capacity-building plan; all the local CFE managers and *Le Levier* Board members trained; a final report with suggestions and recommendations for the local management team; a management transfer from DID to *Le Levier*; and follow-on technical support from DID to consolidate the local management team.
- (c) Component I-3: Knowledge Management and Strategic Communication. This component will systematise, document, collect lessons learned and promote their dissemination, in particular, the knowledge gained by *Le Levier* in implementing the Affiliated CFE Model, in order to raise awareness of this type of collective action among networks of savings and credit cooperatives.

Component II

5.03 Unsecured Senior Loan. This component consists of a Haitian gourd (HTG)-denominated unsecured senior loan to *Le Levier* with resources provided by MIF, with an amount of HTG equivalent of up to \$500,000 which, in turn, will be onlent to first-tier savings and credit cooperatives that utilise the CFE's capacity to originate a MSE finance portfolio.^{15/} This senior loan is complementary to the financing provided to *Le Levier* by Inter-American Investment Corporation (IIC), the private sector arm of the IDB Group, through resources from its Spain-IIC Haiti SME Development Fund. While MIF's senior loan will be utilised for loans with an amount between \$4,000 and \$10,000, IIC's financing is for the segment above \$10,000. The main terms and conditions of the proposed MIF's unsecured senior loan are outlined in Appendix 3.

5.04 The proposed project is expected to benefit approximately 2,000 female and male-owned MSEs, including formal micro-enterprises that need higher loan amounts than what Haitian MFIs currently provide to micro-enterprises that are in the transition phase of becoming small businesses, and small enterprises. More specifically, the project will target principally those MSEs that seek a loan amount of approximately \$4,000 and above.

5.05 Indirect beneficiaries will comprise family and non-family employees of MSEs being supported by the project. Assuming a total of five family and non-family employees per MSE, this project will indirectly benefit approximately 10,000 individuals.

5.06 It is expected that the CFE business unit will reach its break-even point in the fourth year after its inception. With other financing that *Le Levier* is subsequently expected to have access to the combined outstanding MSE loan portfolio originated through the CFE capacity will reach \$10 mn at the fifth year after CFE's inception. Detailed financial projections for the proposed CFE's Business Unit are presented in Appendix 4.

6. OUTCOME

6.01 This project is expected to contribute to increased access to business loan and saving products and services for female and male-owned MSEs, by supporting *Le Levier's* network of savings and credit cooperatives in establishing a professionalised MSE business financing assessment unit. The expected

^{15/} *Le Levier's* financing needs will depend on, among others, the number of first-tier savings and credit cooperatives in its network that become eligible for using CFE's capacity. Once CFE's capacity has been established and if the initial funding needs exceed the amount requested herein, the project team will seek the Donors Committee's approval for additional loans to *Le Levier*.

outcomes and outputs are identified in the Results Matrix as outlined in Appendix 5. CDB's resources will contribute to the project and will be reflected in the Results Framework as follows:

TABLE 6.1: CDB'S RESULTS FRAMEWORK

Indicator	Baseline (2016)	By 2019
MSMEs benefitting from credit	0	175

7. JUSTIFICATION AND BENEFITS

7.01 Access to finance remains a major barrier to growth for MSMEs in CDB's BMCs, with Haiti being no exception. According to WB's Doing Business Report 2016, with respect to getting credit, Haiti ranked 174 out of 189 economies. This represented a decrease of three places in the ranking from the previous report in 2015, and was a reflection of a weak regulatory framework, the absence of credit bureaus, low credit registry coverage and little depth in the availability of credit information. Fostering a more competitive MSME sector through the increase of resources to entrepreneurs is therefore critical.

7.02 The proposed project focuses on increasing access to financial products and services primarily for unserved and under-served micro and very small enterprises by supporting a financial intermediary in piloting an innovative gender-sensitive credit appraisal methodology that will provide the necessary capacity to appraise credit facilities for MSE clients for participating cooperatives and saving institutions in *Le Levier's* network. Data on the sex distribution of primary stakeholders are expected to be enhanced with the implementation of the monitoring and evaluation (M&E) system to include reporting on gender equity indicators and targets. A significant number of women household heads participate in the SME sector in Haiti albeit in smaller trades. Through DID and MIF, efforts will continue with regard to sensitising MSE's about the importance of encouraging women entrepreneurs to pursue higher income-generating activities which are currently male-dominated, in order to increase their returns. This is expected to have positive impacts since research confirms that women are prudent investors with low delinquency levels in relation to men, and this hold true for Haiti. In addition, as women invest a greater proportion of their income in the home, education and health interventions that provide them with opportunities to increase their incomes will have a multiplier effect on improving living conditions at the household level. In this regard, the Project is expected to contribute to narrowing the gender inequality gap and contribute to poverty reduction.

7.03 The proposed Project will also facilitate the development of standardised financial products and services across the network's geographical coverage area; increase access to resources that would not be easily obtained by individual savings and credit cooperative; facilitate the pooling of financial resources and sharing the risk for larger loans, through syndications, and enhance collaboration among the savings and credit cooperatives of the network.

7.04 The implementation of this Project is consistent with CDB's strategic objectives and the corporate priority of promoting inclusive growth and sustainable development and supporting private sector development, while contributing to reduced poverty within its BMCs and the improvement in the quality of life of their citizens. The Project is also in alignment with CDB's Private Sector Policy, which seeks to encourage partnerships with other multilaterals in order to maximise impact within its BMCs and to lower transaction costs, while also facilitating greater insight into private sector development in Haiti which will inform future programming of interventions. This approach is consistent with lessons learnt from CDB's prior engagement with the private sector in Haiti, which indicate that working closely with and/or obtaining information from other development agencies who have established offices in Haiti is critical for the

successful implementation of activities. The project is also consistent with CDB's cross-cutting theme of gender equality.

7.05 CDB's current Country Strategy with Haiti (2013–16) has identified MSME Development as a priority area for support. This project is in alignment with the aforementioned Country Strategy, in which it was agreed that MFIs and agencies in Haiti that provide financing and TA to MSMEs will be strengthened to enable them to better serve and respond to the needs of MSMEs. This project also complements interventions valued at \$0.278 mn supported by CDB's Caribbean Technological Consultancy Services Network (CTCS) to strengthen the capacity of SOFIHDES, one of Haiti's leading development finance institutions, to improve its operating efficiency and capacity in order to introduce innovative lending products to SMEs. In addition, CTCS has provided TA to a number of MSMEs, including hotels in areas such as Marketing, Customer Service, Front Desk Operations, Food and Beverage Management and Housekeeping. The TA is also in alignment with GOH's Poverty Reduction Strategy Paper (2014–16) under the economy and employment pillar, which identified removal of legal, financial, and land constraints to investment as priority actions.

8. IMPLEMENTATION

8.01 MIF will be directly responsible for project implementation, supervision, monitoring and evaluation. Component I will be supervised by the IDB's Country Office in Haiti, whereas Component II will be supervised by the IDB's Headquarters, located in Washington, DC.

8.02 With respect to project supervision, MIF will be supported by a Project Steering Committee (SC) composed of representatives from MIF, *Le Levier*, DID, Global Affairs Canada, CDB, Ministry of Commerce and Industry (Haiti) and IIC. The SC will act as an advisory board with strategic oversight of the project and this will include providing technical advice and inputs. The SC has the following responsibilities: (i) oversight of the whole project; (ii) oversight for the recruitment and selection of DID; (iii) oversight for the recruitment and selection of the Project Manager (PM) of CFE, (iv) supervision of the PM; (v) introduce the PM to the applicable project procedures of procurement and general contracting of consultants; and (vi) meet regularly at least twice a year with the PM. At least once a year, the SC will also meet with the participating cooperatives from the *Le Levier's* network to obtain direct feedback on the impact of the project on the individual savings cooperatives and to address any project deficiencies. Meetings will also be held with male and female beneficiaries of project financing to learn of their experiences and to incorporate key lessons from those experiences during implementation to increase probability of project success.

8.03 *Le Levier* will retain DID as an exclusive technical advisor in order to design, pilot and expand DID's Affiliated CFE model. DID's Affiliated CFE model is such a unique model applicable to networks of savings and credit cooperatives that no other technical advisor exists in the market with the specific experience and expertise. *Le Levier* will also appoint a PM and Assistant to staff the CFE. The PM will be responsible for:

- (a) Providing general, strategic and operational management of the CFE.
- (b) Planning, organising, directing and controlling the overall activities of the CFE.
- (c) Implementing integrated risk management mechanisms.
- (d) Establishing and supervising operational and financial controls.

- (e) Developing and introducing microfinance products and services to entrepreneurs.
- (f) Establishing partnerships and maintaining business relationships with partners and investors.
- (g) Supervising and directing DID's personnel as required.
- (h) Recruiting and supervising a qualified local team.
- (i) Designing and delivering the necessary training programmes.
- (j) Ensuring that a gender equality perspective is integrated as a cross-cutting theme throughout implementation with respect to *inter alia*, recruitment, training, and delivery of products and services.
- (k) Ensuring strategic communication to women-headed cooperatives, gender-sensitive public education and awareness building.
- (l) Reporting to *Le Levier's* BOD.

8.04 The PM will also be responsible for maintaining communications with MIF and the SC, including submission of monthly project progress reports and ensuring the incorporation of gender inputs at appropriate stages during implementation. MIF and other members of the SC will utilise these reports to monitor project implementation progress.

8.05 The Project Executing Office at MIF will request disbursements from CDB as required to finance activities conducted under Component I-1.

8.06 The programme will be implemented over a period of 60 months, while the disbursement period will be over a period of 66 months. CDB's disbursement period will be over a period of 18 months.

Monitoring and Evaluation

8.07 To establish a baseline, *Le Levier* has a system for tracking operational transaction data (called SAF), which enables it to better understand its current membership, extract sex-disaggregated data on those who conduct income generating activities, and analyse such data by gender, sector and geographic area. Once the project is up and running, using the MIS to be transferred and implemented by DID, the collected data will be processed to extract the needed information for guiding CFE's service coverage and outreach and defining which financial products and services to further develop.

8.08 Project results will be monitored using certain key performance indicators that show the number of MSE clients financed, the volume of the loan portfolio by sex and sector of activity, the value of the collateral held, the delinquent portfolio, the number of jobs created and maintained, firms' annual sales growth, the number of savings and credit cooperatives utilising CFE's capacity, the number of loan officers at the CFE and the value of the loan portfolio per loan officer.

8.09 The mechanisms for monitoring the results will be established at CFE's launch. SAF and the MIS will allow for a performance report dashboard specific to the project. Comparisons over several months and years will be possible along with evaluations with respect to market norms and international practices in MSE financing. It should be noted that such close monitoring should allow for rapid intervention if required to turn around situations that could adversely affect the performance of the CFE.

8.10 The PM in collaboration with DID will provide gender-responsive quarterly, semi-annual and annual reports to the SC. Additional monitoring activities will include supervision visits.

8.11 Two independent gender-sensitive programme evaluations will complement the ongoing supervision of the project, one at the end of Component I and the other at the end of Component II. The evaluation will seek to determine how effective CFE’s model has been in addressing the difficulties that male and female-owned/operated MSEs face in growing their businesses, how effective the model has been with respect to alignment of interests of male and female participants and in achieving the planned goals, an assessment of the overall implementation of the CFE model and its transfer to the local management team and how the process has been as compared to DID’s experience in Africa. IDB/MIF will also engage consultants to conduct the gender-sensitive evaluations of Components I and II of the project, when 90% of the resources have been disbursed. Specialised consultants with expertise in evaluating socially-inclusive and gender-equitable SME projects will perform these evaluations. IDB/MIF will develop the Terms of Reference for these evaluations, with input from the SC.

9. RISK ASSESSMENT AND MITIGATION

9.01 The major risks and mitigation measures for the proposed Project are outlined in Table 9.1 below:

TABLE 9.1: SUMMARY OR RISK ASSESSMENT AND MITIGATION

Risk Type	Description of Risk	Mitigation Measures
Macroeconomic	Haiti’s macroeconomic conditions continue to be unstable.	Efforts are ongoing with multinational donors and international FIs to assist GOH in laying a platform for more inclusive growth and sustainable development, a goal that is also aimed at achieving macroeconomic stability. In addition, efforts are ongoing to improve the business environment to conduct business through private sector development programmes such as Compete Caribbean.
Operational	The implementation of the Affiliated CFE model in Haiti is the first of its kind in the LAC region and may take more time than initially contemplated due to the Haitian environment including its peculiar business environment, legal environment, and availability of human resources.	<i>Le Levier</i> is a well-organised federation. DID has a long-term relationship with <i>Le Levier</i> and has been sharing the concept of CFE’s model, which will allow both parties to customise legal and operational aspects of the model functional in Canada and Africa to the Haitian context. In addition, this project will facilitate a study tour for key persons from <i>Le Levier</i> , which should allow them to experience first-hand the potential benefits of the Affiliated CFE model for <i>Le Levier</i> . Gender-sensitive monitoring mechanisms and evaluation strategies will also mitigate the risk.

Risk Type	Description of Risk	Mitigation Measures
Operational	Cooperatives within <i>Le Levier's</i> network opt to extend MSE loans on their own without affiliation to the CFE or do not enter the MSE credit market.	Lessons learned from the implementation of the CFE model indicate that it is an appropriate model to pilot with a limited number (maximum of 5) of first-tier savings and credit cooperatives before considering replicating the model on a larger scale. DID has completed a Feasibility Study to identify the five most suitable cooperatives to be in the pilot based on robust evaluation criteria. Those five cooperatives have been identified and engaged and have indicated their willingness to participate in the CFE programme. This approach will be complemented by ongoing communications and outreach to other members of <i>Le Levier</i> to highlight the benefits of the CFE Model.
Operational	If <i>Le Levier's</i> CFE portfolio quality indicators perform worse than projected, due to factors such as, among others, the lack of qualified loan officers, the lack of clear definition of loan portfolio monitoring and supervision between the CFE and first-tier savings and credit cooperatives, etc., the impairment risk could concomitantly increase and create losses for <i>Le Levier's</i> network.	DID's BOT approach, with its long-term resident experts, trains several levels of local staff in accordance with the clearly defined duties and responsibilities (<i>Le Levier</i> federation level, CFE and its staff, and the first-tier savings and credit cooperatives). In addition, CFE's implementation will be rolled out in several phases, starting with only a few strong savings and credit cooperatives.

10. GENDER

10.01 The Gender Marker Summary is shown at Table 10.1 below and the Analysis at Appendix 6. The project's Performance Assessment Score is 3.0 or Highly Satisfactory. The Performance Assessment Summary is presented at Appendix 7.

TABLE 10.1: GENDER MARKER

Gender Marker	Analysis	Design	Implementation	M&E	Score	Code
	0.50	1.0	0.50	1.0	3.00	GM^{16/}

11. PROCUREMENT

11.01 The procurement shall be overseen by MIF, who are managing the project on behalf of the contributors and also by the SC, which CDB sits on. *Le Levier* shall be responsible for undertaking the procurement to contract DID and to appoint project staff to work at CFE. MIF is subject to IDB's procurement guidelines and thus, the procurement will be carried out by *Le Levier* in accordance with IDB's "Policies for the procurement of works, goods and non-consultancy services financed by IDB" (GN-2349-9) and "Policies for the selection and contracting of consultants financed by IDB" (GN-2350-9). These guidelines are substantially harmonised with CDB's "Guidelines for Procurement," for the procurement of goods, works and non-consultancy services, dated January 2006 and "Guidelines for the Selection and Engagement of Consultants," dated October 2011, and which reflect

^{16/} GM – Gender Mainstreamed: the project has the potential to contribute significantly to gender equality.

international best practice. It should be noted that eligibility to participate in procurement shall be extended from CDB's member countries to also include all IDB's member countries.

11.02 MIF has granted *Le Levier* approval for the use of the single source selection method, as permitted under GN-2350-9 to contract DID as the professional service provider for the activities under Components I-1 and I-2.^{17/} DID's unique qualification and experience presents a clear advantage, which justifies its selection under the procedure allowed in IDB's policies. The project team has confirmed the equivalency of DID's consulting fees to reasonable market prices, as set forth by Appendix 4 of the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-9). This arrangement is acceptable to CDB.

12. BUDGET AND FINANCING

12.01 Global Affairs Canada, MIF and CDB expect to contribute approximately \$3.5 mn to the project. Global Affairs Canada expects to contribute \$1.5 mn through DID's PANSEH programme. Global Affairs Canada resources will be used to support the establishment of the CFE in *Le Levier's* network (\$788,648) and to cover expenses related to project management including the remuneration for the PM, Assistant, equipment and communications (\$752,018). MIF will contribute \$1.5 mn of its resources to the project, to support the establishment of the CFE in *Le Levier's* network (\$1 mn) and also to provide an unsecured senior loan to *Le Levier* in an amount of \$500,000 which, in turn, will be onlent to first-tier savings and credit cooperatives that utilise CFE's capacity to originate an MSE finance portfolio. CDB has indicated a contribution of \$500,000. CDB's resources will be used to support to support the establishment of the CFE in *Le Levier's* network.

12.02 The proposed Financing Plan for the project is outlined at Table 12.1 below.

TABLE 12.1: FINANCING PLAN

Contributors	USD	%
MIF	1,500,000	42
Global Affairs Canada	1,540,666	44
CDB	500,000	14
Total	3,540,666	100

Details of the budget are set out in Appendix 8.

13. FUNDING SOURCE

13.01 CDB's financing of an amount not exceeding the equivalent of five hundred thousand dollars (\$500,000) is eligible for financing from CDB's SFR. Funds are available within existing resources.

14. RECOMMENDATION

14.01 It is recommended that the Board of Directors approve:

- (a) a contribution to the Project in an amount not exceeding the equivalent of \$500,000 from CDB's SFR to be allocated to Component I of the Project as described in paragraph 5.02 above; and

^{17/} The Contract of, and eventual payments to, DID will be done directly either from the MIF at the headquarters or from IDB's Country Office in Haiti, based on the request already expressed by *Le Levier*.

- (b) CDB entering into an agreement with IDB with respect to the use and administration of its contribution on terms and conditions considered acceptable to the Management of CDB.

Supporting Documentation

Appendix 1	-	Profile of <i>Le Levier</i>
Appendix 2	-	Organisational Structure and Current Board of Directors
Appendix 3	-	Terms and Conditions of Proposed Multilateral Investment Fund's Loan
Appendix 4	-	Financial Projections for Proposed CFE Unit
Appendix 5	-	Results and Monitoring Framework for the Establishment of the Proposed <i>Centre Financier pour Entrepreneurs</i> Business Assessment Unit within <i>Le Levier</i>
Appendix 6	-	Gender Marker Analysis
Appendix 7	-	Performance Assessment Summary
Appendix 8	-	Budget

PROFILE OF LE LEVIER

1.01 *Le Levier* is a cooperative structure founded on June 30, 2007 under the umbrella of the June, 2002 law on the operation of credit unions and the federation of credit unions. It is a financial institution to which the Central Bank of Haiti (*Banque de la République d’Haïti*) delegates certain supervisory responsibilities for its federated first-tier savings and credit cooperatives.

1.02 *Le Levier* commenced operations with an initial network of 14 cooperatives in 2007 which were supported by the MIF. Currently, *Le Levier* has 31 cooperatives in its network comprised of 29 federated cooperatives¹ and 12 non federated cooperatives which are currently receiving TA to strengthen their institutional capacity in order to be able to comply with the legal policies and requirements, and thereby gain full membership status. *Le Levier’s* network of cooperatives covers the 10 departments of Haiti with 72 service points (branches) and 651,000 clients [indirectly benefiting approximately 2.8 million (mn) people, or more than 25% of the nation’s total population], of which around 40% are women.

1.03 The objectives of *Le Levier* include: (i) protecting the interests of the cooperatives, promoting their institutional development, and facilitating the achievement of their objectives; (ii) receiving deposits from the federated and non-federated cooperatives to provide financing to those cooperatives with financing needs; and (iii) representing the federated cooperatives, either directly or through another body, to promote their integration into the national financial system. *Le Levier* provides technical assistance (TA) and training to its network of cooperatives in areas such as governance, financial planning, and auditing.

1.04 As of September 2014^{2/}, *Le Levier* had total assets of \$12.8 mn, deposits from the *cooperatives* of \$9 mn, and equity of \$1.3 mn. At the cooperatives level, the 29 federated cooperatives^{3/} had combined total assets of \$92.6 mn, and a combined loan portfolio of \$53.3 mn the latter experiencing a growth of 21.1% compared to September 2013. The total principal value outstanding of loans that have at least one payment less than 30 days overdue (PAR>30), stood at 14%. As of the same date, combined deposits from members totaled nearly \$61.5 mn.

1.05 A List of the 29 federated cooperatives is provided below:

- (i) *Caisse Populaire pour l’Avancement de Jérémie (CAPAJ)*;
- (ii) *Caisse Populaire Mare Rouge (CAPOMAR)*;
- (iii) *Caisse Populaire Sainte-Anne de Camp-Perrin (CAPOSAC)*;
- (iv) *Caisse Populaire Solidarité de Saint-Michel de l’Attalaye (CAPOSOSMA)*;
- (v) *Caisse Populaire Solidarité des Verrettes (CAPOSOV)*;
- (vi) *Caisse Populaire du Sud (CAPOSUD)*;
- (vii) *Caisse Petite Épargne de la Vallée de Jacmel (CAPPEV)*;
- (viii) *Caisse Populaire Union Cavaillonnaise (CAPUC)*;
- (ix) *Caisse d’Épargne et de Crédit pour l’Avancement des Nippes (CECANIPPES)*;
- (x) *Coopérative d’Épargne et de Crédit de Lascahobas (COOPECLAS)*;
- (xi) *Coopérative d’Épargne et de Crédit de la Petite Rivière de l’Artibonite (COOPECPRA)*;
- (xii) *Coopérative Solidarité pour le Développement (COSODEV)*;
- (xiii) *Caisse Populaire Avenir de Cayes Jacmel (CPAC)*;

^{1/} Federated cooperatives are those which are in full compliance with regulations of the Central Bank of Haiti for cooperatives.

^{2/} *Le Levier’s* fiscal year ends September 30.

^{3/} The 30th *caisse* became *caisse fédérée* after September 2014.

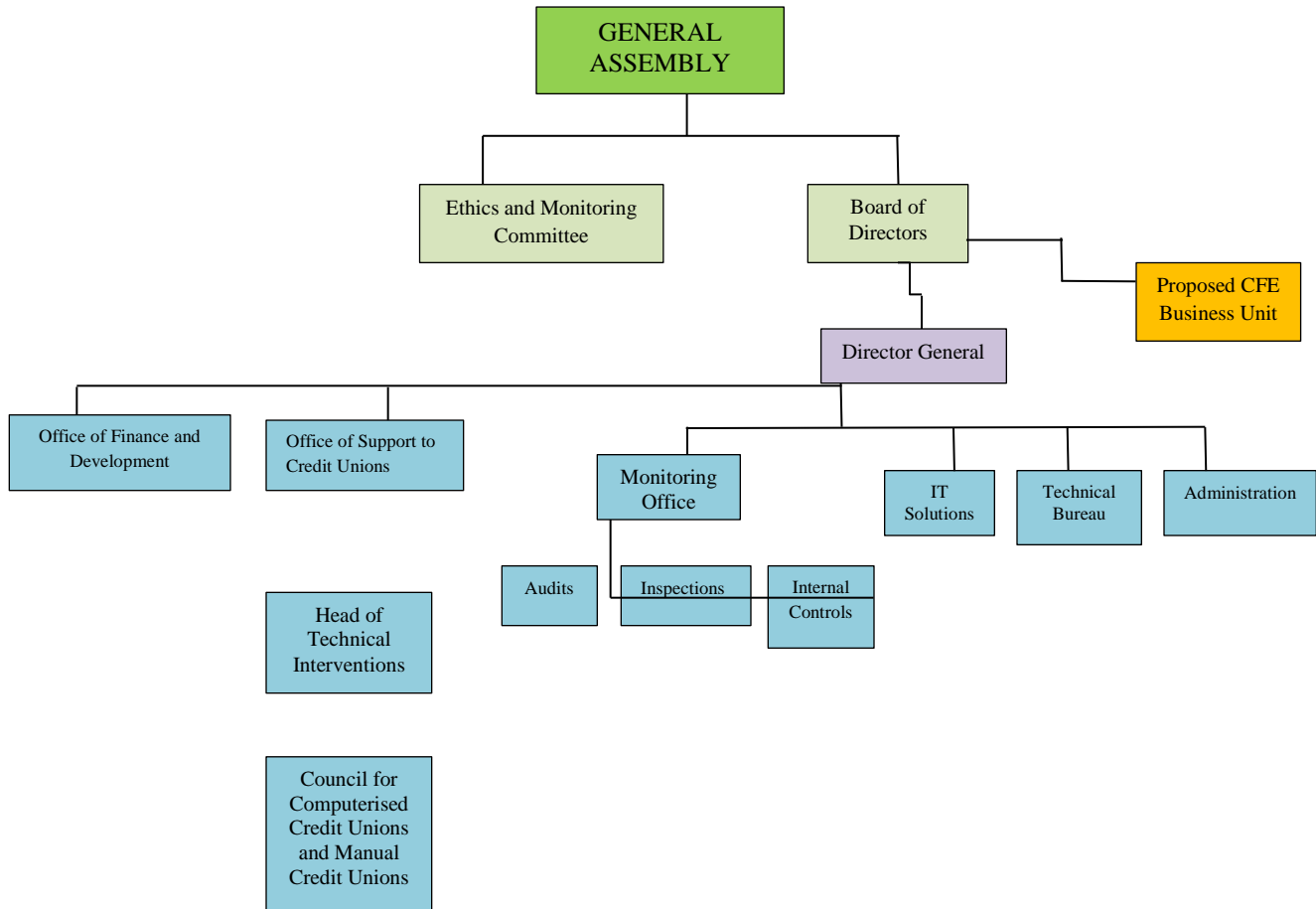
- (xiv) *Caisse Populaire Concorde (CPC);*
- (xv) *Caisse Populaire Dauphin (CPD);*
- (xvi) *Caisse Populaire Fraternité (CPF);*
- (xvii) *Caisse Populaire Ressources Confiance de Marigot (CPRCM);*
- (xviii) *Caisse Populaire Sainte-Anne (CPSA);*
- (xix) *Caisse Regionale pour la Promotion Economique et Sociale (CREPES);*
- (xx) *Kès Popilè Men Kontre (KEPOMEK);*
- (xxi) *Koperativ Fad la Site (KOFAS);*
- (xxii) *Koperativ Pou Lespwa (KOPLES);*
- (xxiii) *Kooperativ Tet ansanm pou LA vi Miyo (KOTELAM);*
- (xxiv) *Kès Popilè Desarmes (KPD);*
- (xxv) *Kès Popilè Espwa Gwo Mòn (KPEGM);*
- (xxvi) *Kès Popilè Leve Kanpe Milot (KPLKM);*
- (xxvii) *Kès Popilè Tet Ansanm Terrier-rouge (KPTAT);*
- (xxviii) *Société Coopérative pour LA VI Miyo (SOCOLAVIM); and*
- (xxix) *Société d'Utilisation Coopérative du Crédit et de l'Épargne pour le développement Socio-économique (SUCCES)*

1.06 A list of the 14 non-federated cooperatives is provided below:

- (i) *Men Ale Men Vini (Gressier) (MAMEV)*
- (ii) *Mouvement coopératif d'Épargne et de Crédit de Fermathe (MOCEC)*
- (iii) *Caisse Léogannaise d'Épargne & Financement (CLEF)*
- (iv) *Kès Epay ak Kredi pou avansman Mamlad (KEKAM)*
- (v) *Kès popilè Sent Elèn Karis (Carice) (KPSEK)*
- (vi) *Caisse Populaire Union Plaisance (CPUP)*
- (vii) *Caisse Populaire pour l'Avancement de Mombin Crochu (CPAM)*
- (viii) *Caisse Populaire de Dame-Marie (CPDAM)*
- (ix) *Caisse Populaire de la Côte Sud (CAPOSUD)*
- (x) *Caisse Populaire Sainte-Rose de Maniche (CPSRM)*
- (xi) *CPCS*
- (xii) *Société Coopérative pour le Dév. Écon. du Nord-Ouest (SOCOREDNO)*
- (xiii) *Caisse Populaire d'Ép et de Crédit de Belle-Anse (CODEB)*
- (xiv) *Kès Popilè Lazil Nip (KPLAN)*

1.07 The governance framework for *Le Levier* includes the General Assembly which constitutes the membership of the cooperatives, a Board of Directors (BOD) comprised seven members and an Ethics Commission (EC) comprised of three members. The general assembly is the supreme authority of the cooperative. Its decisions bind all the members provided that they comply with the present law and with the By-Laws. In accordance with the By-Laws of the Cooperatives, one-third of the BOD and EC must be renewed every year. The BOD meets every two months and the General Assembly is convened at least once a year. One female currently serves on the current BOD. The organisational chart and current BOD is presented below.

LE LEVIER'S ORGANISATIONAL CHART



BOARD OF DIRECTORS

<u>Board of Directors</u>	
Richard Bercy	President
Julio Innocent	Vice-President
Marie Belette C. Valcourt	Secretary
Roland V. Noel	Advisor
Georges M. Laguerre	Advisor
Lecima Toussaint	Advisor
<u>Ethics Commission</u>	
Roosevelt Compère	President
Jonas Joseph	Secretary
André Hercule	Member

TERMS AND CONDITIONS
OF PROPOSED MULTILATERAL INVESTMENT FUND'S LOAN

- 1.01 The terms and conditions of the proposed MIF unsecured senior loan are outlined below:
- (a) Amount: HTG equivalent of up to \$500,000.
 - (b) Term: Five years, including a three-year grace period.
 - (c) Interest rate: 10.5% fixed in HTG.
 - (d) Disbursement mechanism: The Loan from MIF to *Le Levier* will be released in up to three disbursements. The minimum amount of each disbursement will be HTG equivalent of \$100,000, and the amount of the first disbursement is capped at HTG equivalent of \$250,000.
- 1.02 Use of proceeds: To onlend those first-tier savings and credit cooperatives within *Le Levier's* network, which are declared eligible by *Le Levier* to utilise the *Le Levier's* CFE capacity to originate MSE loans, and sign an agreement with *Le Levier* (on behalf of the CFE) for the use of such capacity. Those MSE loans to be originated by the eligible savings and credit cooperatives, through CFE capacity, are expected be between \$4,000 and \$10,000.
- 1.03 Financial covenants: At *Le Levier's* level:
- (a) past due portfolio (over 30 days) ratio < 3%^{1/};
 - (b) past due portfolio (over 30 days) ratio of the consolidated MSE portfolio originated through the CFE < 5%;
 - (c) write-off ratio (or annual loan loss rate) of the consolidated MSE portfolio originated through the CFE < 2%;
 - (d) net profit is positive^{2/}; and
 - (e) outstanding MIF loan amount < 50% of *Le Levier's* equity.
- 1.04 At the first-tier savings and credit cooperatives level:
- (a) weighted average past due portfolio (over 30 days) ratio across all the first-tier savings and credit cooperatives in *Le Levier's* network < 12%^{3/};
 - (b) past due portfolio (over 30 days) ratio of each of the first-tier savings and credit cooperative that are eligible for using the CFE capacity to originate MSE loans < 9%; and

^{1/} Currently at 0%.

^{2/} *Le Levier's* net profit for October 2014 – August 2015 is around \$100,000 (*Le Levier's* fiscal year is October to September).

^{3/} At 12.30% as of November 2014.

- (c) provision coverage ratio of each of the first-tier savings and credit cooperative that are eligible for using the CFE capacity to originate MSE loans > 80%.

**FINANCIAL PROJECTIONS FOR THE PROPOSED
CENTRE FINANCIER POUR ENTREPRENEURS UNIT**

Term Loan Projections	Year 1	Year 2	Year 3	Year 4	Year 5
Number of loans disbursed*	348	1,071	2,373	3,545	4,243
Term Loan Product 1: Micro *	150	525	1,050	1,575	1,969
Term Loan Product 2: MSME *	175	496	881	1,327	1,565
Term Loan Product 3: Housing *	0	0	368	551	597
Term Loan Product 4: Other *	23	50	74	92	112
Number of clients with loans*	348	1,188	2,717	4,424	5,526
Term Loan Product 1: Micro *	150	525	1,050	1,575	1,969
Term Loan Product 2: MSME *	175	613	1,225	1,838	2,297
Term Loan Product 3: Housing *	0	0	368	919	1,148
Term Loan Product 4: Other *	23	50	74	92	112
Overall Growth in Loans	0%	241%	129%	63%	25%
Total Loan Disbursements*	1,296,000	4,234,706	11,694,909	19,272,728	25,357,276
Term Loan Product 1: Micro *	375,000	1,428,165	3,117,049	5,122,579	7,036,608
Term Loan Product 2: MSME *	875,000	2,690,456	5,242,955	8,848,231	11,612,771
Term Loan Product 3: Housing *	0	0	3,130,461	4,991,852	6,252,226
Term Loan Product 4: Other *	46,000	116,085	204,444	310,066	455,670
Average Loan Disbursement Size *					
Term Loan Product 1: Micro *	2,500	2,720	2,969	3,252	3,574
Term Loan Product 2: MSME *	5,000	5,424	5,951	6,668	7,420
Term Loan Product 3: Housing *	0	0	8,507	9,060	10,473
Term Loan Product 4: Other *	2,000	2,322	2,763	3,370	4,068
Projections for Compulsory Saving	Year 1	Year 2	Year 3	Year 4	Year 5
Total Compulsory Saving *	143,750	541,770	1,336,481	2,363,156	3,274,534
Term Loan Product 1: Micro *	56,250	214,225	467,557	768,387	1,055,491
Term Loan Product 2: MSME *	87,500	327,546	712,401	1,188,654	1,656,838
Term Loan Product 3: Housing *	0	0	156,523	406,116	562,204
Term Loan Product 4: Other *	0	0	0	0	0
Financial Expense	Year 1	Year 2	Year 3	Year 4	Year 5
Total Interest Paid on Deposits	85	696	2,889	7,764	15,355
Total Cost of Borrowed Funds	143,750	237,500	775,000	1,340,625	1,637,500
Total Financial Expenses	143,835	238,196	777,889	1,348,389	1,652,855

**RESULTS AND MONITORING FRAMEWORK FOR THE ESTABLISHMENT OF THE PROPOSED
CENTRE FINANCIER POUR ENTREPRENEURS BUSINESS ASSESSMENT UNIT WITHIN LE LEVIER**

IMPACT	INDICATOR					
The expected impact of the project is increased sales and net job creation among Haitian MSEs.	Indicator 1	Baseline	Month 36	Month 48	Month 60	(Month 84)*
	Average increase in the annual sales of MSEs (330100)	0%	3%	4%	5%	8%
	Formula/Definition: (Present value - Initial value) / Initial value. Cumulative indicator considers sales of MSEs that obtained \$4,000 or more in loans	Source: CFE information system * Assuming that the loan (whose tenor is expected to be 5 years) is disbursed by the end of month 24.				
	Indicator 2	Baseline	Month 36	Month 48	Month 60	(Month 84)*
	Net number of jobs created annually by businesses (330301). (Data disaggregated by sex/sector.)	0	58	204	408	766
OUTCOME						
The intended result of the project is increased access to business loan and saving products and services for female-owned MSEs, by supporting the <i>Le Levier's</i> network of savings and credit cooperatives in establishing a professionalised MSE finance unit.	Indicator R.1	Baseline	Month 36	Month 48	Month 60	(Month 84)*
	Number of MSEs accessing credit or other financial products (230500). (Data disaggregated by sex/sector.)	0	175	613	1,225	2,297
	Formula/Definition: Number of MSEs that have received loans with an amount greater than US\$4,000 (cumulative)	Source: CFE information system * Assuming that the loan (whose tenor is expected to be 5 years) is disbursed by the end of month 24				
	Indicator R.2	Baseline	Month 36	Month 48	Month 60	(Month 84)*
Total value of CFE's new loan products for MSEs (230700)	0	875,000	2,690,456	5,242,955	11,612,771	

IMPACT	INDICATOR	
	Formula/Definition: Total cumulative amount of loan products (in U.S. dollar) for MSEs with US\$4,000 or more in loans	Source: CFE information system * Assuming that the loan (whose tenor is expected to be 5 years) is disbursed by the end of month 24

COMPONENT I-1	Establishment of a CFE in <i>Le Levier's</i> Network					
	Indicator 1.1.1	Baseline	Month 3			
	Updated gender-sensitive feasibility study on CFE set up in <i>Le Levier's</i> network	0	1			
	Formula/Definition: Existing feasibility study updated and presented to the Project Steering Committee	Source: Final product				
	Indicator 1.1.2	Baseline	Month 3			
	Study tour in Canada (visit to Desjardins Group)	0	1			
	Formula/Definition: Study tour in Canada organised and carried out for <i>Le Levier's</i> personnel	Source: Study tour agenda and participants list				
	Indicator 1.1.3	Baseline	Month 9			
	Updated gender-responsive CFE Business Plan	0	1			
	Formula/Definition: Updated CFE Business Plan presented to the Project Steering Committee	Source: Final product				
	Indicator 1.1.4	Baseline	Month 15			
	Agreement format (between <i>Le Levier</i> /CFE and eligible female and male- headed first-tier cooperatives) defined	0	1			
	Formula/Definition: Agreement format executable by and between <i>Le Levier</i> /CFE and first-tier cooperatives	Source: Final product				
	Indicator 1.1.5	Baseline	Month 24	Month 48	Month 60	
	Number of first-tier cooperatives signed agreement with <i>Le Levier</i> /CFE and started MSE loan origination through CFE	0	1	5	7	
	Formula/Definition: Number of first-tier cooperatives signed agreement with <i>Le Levier</i> /CFE and started MSE loan origination, using gender-sensitive application forms	Source: CFE information system and report				

COMPONENT I-2	Consolidation of the CFE and Its Transfer to Local Management Team					
	Indicator 1.2.1	Baseline	Month 27	Month 39		
	Local management team gender-aware capacity building plan.	0	1	1 (update)		
	Formula/Definition: Capacity building plan prepared and presented to the Project Steering Committee	Source: Local management team capacity building plan, final product				
	Indicator 1.2.2	Baseline	Month 36			
	Management transfer from DID to <i>Le Levier's</i> local team	0	1			
	Formula/Definition: CFE manager and his/her team is fully composed of local staff	Source: <i>Le Levier</i> /CFE Organisational Chart				
	Indicator 1.2.3	Baseline	Month 60			
	Follow-on recommendations to CFE local management team	0	1			
	Formula/Definition: Report presented by DID for CFE local management team with observations and gender-sensitive recommendations	Source: Final report				
COMPONENT I-3	Knowledge Management and Strategic Communication					
	Indicator 1.3.1	Baseline	Month 48			
	Case study prepared	0	1			
	Formula/Definition: Case Study	Source: Case study final report				
COMPONENT II	Unsecured Senior Loan					
	Indicator 2.1	Baseline	Month 24			
	Cumulative disbursed amount of MIF senior loan (HTG denominated)	0	500,000			
	Formula/Definition: Cumulative disbursed amount in U.S. dollar equivalent	Source: WLMS				

GENDER MARKER ANALYSIS

Project Cycle Stage	Criteria	Score
Analysis: Introduction/Background/Preparation	Social analysis identifies gender issues and priorities.	0.25
	Macroeconomic analysis identifies gender issues and priorities.	0.25
Design: Project Proposal/Definition/Objective/Description	To address the needs of women and men concrete interventions to reduce existing gender disparities have been designed. Effect on project outcome is direct.	0.50
	Project objective/outcome includes gender equality.	0.50
Implementation: Execution	Terms of Reference of project manager includes responsibility for gender mainstreaming.	0.50
Monitoring and Evaluation: Results-Monitoring-Framework (RMF)	Sex-disaggregated data included in the baselines, indicators and targets of the RMF.	0.50
	At least one gender-specific indicator at the outcome and/or output level in the RMF.	0.50
Total Score		3.00

Gender Mainstreamed (GM): The project has the potential to contribute significantly to gender equality.

PERFORMANCE ASSESSMENT SUMMARY

Criteria	Score	Justification
Relevance	4	The TA is considered as significant and important by GOH as it provides a response to a key commitment of the Government's National Financial Inclusion Strategy, which seeks to encourage the development of MSME finance to spur economic growth in addition to supporting the strengthening and consolidation of financial cooperatives and microfinance institutions. It is also consistent with CDB's strategic objectives and the corporate priority of promoting inclusive growth and sustainable development and supporting private sector development, while contributing to reduced poverty within its BMCs and the improvement in the quality of life of their citizens.
Effectiveness	3	The proposed project focuses on increasing access to financial products and services primarily for unserved and under-served micro and very small enterprises by supporting a financial intermediary in piloting an innovative gender-sensitive credit appraisal methodology that will provide the necessary capacity to appraise credit facilities for MSE clients for participating cooperatives and saving institutions in <i>Le Levier's</i> network. The Project is also expected to contribute to narrowing the gender inequality gap and contribute to poverty reduction.
Efficiency	3	Developing a small business assessment financing unit requires a comprehensive approach which takes considerable time and financial and non-financial resources to establish. The proposed TA utilises a collective approach which will be able to benefit from economies of scale to significantly increase MSE financing for female and male-headed MSEs in Haiti.
Sustainability	3	The project supports the establishment and implementation of a business model which is based on the key guiding principle of "build, operate and transfer". The fact that the model is predicated on building local expertise and transferring ownership to a local financial institution is a major factor influencing sustainability. The establishment of a robust gender-sensitive M&E system that will enable comparisons with respect to market norms and international practices in MSE financing, and would allow for rapid intervention if required to turn around situations that could adversely affect performance also supports stakeholders' commitment to sustaining the overall programme.
Overall Score	3.25	Satisfactory

BUDGET
(USD)

Component	MIF	Global Affairs Canada through DID	CDB	Total
Component I: Non-reimbursable Technical Cooperation	1,000,000	1,540,666	500,000	3,040,666
Component I-1: Establishment of a CFE in <i>Le Levier's</i> Network	806,760	788,648	500,000	2,095,408
Component I-2: Consolidation of the CFE and Its Transfer to Local Management Team	93,340	0	0	93,340
Component I-3: Knowledge Management and Strategic Communication	20,000	0	0	20,000
<u>Miscellaneous:</u>				
Mid-term and Final Evaluations	69,900	752,018	0	821,918
Project Management (Manager, Assistant, Equipment, Communications)			0	
Contingencies	24,900	0	0	24,900
Component II: Unsecured Senior Loan	500,000	0	0	5,00,000
Grand Total	1,500,000	1,540,666	500,000	3,540,666