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MULTILATERAL INVESTMENT FUND

HAITI

ACCELERATING INNOVATION FOR HAITIAN MSMEs

HA-T1292

DONORS MEMORANDUM

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PROJECT SUMMARY
HAITI
ACCELERATING INNOVATION FOR HAITIAN MSMEs
(HA-T1292)

The COVID-19 pandemic has undermined Haitian MSMEs' resilience. The government has prepared a Post-Covid Economic Recovery Plan (PREPOC) which has outlined the role of MSMEs in the revamp of post-pandemic growth.

Low levels of innovation among MSMEs in Haiti are attributed to: (i) a lack of services on portions of the entrepreneurial journey that require more services; (ii) an overabundance of services on portions that require fewer services, and lastly; and (iii) how support is provided to businesses¹. At the same time, most Service Providers² (SPs) lack capacity to offer services that encourage experimentation and prototyping, a key phase needed to develop an innovative mindset. In turn, MSMEs are not necessarily referred to other SPs, reducing the efficiency of the entrepreneurial ecosystem. These gaps in support at key points of the entrepreneurial journeys act as barriers to the growth of MSMEs.

Overall, the project aims to bring innovation and growth to MSMEs by filling the gaps and strengthening the Haitian entrepreneurial ecosystem. The expected outcome is to connect 10 SPs among themselves to offer a more complete and harmonized service to 2,000 MSMEs and increase entrepreneurs' chances to innovate and grow their businesses.

The project will target 2,000 MSMEs mostly operating in the manufacturing and retail sectors. 200 of the MSMEs targeted will have an established business or be in the process of being established. 1,800 MSMEs targeted are considered as non-established (i.e., independent workers without employees). All the MSMEs will receive training on climate change readiness developed by HEC Montreal. As Haiti is subject to drought, and other natural hazard, building resilience among MSMEs is a key point to ensure their sustainability. 30% of the MSMEs targeted by the project will be led by women. Finally, the project targets 10 SPs through the accelerator program.

The project will innovate in multiple ways: i) launch an evaluation and capacity building of SPs of entrepreneurship; ii) improve the harmonization of service offer among 10 SPs and identify complementarities and encourage collaboration; iii) implement a 'pay-for-results' mechanism to incentivize Service Providers to work together and focus on MSMEs' performance improvement. The project will be executed by Développement International Desjardins who has over 32 years of experience in Haiti and working with several local organizations.

¹SEED Network (2020): *Coordinating for Growth and Innovation: Haitian Entrepreneurial Ecosystem*. https://ideos.hec.ca/wp-content/uploads/2021/09/2021018_id_Haiti_Report_MASTER.FINAL-version-reduite.pdf

²The term Service Provided has a broad interpretation as it includes a variety of actors, both public and private, profit-seeking or not (e.g., universities, entrepreneurs, government agencies, municipal bodies or programs, etc.) that provide support to businesses throughout the entrepreneurial pathway consisting of four phases (ideation, prototyping and experimentation, launch, and scale and exit).

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AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF IDB LAB PROJECT INFORMATION SYSTEM

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ACRONYMS AND ABBREVIATIONS

DiCi	Diagnostic of the Executing Agency's Integrity and Institutional Capacity
IDB	Inter-American Development Bank
IDB Invest	Inter-American Investment Corporation
IDB Lab	Multilateral Investment Fund
DID	Développement International Desjardins
HEC	HEC Montréal
PREPOC	Post-Covid Economic Recovery Plan
CTI	IDB Competitiveness, Technology, and Innovation Division
CHA	IDB Country Office in Haiti
MSME	Micro, Small and Medium Enterprises
SEED	Scaling Entrepreneurship for Economic Development
SP	Service Provider
TOT	Training of trainers

PROJECT INFORMATION

HAITI

ACCELERATING INNOVATION FOR HAITIAN MSMEs
(HA-T1292)

Country and Geographic Location:	Haiti		
Executing Agency:	Développement international Desjardins (DID)		
Focus Area:	Knowledge Economy		
Coordination with Other Donors/Bank Operations:	<p>The project is aligned with 4 areas of concentration of the Post-Covid Economic Recovery Plan (PREPOC) prepared by the Haitian Government in December 2020.</p> <p>The project is aligned with the Bank operation, HA-L1137 which aims at providing economic opportunities to young people in Haiti.</p> <p>The Executing agency will aim at promoting the use of the Digital Check-up self-assessment tool developed by CTI in other countries.</p>		
Project Beneficiaries:	2,000 Haitian MSMEs (1,800 non-established and 200 established), 30% of which are led by women; and 10 Service Providers.		
Financing:	MIF Main account	US\$ 700,000	35%
	MIF – CLINTON BUSH HAITI FUND: MIF/GN-160-2	US\$ 300,000	15%
	TOTAL IDB Lab FUNDING:	US\$ 1,000,000	50%
	Counterpart Funding:	US\$ 1,000,000	50%
	TOTAL PROJECT BUDGET:	US\$ 2,000,000	100%
Execution and Disbursement Period:	36 months of execution and 42 months of disbursement.		
Special Contractual Conditions:	Special conditions precedent to first disbursement will be: agreement signed between DID and HEC Montreal showing in-kind commitment in the project. Special condition precedent the beginning of phase 2: commitment of the in-cash counterpart funding.		
Environmental and Social Impact Review	This operation was screened and classified as required by the IDB's safeguard policy (OP-703) on August 18th, 2021. Given the limited impacts and risks, the category for the project is C.		
Unit responsible for disbursements	CHA		

I. The Problem

A. Background Problem Description

- 1.1. In Haiti, informality of the private sector is estimated at 86%³. The fact that most of the firms operate at informal levels limits the accessibility to business support services, finances and seed capital. Over two-third of workers are employed in “low-productivity” sectors, the trade and commerce sector dominates in urban settings (over 50 percent of total employment)⁴. Existing data suggests that Haiti’s private sector consists mainly of small, fragmented enterprises with limited potential for achieving economies of scale and scaling up. It is estimated that there are around 900,000 micro, small and medium-sized enterprises, 6.6% of which are small and medium-sized (with between 10 and 49 employees), and a handful of larger-sized companies (with 50-250 staff) which are mid-sized within a global context⁵.
- 1.2. Micro, Small and Medium Enterprises (MSMEs) in Haiti are also affected by numerous challenges, including the country’s chronic socio-political instability and recurring natural disasters. The COVID-19 pandemic has further undermined MSMEs’ resilience. As a response, the Haitian government prepared a Post-Covid Economic Recovery Plan (PREPOC) in December 2020, which highlight the role of SMEs across different pillars as a source of growth.
- 1.3. Common to all 4 pillars is the premise that the MSME should be innovative to achieve growth and resilience. Yet, previous research⁶ shows that MSMEs need to feel supported by the entrepreneurial ecosystem to innovate, increase their sales and their risk-tolerance, and growth in the short term. However, when this support is not connected to services that encourage creativity and experimentation, entrepreneurs lack innovative capabilities, which in turn may undermine their chances to grow in the mid and long-terms.
- 1.4. A critical deficiency in the ecosystem is that there is less support from the key institutional actor when entrepreneurs are in the riskiest stage of their entrepreneurial journey (the launch) and the early stages of development/establishment. Similarly, entrepreneurs who fail to learn how to prototype/experiment may be unable to innovate adequately once they enter the operational side of their business.
- 1.5. Low levels of innovation among SMEs can therefore be attributed to: (i) a lack of services on portions of the entrepreneurial journey that require more services; (ii) an overabundance of services on portions that require fewer services, and lastly; (iii) how support is provided to businesses⁷.

³ World Bank Group (2021), *Country Private Sector Diagnostic, Creating Market in Haiti*

⁴ Scot, Thiago and Rodella, Aude-Sophie, (2016), *Sifting Through the Data: Labor Markets in Haiti Through a Turbulent Decade (2001-2012)*. World Bank Policy Research Working Paper No. 7562, Available at SSRN: <https://ssrn.com/abstract=2730379>

⁵ Compete Caribbean (2014), *Private Sector Assessment Report of Haiti*

⁶ SEED Network (2020), *Coordinating for Growth and Innovation: Haitian Entrepreneurial Ecosystem*. https://ideos.hec.ca/wp-content/uploads/2021/09/2021018_id_Haiti_Report_MASTER.FINAL-version-reduite.pdf

⁷ *Ibid.*

- 1.6. At the same time, most Service Providers⁸ (SPs) lack capacity to offer services that encourage experimentation and prototyping, a key phase needed to develop an innovative mindset. Similarly, SPs tend to concentrate their service offer on just some phases of the entrepreneurship development (mainly on launching and acceleration phases, where more funding opportunities are available, which increases competition instead of cooperation among SPs. As a result, SPs are not well connected and thus lose opportunities to learn from each other through networking activities.
- 1.7. In turn, MSMEs are not necessarily referred to other SPs, reducing the efficiency of the entrepreneurial ecosystem. These gaps in support at key points of the entrepreneurial journeys act as barriers to the growth of MSMEs.

B. Description of Target Population

- 1.8. MSMEs are vital to Haiti's economy, they account for more than 80 percent of total employment⁹, mostly in the informal sector. The project will target 2,000 MSMEs, working mostly in the manufacturing and retail sectors.
- 1.9. 200 of the MSMEs targeted will have an established business or be in the process of being established (i.e., presenting a strong development potential). To be considered as established, MSMEs will have: (i) between 1 and 10 employees; (ii) invested mainly in production and processing; (iii) reached a prototyping and/or launch stage.

Illustrative case of established MSME

Jude Celiscar of Goodoo Courier: Shipping products from the USA to Haiti had always been expensive. That's why Jude Celiscar founded Goodoo Courier to mitigate this issue across the Caribbean. Celiscar specialized in the delivery of small package goods from a centralized US location, significantly reducing the expense of shipping between the United States and Haiti. Furthermore, Celiscar used recycled packaging materials from Haiti, providing a sustainability mandate to their business.

- 1.10. Out of the 200 MSMEs, the project divides these 200 MSMEs in two types that will benefit from improved innovation implementation capabilities: (i) 50 SMEs that are already established and employ between 1 and 10 people, but whose development is compromised without access to innovation (such as bakeries, confectionery makers, and other businesses in the production sector). For instance, a bakery may introduce a new offer of products such as breads in different formats and with different ingredients or put in place new processes such as allowing customers to pay with their cell phones or start new communication activities through social media like Facebook; and (ii) 150 MSMEs that have no employees, are beginning their growth path, and for whom innovation will be an influential factor in their establishment.
- 1.11. The remaining 1,800 MSMEs targeted by the project are considered as non-established (i.e., independent workers without employees). Entrepreneurs here can be in different stages of their entrepreneurial journeys (ideation, experimentation/prototyping, or very initial launching and commercialization) and they are most likely unregistered businesses.

Illustrative case of non-established MSME

⁸ The term Service Providers has a broad interpretation as it includes a variety of actors, both public and private, profit-seeking or not (e.g., universities, entrepreneurs, government agencies, municipal bodies or programs, etc.) that provide support to businesses throughout the entrepreneurial pathway consisting of four phases (ideation, prototyping and experimentation, launch, and scale and exit).

⁹ IFC Advisory Services (2013), *Small and Medium Enterprises, Stories of Impact*.

AgriHaiti started a venture producing and selling agricultural products that meet high quality product standards. The venture has a high degree of formalization – not only is the company formally registered with local authorities, but the entrepreneur also maintains business and financial records. The formal legitimacy of the business positioned the entrepreneur to receive financial funding (up to 300,000 gourdes) from the UNPD to improve business productivity. Rather than relying on business revenues to expand, the entrepreneur used this funding to scale their business including investing in more operational assets such as supplies and bicycles. Despite the high formalization, the entrepreneur did not report having completed as many of the critical activities associated with the four phases of the Entrepreneurial Development Pathway¹⁰ (EDP), in comparison to other entrepreneurs in the sample population. Furthermore, the entrepreneurs show a low level of collaboration with high quality service providers across the full four phases of the EDP. The entrepreneur relies on their cell phone for business activities and uses this technology for managing business finances on a daily basis through legitimate mobile money channels. The entrepreneur also uses traditional payment methods if necessary.

- 1.12. 30% of the MSMEs targeted by the project will be led by women. This target will inform the selection process since women who start businesses in Haiti typically create ventures that are an extension of their own traditional domestic roles, including for example bakeries, restaurants, and peanut butter production. However, these ventures do not provide a living wage income. Women laborers are predominantly present in wholesale and retail, restaurants, hotels, and crafts.
- 1.13. While women are generally better represented in public administration, they struggle to make their place in the business environment due to their lack of education, reduced skills and training, and gender-related challenges. These are also the main reasons why women cannot scale up their enterprises and gain access to credit.¹¹
- 1.14. On the Haiti Business Portal, the business directory developed by the Haitian Government, 24% of all registered business are female-owned or managed. Moreover, national legislation does not prohibit discrimination in access to credit based on gender.¹² Further barriers that prevent women from accessing financial resources from formal institutions are related to their lack of property assets that prevent them from being able to apply to government credit programs.¹³
- 1.15. Thus, the project will focus on training content that addresses the specific barriers that female entrepreneurs face when trying to grow their business and the strategies they can mobilize to increase their chances of success.
- 1.16. Another key target are SPs who, through the accelerator program, will make their business model more viable, will see their skills increased and will have improved intervention methodologies for greater impact on the businesses they support. The goal is to have 10 SPs certified as a result of the accelerator program and for these 10 SPs, regardless of their typology, to deliver their services independently based on a viable business model.

¹⁰SEED Network (2020): *Coordinating for Growth and Innovation: Haitian Entrepreneurial Ecosystem*. https://ideos.hec.ca/wp-content/uploads/2021/09/2021018_id_Haiti_Report_MASTER.FINAL-version-reduite.pdf

¹¹Girls Who Venture (2019). Haiti Gender Entrepreneurship and Investment Report. http://girlswwhoventure.org/wp-content/uploads/2019/09/Gender-Entrepreneurship-Investment-Report_-Haiti.pdf

¹²World Bank (2020). Dataset (1971-2020). <https://datacatalog.worldbank.org/dataset/womenbusiness-and-law/resource/484db6eb-2e89-46da-9971-de1d9c7c579a>

¹³ OECD (2019). Gender Index. <https://www.genderindex.org/wpcontent/uploads/files/datasheets/2019/HT.pdf>

- 1.17. The project will target SPs that were identified in the SEED report¹⁴ or have the same characteristics, such as: (i) specialized in at least one area of the entrepreneurship journey (ideation, prototyping /experimentation, launching, acceleration), and (ii) that have demonstrated a capacity to connect to other SPs to provide a more complete offer of services to entrepreneurs. More specific criteria to select the SPs will be developed during the project.

Illustrative case of Service Provider

FinHaiti is a financial services actor supporting micro and small enterprises in Haiti. They provide an above average quality of support, focussed specifically on the phase of Acceleration and Scaling. FinHaiti provides some support services to entrepreneurs during the phase of Ideation, and, the phase of Prototyping & Experimentation, covering 40% of required services for these phases. However, they provide no in-house support during the phase of Launching. FinHaiti is a niche actor because of the depth of support and expertise they bring to the ecosystem, however they have limited ecosystem network connections, meaning that their scope is constrained since they cannot refer their clients to other ecosystem actors for support during the earliest phases. Interview data from connected ecosystem actors suggests that FinHaiti would benefit from increasing their collaboration with the entrepreneurial ecosystem. Finally, while FinHaiti provides general services to marginalized groups, they do not offer specialized services to these people. During the COVID19 pandemic, FinHaiti reported a slight decline in the number of male (-10%) and female (-5%) entrepreneurs they supported.

II. The Innovation Proposal

A. Project Description

- 2.1. Over the years, there have been many incubators and/or business accelerators in Haiti seeking to create new innovative businesses and promote growth. However, most of these programs have failed to achieve the expected results, and the recent study conducted by the SEED network sheds new light on the potential causes of these failures by looking at the deployment of support services from a value chain, efficiency, impact, and viability perspective. Among the reasons for limited results, we saw gaps in terms of: (i) funding availability to support entrepreneurs in prototyping/experimentation phases, a key phase to encourage innovation, reduce risks and avoid major mistakes during the entrepreneurial journey; (ii) little collaboration among SPs to share knowledge and to complement each other's service offer to better support entrepreneurs; and (iii) little support at the launching and scaling phases, which are central for the development of entrepreneurs' autonomy and financial sustainability. As such, the proposed solution is to set up an accelerator program not for the businesses, but for the service providers of those business support services.
- 2.2. Priority is given to working with SPs because it was found that the best SPs are crucial for changing the mindset of entrepreneurs. Thus, the project will work with those SPs identified in the previous analysis of the Haitian entrepreneurial ecosystem (SEED report), reinforce their capabilities and support them to influence entrepreneurs.
- 2.3. The project will innovate in multiple ways:

¹⁴ This study sets out an analysis of the national and regional entrepreneurial ecosystem in Haiti. Specifically, it clarifies who are the central service providers for entrepreneurial support services, and what services they offer. More information about the report: SEED Network (2020): *Coordinating for Growth and Innovation: Haitian Entrepreneurial Ecosystem*. https://ideos.hec.ca/wp-content/uploads/2021/09/2021018_id_Haiti_Report_MASTER.FINAL-version-reduite.pdf

1. First and foremost, the project will develop a capacity building program, in which 10 Service Providers will be supported and trained to better connect among themselves and to improve their service offer to MSMEs.
 2. The project will improve the harmonization of service offer among 10 Service Providers in the Haitian ecosystem and identify complementarities and encourage collaboration. Harmonization means that SPs will be encouraged to develop complementary service offers. For instance, one SP may support an entrepreneur in the ideation and experimentation phase and then refer him/her to another SP who could offer services in the following phases of the entrepreneurship journey (such as launching and scaling). This approach has the advantage of not leaving entrepreneurs 'alone' in their entrepreneurial journey simply because a SP does not have the capability to support him/her in other phases or does not have connections with other SPs who could provide the necessary support.
 3. A 'pay-for-results' mechanism will be implemented to incentivize Service Providers to work together and focus on MSMEs' performance improvement.
 4. The Executing Agency will include in its training of Service Providers a climate readiness training module, dedicated to the MSMEs, which will show the threats and opportunities of climate change associated to their businesses and to understand how they can better adapt and contribute to reduce negative impacts.
 5. The project will focus on building a 'lean innovation' mentality on MSMEs in which they perceive trial and error or micro experimentation as something positive to achieve innovation.
 6. The Executing Agency will encourage network building among MSMEs and among Service Providers through specific networking activities such as a demo day every year.
- 2.4. The evaluation and capacity building phase of the project differs from a conventional approach in that:
1. It is not based on a physical structure, but on a virtual development strategy through an interactive digital platform that promotes sharing and scaling.
 2. The project rewards the impact of support services on the adoption of innovations by businesses and not just the delivery of services.
 3. The project leads to the certification of SPs based on their ability to adapt their intervention methodologies on an ongoing basis, and to measure the impact on entrepreneurs. A gender component will be integrated in the training of Service Providers to ensure they master the right skills to promote women inclusion.

B. Components and Activities

- 2.5. The project will be implemented in two separate phases that will enable to measure the impact and funding availability. Component 1 will be implemented during Phase 1, and Phase 2 will encompass Component 2 and 3 over a three-year period.
- 2.6. **Component I (Phase 1): Evaluation and capacity building of SPs (Total US\$ 950,000. IDB Lab US\$ 450,000; Counterpart US\$ 500,000).** The first component, which represents the first phase of the project, aims at reinforcing SPs service offer delivery to MSMEs and harmonization with other SPs in the Haitian ecosystem.

- 2.7. During this phase, ten SPs will be identified and selected based on their years of legal existence, financial and management capacities, and willingness to learn and to be connected with other SPs. The project will target Bricolage and Niche Service Providers¹⁵. In the case of Bricolage, they are highly connected to other service providers, but they need to enhance their own expertise in some areas of the EDP. In the case of Niche, they have limited connections, although their level of expertise in at least one phase of EDP is very deep. The design team believe that investing and supporting these two types of service providers is a good strategy to strength connections, encourage collaboration and harmonize service offer in the Haitian entrepreneurial ecosystem. Based on these criteria, the Executing Agency will build a specific selection methodology to identify the 10 SPs that are the most appropriate to collaborate and participate in the project. The Executing Agency will identify the service offer of each SP in each one of the 4 phases of the entrepreneurial journey (ideation, prototyping/experimentation, launching, acceleration), and will identify current gaps and make sure that SPs connect to complement each other in support of MSMEs. Four SPs will be selected in year 1, three more in year 2 and three additional in year 3, for a total of ten SPs strengthened during the project.
- 2.8. During phase 1, there will be a pilot with 500 MSMEs to understand the approach that works better for the Haitian context and for established and non-established businesses.
- 2.9. A ‘training of trainers’ (ToT) module will be developed to: (i) reinforce SP capabilities on some technical tools and knowledge; (ii) connect them among themselves and build a common ground for collaboration and complementarity; and (iii) make sure that they are prepared to operate under a pay-for-results mechanism. To ensure that SPs master the techniques and knowledge specific to MSME support, a certification will be developed. The transfer of the certification method to a Haitian certification body, and the transfer of pay-for-result mechanism will be driven under component 3. To ensure the transfer of knowledge, a Steering Committee will be established (see below 2.16 and 3.5). The certified SPs will be paid based on their results for the service provided to the SMEs. The certification will be the cornerstone of the pay-for-results mechanism. In the near future, it is expected that more SPs will be certified and that the pay-for-result mechanism become the standard payment method for similar public funded programs.
- 2.10. Under this component, the Executing Agency will also conduct a study to assess the adaptation of the Digital Check-up Self-Assessment tool developed by IFD/CTI. The tool is a simple and free tool that allows MSMEs in the region to perform a digital self-diagnosis in less than 25 minutes and obtain immediate results on their level of maturity. The tool provides personalized recommendations to undertake or accelerate the digital transformation and the improvement of digital skills of MSMEs, facilitating their articulation with the supply of resources available at the local level. In addition, companies can carry out their check-up every three months and monitor their progress.¹⁶The tool will be adapted to the Haitian context, aiming at leaving it for future use in the ecosystem.

¹⁵ For more information about the taxonomy, please see the SEED report: SEEDNetwork (2020): *Coordinating for Growth and Innovation: Haitian Entrepreneurial Ecosystem*. https://ideos.hec.ca/wp-content/uploads/2021/09/2021018_id_Haiti_Report_MASTER.FINAL-version-reduite.pdf

¹⁶Example of the Digital Check-up Self-Assessment tool implemented in the Dominican Republic: <https://chequeo.micm.gob.do/?AspxAutoDetectCookieSupport=1>

- 2.11. At the end of this first phase, the Executing agency will need to have mobilized counterpart fundings to support the second phase of the project, which consists of components 2, and 3.
- 2.12. The expected outputs of this component are: (i) 10 Service Providers selected, trained, certified, and receiving payments for results; (ii) 500 MSMEs trained during the first phase; (iii) 1 study conducted to assess the adaptation of the Digital Check-up Self-assessment tool developed by IFD/CTI; (iv) 1 demo day conducted.
- 2.13. **Component II (Phase 2): Capacity building of MSMEs (Total: US\$ 610,000. IDB Lab US\$400,000, Counterpart US\$210,000).** The objective of this component, which is part of the second phase of the project, is to improve the technical expertise of MSMEs so that they increase their chances of successfully facing the challenges of their entrepreneurial journeys and feel the presence of a supporting ecosystem (something highlighted as central for growth in the SEED report).
- 2.14. This component will be divided into 2 activities:
1. **Activity/Output 2.1: Identification and selection of Entrepreneurs participating in the project.** The Executing agency and the technical partner will develop a registration questionnaire including a clear selection methodology to identify those MSMEs with higher growth potential and higher chances of attending the whole acceleration process. The project will build on the current knowledge and practices of SPs, when they have already demonstrated a strong capacity to identify and select high potential entrepreneurs.
 2. **Activity/Output 2.2: MSMEs are trained.** The selected SPs will train up to 1,500 entrepreneurs (MSMEs) at the end of Phase 2 of the project (in addition to the 500 MSMEs trained during Phase 1). Trained MSMEs are expected to participate in at least one activity offered by the project. The project aims to ensure that the training program provided by SPs meets MSMEs' needs and increase their chances to innovate and grow. To this end, the training program developed during the first phase will be scaled-up during the second phase by DID and HEC Montreal to other SPs. Also, a pay-for-result approach will have been tested with SPs during Phase 1, and based on the results, the most suitable approach will be mobilized, for phase 2, in the following years 2 and 3. During years 2 and 3, a full program will be deployed for 750 MSMEs each year. A series of technical sessions, coaching opportunities and networking events will be deployed. A fully operational pay-for-result mechanism will be in place for SPs. The certified SPs will be paid by the project based on their results stemming from the service they provide to the MSMEs. Among these results we can mention: the number of SMEs trained per SPs; the number of MSMEs implementing entrepreneurial best practices; the % increase in annual sales for MSMEs accompanied; the number of new services added to the service offer of the service provider.
- An evaluation will be conducted at the end of year 2 and improvements in the program will be implemented for year 3 when necessary.
- 2.15. The expected outputs of this component are: (i) 1 selection process for the MSMEs; and (ii) 1,500 MSMEs trained.
- 2.16. **Component 3: Knowledge sharing and scale up (Total: US\$ 140,000. IDB Lab US\$ 50,000; Counterpart US\$ 90,000).** The objective of this component is to put together an incentive structure and a knowledge sharing process. This component is central to

scale the project, and ensure its continuity, activities will be led during the project implementation to raise interest of local stakeholders.

- 2.17. An annual demo-day for MSMEs will be conducted during years 2 and 3 (Phase 2). During this day, the SPs will showcase the MSMEs, that have better involved in the acceleration process and that demonstrate the best potential for growth. IDB local and international stakeholders will be invited to meet and network. In addition, a bi-annual meeting with the Steering Committee, international donors and Haitian government representatives will be organized.
- 2.18. The pay-for-result mechanism will be structured to transfer knowledge to Haitian public institutions and across the IDB Group. To reach this goal, an impact assessment will be developed at the end of the third year to evaluate the main results of the program (against the initial result matrix), to identify potential improvements in the program and set the conditions for scaling the program in Haiti and in other region where DID and/or IDB support similar programs. An incentive structure will be set, in which SPs will be paid according to the results they generate for MSMEs growth.
- 2.19. The expected outputs of this component are: (i) 1 demo day organized each year – starting in Y2; (ii) A Steering committee established; and (iii) An incentive structure set to pay the SPs according to the results.

C. Project Results, Measurement, Monitoring and Evaluation

- 2.20. Overall, the project aims to bring innovation and growth to MSMEs by filling the gaps and strengthening the Haitian entrepreneurial ecosystem. The expected outcomes are: (i) to connect 10 SPs among themselves; (ii) to offer a more complete and harmonized service to 2,000 MSMEs and increase entrepreneurs' chances to innovate and grow their businesses. This project differs from other projects that aimed at strengthening MSMEs in Haiti. Lessons learned from projects such as "Improving the Haitian Artisan Sector's Capacity to Respond Global Market Demand" (HA-M1046), taught us that the project's design needs to take sustainability into account. It is unfortunate that a project may have impact only during the 3 years financing period and then disappear. The purpose of the proposed project aims at building on these past experiences as: (i) the Executing Agency will work with existing Service Providers and will not create a new structure for the purpose of the project; and (ii) the pay-for-results mechanism aims at being transferred to the Haitian authorities to ensure a continuity of the financing and becoming a funnel to catalyze future financing. For this purpose, IDB Lab will liaise with other funding agencies and the Steering committee which will include international donors and Haitian government representatives.
- 2.21. *Number of MSMEs trained and finishing the entrepreneurial training pathway and climate change readiness:* Based on the Executing Agency's previous experience in other countries, not every MSME starting the incubation process will fully participate in all activities offered. However, those entrepreneurs who start the incubation process but do not finish it, still gain skills and have a potential to grow. Yet, IDB Lab wants them to come, discover the support offered by the ecosystem and fully participate when they feel the need. It is expected to fully train 50 in year 1, add 275 in year 2 and add 275 in year 3, for a total of 600 MSMEs.
- 2.22. *Percentage of women trained and finishing the entrepreneurial training pathway:* The importance of training female entrepreneurs is central, and this will be one of the main expected results of the project. The project will target 30% of MSMEs led by women, trained in the acceleration process.

- 2.23. *Percentage increase in annual sales for established MSMEs:* It is expected to see consistent sales growth increase (5%) in the established MSMEs participating in the program as the Executing Agency will focus on innovative capabilities development. This result will be measured at the end of year 3.
- 2.24. *Percentage increase in annual sales for non-established MSMEs:* It is expected to see consistent sales growth increase (10%) in the non-established MSMEs trained by the participating SPs, which will as the SPs also focus on innovative capabilities development. The results are expected to be higher here than for established MSMEs because they have less mature sales when starting the program. This result will be measured at the end of year 3.
- 2.25. *Number MSMEs implementing entrepreneurial best practices:* The training will be based on experiential activities in which entrepreneurs will be asked to try new things in their business for a period and report back to the SPs under the supervision of the Executing Agency. Those micro-experimentations could be at the product/service level but also at process and organizational levels. Trying at least one new entrepreneurial practice is a requirement for MSMEs participating in the training. Therefore, the expected results are: 50 new practices in year 1, add 275 in year 2 and add 275 in year 3.
- 2.26. *Number of Service Providers improving their service offer capacity:* It is expected that all 10 SPs participating in the program will enrich their service offer in at least one phase of the entrepreneurial journey (ideation, prototyping/experimentation, launching, acceleration) and, when possible, start offering services in a phase in which they have not yet been present. It is expected to have 4 SPs improving service capacity on year 1, add 3 on year 2 and add 3 on year 3.
- 2.27. *Training program for SPs to support MSMEs fully operational:* The project aims at having (i) a platform for SPs to offer their services to MSMEs and to connect to each other, (ii) a clear approach for entrepreneurial support covering the 4 phases of the entrepreneurial journey (ideation, prototyping/experimentation, launching, acceleration) and (iii) a pay-for-result mechanism in place to incentivize SPs, by the end of year 3.
- 2.28. Sources of data used to track these metrics are documented in the results matrix and the Executing Agency will be responsible for ensuring accurate and timely collection of such data.
- 2.29. The project will be frequently monitored and evaluated on the evolution and performance of the program to learn from experience and adapt according to the needs of SPs and MSMEs based on the evidence collected (e.g., what is working/ what is not working in terms of achieving project objectives).
- 2.30. At the end of the project these metrics and assessments will be aggregated and documented as part of an evaluation to determine the overall impact of the project. Any additional sources of information needed will be identified prior to the end of the project.
1. During phase 1, the project will pilot the certification for SPs and the training for MSMEs, learn from the experience and adapt for phase 2. Following this process, the Executing Agency will be able to test some hypothesis and increase the chances of delivering a successful program.
 2. Different surveys and assessment reports will be used to evaluate different indicators presented in the result matrix.

3. The pay-for-result mechanism will be evaluated every year to assess its impact on SPs support delivery and MSMEs performance.

III. Alignment with IDB Group, Scalability, and Risks

A. Alignment with IDB Group

- 3.1. The alignment with *Vision 2025* is sought by the project as it: (i) invests in entrepreneurship, develops the innovation ecosystem, and encourages a more conducive business climate; (ii) creates incentives and promote the conditions required to accelerate the adoption of new technologies and digitalization; (iii) promotes the emergence of dynamic companies with inclusive and sustainable new business models that could become engines of economic growth; and (iv) expand women's economic opportunities by increasing labor force participation, closing income and gender gaps between men and women, and improving women's access to more productive and better-paid jobs and occupations.
- 3.2. The proposed project is a direct fit with the commitments of IDB Lab in supporting C and D and Small and Island Economies, and with the objectives of the IDB Lab's Knowledge Economy (KE) thematic focus, specifically the provision of access to finance for innovation, building of human and institutional capacity, supporting the development of innovative solutions related to climate finance and gender equality, and the development of an eco-system approach to support innovation. There is a direct fit with IDB Lab's Knowledge Economy portfolio in the wider region, and particularly the Caribbean countries portfolio, which includes several projects supporting innovation and entrepreneurship. Moreover, IDB Lab's efforts to develop sustainable projects through innovative financing models such as SIB/DIBs facilities are reflected in the proposed project through the "pay-for-results" mechanism,
- 3.3. The project will support company builders, the Service Providers, in Haiti that help entrepreneurs turn ideas into market-ready business models, and business models into investment-ready companies. The project will also strategically deploy a new financial instrument based on the results to finance the Service Providers. The lessons learned aim to be shared across IDB Group.
- 3.4. The project is aligned with the Country Strategy 2017-2021 and more particularly with the goal of improving the business climate to enhance productivity. The project is aligned with the project HA-L1137 and will explore synergies to transfer the knowledge learned to interested Haitian public institutions. In addition, the project is aligned with the following Sustainable Development Goals: SDG 1 (end poverty), SDG 5 (gender equality), SDG 8 (decent work and economic growth) and SDG 13 (climate action) as it seeks to increase incomes and resilience among MSMEs.
- 3.5. The project has strong synergies with the work of IDB's CTI division. The project will take to opportunity to implement, in Haiti, the Digital Check-up Self-Assessment tool developed by the division. The project is also aligned with the Update to the Institutional Strategy 2016-2019 based on its contribution to two of the three major development challenges in the region: (i) social exclusion and inequality; and (ii) low levels of productivity and innovation. The project is also aligned with the IDB Group's cross-cutting themes of promoting gender equality and diversity and supporting small and vulnerable countries.

B. Scalability

- 3.6. As a premise for scalability, a Steering committee composed by local actors will be formed to assess the evolution of the project and secure its long-term sustainability. Public institutions that want to develop a common method, strengthen their ecosystems, and finance public programs for MSMEs will be invited for knowledge sharing.
- 3.7. In Haiti, the project is fully aligned with the PREPOC, further enhancing its scalability potential as national stakeholders, including government agencies and donors, can take over the model and bring it to scale in other regions.
- 3.8. The project has a potential to be scaled not only in Haiti, but also in other countries in the broader Caribbean region and beyond.
- 3.9. Indeed, one of the main strengths of the project approach is that it can be implemented in different contexts where an entrepreneurial ecosystem exists (i.e., SPs, MSMEs and conducive environment). Once this pre-condition is met, the project can be replicated regardless of the economic sector. In addition, the system of incentives (payment for results) and the building of capacities are key elements contributing to the effectiveness and sustainability of results.
- 3.10. Scaling up can also be brought to countries where IDB operates in similar thematic areas with similar target populations (for capacity building SPs and then for pay for results mechanism) such as Jamaica (project JA-L1085), and Trinidad Tobago (project TT-T1094).
- 3.11. DID is willing to scale up the project in other regions where it operates through other funding opportunities. DID and HEC have been working together on entrepreneurship development in other countries. Colombia may be an interesting target for replicating and scaling.
- 3.12. As mentioned earlier, the project will organize annual demo days as well as bi-annual meetings with international donors and national government agencies. The objective of these events is to promote the visibility of the project, raise interest and further the engagement from existing and potential stakeholders. In addition, through the active engagement of HEC, an important component of the project will focus on collecting, analyzing and publishing data in the form of academic conferences and journals, impact reports, and the production of pedagogical cases and materials to use in trainings sessions.

C. Project and Institutional Risks

- 3.13. **Socio-political instability:** High probability risk and Medium impact. Mitigation: DID has been working in the country for more than 20 years and has well-developed contingency plans to adapt to the wide range of challenges the country regularly faces. DID will have field officers on the ground during the project.
- 3.14. **Security:** High probability risk and High impact. Mitigation: DID has been working in the country for decades and has developed know-how in how to operate in this context. Local infrastructure will be put in place to minimize this risk and increase security for those involved in the delivery of the program.
- 3.15. **Pandemic in the coming years:** High probability risk and medium impact. Mitigation: In addition to having developed the capacity to operate remotely during most of the

pandemic, the project aims at building a dedicated online platform for SPs in which they can connect with MSMEs to deliver their services, connect with each other and be paid under a pay-for result mechanism. If international travel remains restricted, the in-country DID staff will maintain a smooth operation.

- 3.16. **Competing funding opportunities for SPs:** High risk probability and Low impact. Mitigation: The pay-for-results mechanism may help minimize the effect of competing funding opportunities for participating SPs that may affect enrollment or drop-out. DID and IDB Lab will also liaise with other funding agencies to avoid duplication. SPs will also be informed about the requirement of remaining engaged throughout the whole duration of the program to be certified. SPs must reimburse funds received through pay-for-results when these funds finance activities or services covered by funds from other donors. Double funding for the same activities will be penalized by reimbursement by the SP the of the costs of trainings received during the project.
- 3.17. **Unexpected conflicts among SPs:** High risk probability and High impact. Mitigation: DID will identify potential areas of conflictive competition among the SPs as part of the selection and implementation process. DID will focus on SPs that have strong potential for complementarity of service offer and use the pay-for-result as a mechanism to encourage collaboration among SPs. The Demo Day, the training of trainers (TOT) and monitoring activities will serve to inform and encourage SPs about the importance of collaboration for a better entrepreneurial ecosystem in Haiti.
- 3.18. **Weak MSMEs attendance and engagement:** medium probability risk and High impact. Mitigation: The pay-for-result mechanism will also be extended to MSMEs aimed at creating incentives for them to participate in the program until the end. In this case, symbolic incentives will be mobilized in the pay for result, such as a certification offered by DID and HEC, and additional different prizes may be offered (e.g., access to more training or special coaching sessions) for MSMEs that achieve objectives set by SPs.

IV. Instrument and Budget Proposal

- 4.1. The project has a total cost of US\$ 2,000,000 of which US\$ 700,000 (35%) will be provided by IDB Lab's own resources, US\$ 300,000 (15%) by the CLINTON BUSH HAITI FUND, administered by IDB Lab and US\$ 1,000,000 (50%) by the Executing Agency. The instrument to be used for IDB Lab financing is a non-reimbursable grant. The use of non-reimbursable resources from IDB Lab is justified as the project seeks to build a sustainable ecosystem of Service Providers in Haiti.
- 4.2. The proposed non-reimbursable resources of US\$ 1,000,000 from IDB Lab will leverage US\$ 1,000,000 in non-reimbursable resources available from DID and its funding partners.
- 4.3. The project will be structured in two phases; the first one will aim at strengthening the Service Providers, developing the network, and developing the training program for MSMEs; the second phase will finance the support for the MSMEs through the "pay-for-result" mechanism, as well as the knowledge sharing activities. The condition to start with the second phase will be that the Executing Agency mobilizes at least US\$ 500,000 in-cash from other funders.

BUDGET

Item	CONCEPT	Project total amount	IDB Lab Contribution		COUNTERPART		TOTAL CP
			MIF - Main Fund	MIF – CLINTON BUSH HAITI FUND	In Cash	In Kind	
1	Component 1: Phase 1 - Evaluation and capacity building of Service Providers	950 000	450 000		-	500 000	500 000
			260 000	190 000			
2	Component 2: Phase 2 - Capacity building of MSMEs	610 000	400 000		210 000	-	210 000
			340 000	60 000			
3	Component 3: Phase 2 - Knowledge sharing and scale up	140 000	50 000		90 000	-	90 000
			30 000	20 000			
4	Project Administration (Executing Unit costs)	300 000	100 000		200 000	-	200 000
			70 000	30 000			
	Subtotal (Direct Cost)	2 000 000	1 000 000		500 000	500 000	1 000 000
			700 000	300 000			
	GRANT-TOTAL	2 000 000	1 000 000		500 000	500 000	1 000 000

V. Executing Agency (EA) and Implementation Structure

A. Executing Agency(s) Description

- 5.1. Développement International Desjardins (DID) will be the Executing Agency of this project and will sign the agreement with the Bank. DID is a Canadian Not-for-Profit Corporation registered under the number 184256-1. It has been a strong and experienced executing agency of the IDB Lab (HA-M1055) in the past. Its role will be to bring together all technical, financial and implementation partners to develop the project and ensure its sustainability. DID will provide some technical assistance, including for financial institutions, and as the executing agency, will be responsible for managing funds, recruiting technical partners according to established procedures, coordinating activities and administration, and reporting to the IDB Lab and other funding partners. DID has repeatedly demonstrated its ability to initiate lasting structural change and to operate in an unstable context like Haiti.
- 5.2. Other partners involved in the project are: HEC Montréal (HEC), which will be involved in the project to provide technical expertise and support the definition and implementation of technical tools. HEC commits to finance the project for US\$ 500,000. HEC's participation will be fully in-kind (see paragraph 5.5).
- 5.3. This project will build off the increasing experience of DID and HEC in deploying programs which aim at strengthening Service Providers networks. Both entities have experience in countries such as Sri Lanka (collaboration with SANASA involving training development and delivery for rural entrepreneurs on creativity and innovation for business growth) and Tunisia (collaboration with entrepreneurship training development and delivery for female entrepreneurs on female leadership for business growth). Moreover, DID has an extensive experience working in Haiti with both public and private actors. HEC's experience in Haiti is reflected through its work with the SEED Network.

B. Implementation Structure and Mechanism

- 5.4. Développement international Desjardins will establish an executing unit and the necessary structure to execute project activities and manage project resources effectively and efficiently. Développement international Desjardins will also be

responsible for providing progress reports on project implementation. Details on the structure of the execution unit and reporting requirements are in Annex V in the project technical files.

- 5.5. HEC Montréal (HEC), a public Canadian business school of the Université de Montréal, will support the definition and implementation of the capacity building program for the service providers, including sharing its experience in this area. HEC will partner with DID for the purpose of the project, the proof of this partnership will be a condition prior to the first disbursement of the project. HEC will help local officials implement program activities (development of teaching materials, methodology for evaluating various approaches and dissemination of results). HEC has proven experience with incubators and business accelerators, as well as in offering support for local entrepreneurship service providers, and has the necessary expertise to analyze entrepreneurial ecosystems, develop and evaluate training and coaching programs for entrepreneurs, and measure their social impact. HEC Montréal is also a contributor to this initiative.
- 5.6. The Steering Committee has two main purposes. Firstly, it aims at informing different stakeholders about the project and sensitize the Haitian public sector to ensure the scalability of the project. Secondly, it will be the place where lessons will be shared among participants. The stakeholders invited to participate in the Steering Committee, will be: Other donors (EIB, EU, the World Bank, CDB, International Cooperation and Ambassies), Haitian Government representatives, other technical partners which are working in the private sector development with a focus on Haitian MSMEs (e.g., Frankfurt Business School, AUF).

VI. Compliance with Milestones and Special Fiduciary Arrangements

- 6.1. **Disbursement by Results, Fiduciary Arrangements.** The Executing Agency will adhere to the standard IDB Lab disbursement by results, Bank procurement policy¹⁷ and financial management¹⁸ arrangements as specified in Annex V and VI.
- 6.2. The funding of the project will be used exclusively for Technical Cooperation purpose. No IDB Lab funds will be disbursed as reimbursable financing neither by IDB Lab nor by the Executing Agency.

VII. Information Disclosure and Intellectual Property

- 7.1. **Intellectual property.** The intellectual property of all works and results obtained under the Project is vested in the Bank. The Bank shall grant to the Executing Agency an irrevocable, worldwide, perpetual, royalty-free, non-exclusive license to use, copy, distribute, reproduce, publicly perform, publicly display and publicly perform any proprietary product derived from the execution of the Project, as well as to develop derivative works. The Executing Agency may grant sublicenses to third parties without further authorization or licenses from the Bank.

¹⁷ Link to the Policy: Procurement of Works and Goods Policy

¹⁸ Link to the document Financial Management Operational Guidelines

- 7.2. The Executing Agency undertakes to include in all contracts it enters into with consultants under the Project the transfer to the Bank of the respective intellectual property rights, including copyrights.
- 7.3. The Bank may disclose, reproduce and publish any information related to the Project and include in such information the name and logo of the Executing Agency.