

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

## **HAITI**

### **BUSINESS DEVELOPMENT AND TRAINING SERVICES PROGRAM FOR INVESTMENT**

**(HA-L1057)**

### **GRANT PROPOSAL**

This document was prepared by the project team consisting of: Jose Juan Gomes Lorenzo (ICF/CMF), Team Leader; Felipe Gómez-Acebo (CMF/HRG), Alternate Team Leader; Juan Antonio Ketterer (ICF/CMF); Joaquín Domínguez (CMF/CHA); Carlo Pietrobelli (ICF/CMF); Jacqueline Mazza (SCL/LMK); Roberto Flores Lima (SCL/LMK); Andrea Terán (ICF/CMF); Hyun Jung Lee (LEG/SGO); Fazia Pusterla (SPD/SDV); Ariel Rodríguez (PDP/CHA), Patricio Crausaz (PDP/CHA); and Annabella Gaggero (ICF/CMF).

## CONTENT

|      |  |    |
|------|--|----|
| I.   | DESCRIPTION AND RESULTS MONITORING.....  | 1  |
| A.   | Background and justification.....  | 1  |
| 1.   | The MSME sector .....  | 1  |
| 2.   | The financial sector .....   | 3  |
| 3.   | Problem description and how it will be addressed by the program.....                                   | 4  |
| 4.   | Strategy of the Bank for private sector development in Haiti .....                                     | 5  |
| 5.   | Coordination with other donors.....  | 6  |
| B.   | Objective, characteristics and components.....   | 6  |
| 1.   | Component I. Provision of Business Development and Training<br>Services. ....                          | 6  |
| 2.   | Component II: Support for BDTS providers and SIF/PCGF-eligible<br>LFIs .....                           | 7  |
| 3.   | Component III. TA to support the program's administrative, financial<br>and technical management ..... | 8  |
| C.   | Key results indicators .....   | 8  |
| II.  | FINANCING STRUCTURE AND MAIN RISKS .....   | 9  |
| A.   | Cost and financing.....  | 9  |
| III. | IMPLEMENTATION AND MANAGEMENT PLAN .....   | 11 |
| A.   | Summary of implementation arrangements.....  | 11 |
| B.   | Summary of arrangements for monitoring results.....  | 14 |

| Annexes   |                           |
|-----------|---------------------------|
| Annex I   | DEM Summary               |
| Annex II  | Results Matrix            |
| Annex III | Summary Procurement Table |

| Electronic Links   |
|--|
| <p><b>MANDATORY</b></p> <ol style="list-style-type: none"> <li>1. POA &amp; PEP<br/><a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36140957">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36140957</a></li> <li>2. Monitoring and Evaluation Arrangements<br/><a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36140928">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36140928</a></li> <li>3. Fiduciary Arrangements<br/><a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36140939">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36140939</a></li> </ol> <p><b>OPTIONAL</b></p> <ol style="list-style-type: none"> <li>1. <i>Etude d'impact du séisme du 12 janvier 2010 sur le secteur privé haïtien</i><br/><a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36049455">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36049455</a></li> <li>2. <i>Borrador de diagnóstico sobre las MIPYMES haitianas y sus desafíos para acceder al crédito (*)</i><br/><a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36044716">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36044716</a></li> <li>3. Final Market Assessment Report (*)<br/><a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36044718">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36044718</a></li> <li>4. Haiti Economic Recovery &amp; Roadmap (ERRM)<br/><a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36044719">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36044719</a></li> <li>5. Action Plan for National Recovery and Development of Haiti<br/><a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36044726">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36044726</a></li> <li>6. Haiti SME Market Sector Assessment – Summary Report<br/><a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36044724">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36044724</a></li> <li>7. <i>Fonde de Développement Industriel (FDI)</i><br/><a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36141363">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36141363</a></li> <li>8. Functions and responsibilities of the different actors of the program<br/><a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36140938">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36140938</a></li> <li>9. Operational Process of the BDTS and Training Program<br/><a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36140937">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36140937</a></li> <li>10. Cost-Benefit Analysis<br/><a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36140927">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36140927</a></li> <li>11. Labor Markets and Training Background Draft Paper on Haiti SCL/Labor Markets Unit (*)<br/><a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36174042">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36174042</a></li> <li>12. Haiti Private Sector Development Sector Note, Draft, April 19, 2011 (*)<br/><a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36207479">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36207479</a></li> </ol> |

| Electronic Links   |
|--|
| 13. Interim Haiti Reconstruction Commission<br><a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36207497">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36207497</a> |
| 14. Risk Assessment Matrix (*)<br><a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=35393723">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=35393723</a>              |

\* For purposes of the Bank's Access to Information Policy (GN-1831-28), these documents will not be made available to the public.

## ABBREVIATIONS

|       |  |
|-------|--|
| BDTS  | Business Development and Training Services                     |
| BNC   | <i>Banque Nationale de Credit</i>                              |
| BRH   | <i>Banque de la République D’Haïti</i> (Central Bank of Haiti) |
| BP    | Business Plan  |
| EA    | Executing Agency   |
| EC    | Executive Committee  |
| EU    | European Union   |
| FDI   | <i>Fonds de Développement Industriel</i>                       |
| GCI 9 | Ninth General Capital Increase of the IDB                      |
| GOH   | Government of Haiti  |
| HRF   | Haiti Reconstruction Fund                                      |
| IDB   | Inter-American Development Bank                                |
| IHRC  | Interim Haiti Reconstruction Committee                         |
| LFIS  | Local Financial Institutions                                   |
| MFIS  | Micro-Finance Institutions                                     |
| MSMES | Micro-, Small-, and Medium-sized Enterprises                   |
| MEF   | Ministry of Finance  |
| OR    | Operational Regulations  |
| PD    | Paris Declaration  |
| PM    | Program Manager  |
| PCGF  | Partial Credit Guarantee Fund for Enterprise Development       |
| SC    | Strategic Committee  |
| SF    | Specialized Firm   |
| SIF   | Social Investment Fund   |
| SMES  | Small- and Medium-sized Enterprises                            |
| TA    | Technical Assistance   |
| USAID | United States Agency for International Development             |

**PROJECT SUMMARY**  
**HAITI**  
**BUSINESS DEVELOPMENT AND TRAINING SERVICES PROGRAM FOR INVESTMENT**  
**(HA-L1057)**

| Financial Terms and Conditions   |                              |                             |           |
|--|------------------------------|-----------------------------|-----------|
| <b>Beneficiary:</b> Republic of Haiti  |                              |                             |           |
| <b>Executing Agency:</b> <i>Fonds de Développement Industriel (FDI)</i>  |                              |                             |           |
| <b>Source</b>  | <b>Amount (US\$ million)</b> | <b>Disbursement period:</b> | 54 months |
| IDB Grant Facility   | 11                           |                             |           |
| Estimated counter-part funds from beneficiaries*   | 1.51                         |                             |           |
| Total program cost   | 12.51                        |                             |           |
| Co-financing and parallel financing**  | Up to 24                     | <b>Currency:</b>            | US Dollar |
| Total with potential donor co-financing  | Up to 36.51                  |                             |           |
| Project at a Glance  |                              |                             |           |
| <p><b>Project objective and description:</b> The program goal is to enhance the productivity of micro-, small-, and medium-sized enterprises (MSMEs). This would be achieved by providing business development and training services (BDTS) to eligible MSMEs so as to attain the following expected outcomes: (i) improve their access to credit; and (ii) enhance their repayment capacity. To achieve those outcomes, the program, apart from providing BDTS to eligible MSMEs, would also have to offer technical assistance (TA) and advisory services to: (i) identify eligible MSMEs operating in production chains with high growth potential; (ii) expand and strengthen the supply capacity of local BDTS providers; (iii) strengthen Social Investment Fund (SIF)- / Partial Credit Guarantee Fund (PCGF)-eligible Local Financial Institutions' (LFIs) risk analysis capabilities with regard to MSMEs' investment projects, as well as their ability to penetrate this market segment with adequate credit strategies and instruments; and (iv) support the strategic, administrative and technical execution of the program (¶1.20).</p> |                              |                             |           |
| <p><b>Special contractual conditions:</b> Prior to the first disbursement of the program, the Executing Agency will provide evidence, to the Bank's satisfaction, of: (i) the signature and entry into force of an agreement (<i>Protocole d'Accord</i>) between the Ministry of Finance and the FDI for the execution of this program (¶3.1); (ii) the formal designation of the Program Management Team, including the Program Manager (¶3.4); (iii) the selection of the specialized firm (SF) that will support the Executing Agency in the technical execution of the program (¶3.4); and (iv) the entry into effect of the Operational Regulations agreed with the Bank (¶3.12).</p>   |                              |                             |           |
| <b>Special aspects:</b> None.  |                              |                             |           |
| <b>Exceptions to Bank policies:</b> None.  |                              |                             |           |
| <b>The project is in line with the country strategy:</b> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>   |                              |                             |           |
| <b>The project qualifies for:</b> SEQ <input type="checkbox"/> PTI <input type="checkbox"/> Sector <input type="checkbox"/> Geographic <input type="checkbox"/> Headcount <input type="checkbox"/>   |                              |                             |           |

\* Refers only to the estimated funds that program beneficiaries will provide as counter-part to the US\$11-million grant allocation by the IDB. If other donors decide to co-finance or provide parallel financing to the proposed program, the number of firms that will benefit from the program will increase and so will the estimated counter-part funds from beneficiaries.

\*\* The Interim Haiti Reconstruction Committee (IHRC) approved a US\$35 million to support the BDTS component of Productive Haiti, of which the Bank, through the proposed program, will contribute US\$11 million and it is hoped that the remaining US\$24 million will be provided by other donors. See ¶1.19 and ¶2.2. (See [Link 13](#))

## I. DESCRIPTION AND RESULTS MONITORING

### A. Background and justification

- 1.1 Years of political instability and a succession of natural disasters have contributed to the country's slow or negative growth and, hence, to high unemployment and extreme poverty. Prior to the earthquake, around 70% of the population was unemployed and 80% were living in poverty. These trends were exacerbated by the devastation of the January 12, 2010, quake, whose overall losses have been estimated at US\$7.9 billion (*i.e.* just over 120% of the country's 2009 GDP). Indeed, it not only affected directly some 3 million people, but it also ended the prospects of long term employment for many of them. It is estimated that the losses of micro-, small-, and medium-sized enterprises (MSMEs), believed to employ as much as 80% of workers, reached US\$2.2 billion or 40% of total private sector losses.<sup>1</sup>
- 1.2 The needs for the rehabilitation and reconstruction of the country have been estimated at US\$11.5 billion. The donors' generosity<sup>2</sup> is likely to cover part of those needs, helping to lift Haiti's economy in the short run through a construction boom. However, the development of the country in the long term would demand private-sector-driven development from within, a development pattern that could only take place if MSMEs are able to gain access to investment credit in order to rehabilitate, start, expand or modernize their operations. Gaining that access would be important not only to confront the serious de-capitalization that some firms suffered as a result of the quake, but also to allow the sector as a whole to increase its productivity and its income and employment generation potential, areas in which MSMEs are believed to play a major role.<sup>3</sup>
- 1.3 Apart from increasing the availability of investment credit in adequate terms and conditions, improving MSMEs' access to credit would entail supporting them in: (i) compiling and systematizing their financial information, to demonstrate their creditworthiness; (ii) formulating their business plans (BP), to be able to have bankable investment projects; and (iii) implementing their BPs once they get financing, so as to maximize the return on their investments.

#### 1. The MSME sector

- 1.4 Statistics on the MSME sector are very difficult to obtain in Haiti. To start with, most of its firms are believed to operate in the informal sector of the economy. Furthermore, there is lack not only of periodic information on the sector, but also of an official definition to classify MSMEs. Indeed, the Bank of the Republic of Haiti (BRH) and other official agencies do not disaggregate economic statistics by

---

<sup>1</sup> See “*Etude d'impact du séisme du 12 janvier 2010 sur le secteur privé haïtien*”, USAID\WINNER, March 2010. ([Link 1](#))

<sup>2</sup> On the March 31<sup>st</sup> “International Donor Conference Towards a New Future for Haiti”, the international community pledged US\$10.2 billion towards such rehabilitation and reconstruction.

<sup>3</sup> See “Haiti SME Market Sector Assessment: Summary Report”, page 8, USAID, March 2007. ([Link 6](#))

firm size, and many local financial institutions (LFIs) do not have uniform definitions of MSMEs or separate credit policies for them. Rather, many LFIs classify them by the size of the loans requested, regardless of their number of employees and the value of their sales or assets. In this context, a large firm with a small loan could be classified as a small firm or even a micro-enterprise. However, recently, LFIs, with support of USAID, agreed on a set of criteria to classify SMEs.<sup>4</sup> Based on these criteria, it has been estimated that there are some 10,000 SMEs and 373,000 micro-enterprises in Haiti.

- 1.5 According to information gathered through interviews with private sector representatives during the preparation of the program,<sup>5</sup> most MSMEs have been operating with outdated production technologies and a very unskilled labor force due to both a systematic lack of investment and very rudimentary labor market institutions,<sup>6</sup> affecting their productivity and competitiveness. Their low investment levels can be explained to a large extent by limited access to financing, as recent firm-based surveys have evidenced.<sup>7</sup> Such limitation can be attributed in part to lack of financing at adequate terms in the local market due to insufficient collateral, information asymmetries in the light of an underdeveloped credit bureau, and an inadequate legal and regulatory environment for the enforcement of contracts and the registration of real and moveable property. However, MSMEs' own managerial and administrative limitations have also contributed to hinder their prospects for gaining access to credit.<sup>8</sup> Indeed, due to those limitations, most MSMEs have been incapable of generating the necessary information not only to improve their decision-making processes, but also to effectively present themselves and their investment projects to LFIs.
- 1.6 It is worth pointing out that the MSME sector in Haiti suffered, even prior to the earthquake, severe deficits in human capital skills, including basic business and management skills and the production skills of workers. Due to the highest outmigration rates in the region, Haiti has the smallest percentage of college educated workforce from which to draw managerial and business skills -- only 1% of the in-country workforce has completed tertiary education.<sup>9</sup> Human capital

---

<sup>4</sup> Idem 1. According to this study, SMEs: (a) employ between 10 and 100 employees (with the exception of firms operating in the garments industry, which employ up to 500 workers); (b) have assets with values that range between 5 and 50 million Gourdes (*i.e.* between US\$125,000 and US\$1,250,000); or (c) have annual sales with values that range between 5 and 50 million Gourdes (*i.e.* between US\$125,000 and US\$1,250,000). From these criteria, it could be inferred that micro-enterprises: (a) employ less than 10 workers; or (b) have annual sales or assets with values of less than 5 million Gourdes (*i.e.* US\$125,000).

<sup>5</sup> See *Diagnóstico sobre las MIPYMES Haitianas y sus Desafíos para Acceder al Crédito*, by Roberto de Groote and Maria Angelica Ropert, December 2010 ([Link 2](#)); Footnote No. 3, and “Final Market Assessment Report” for the Implementation of Business Edge in Haiti, mc2 Group: Management Coaching and Consulting Group, Pages 68-79 and Appendix No. 10, Managua, May 2008. ([Link 3](#));

<sup>6</sup> See page 4 of the [Labor Markets and Training Background Paper](#) on Haiti, 2011, SCL-Labor Markets Unit.

<sup>7</sup> See third reference of Footnote 5, pages 79 and 176; and “Haiti Economic Recovery and Road Map (EERM)”, pages 7 and 8, Presidential Commission on Competitiveness, August 2010. ([Link 4](#))

<sup>8</sup> Idem 3, pages 16-17. ([Link 6](#))

<sup>9</sup> See Footnote No. 6 and “Docquier, F., and Abdeslam Marfouk, 2005. International Migration by Educational Attainment (1990–2000) – Release 1.1. Washington DC, World Bank.



deficits for SMEs continue to occur at three levels: managerial and professional skills related to running the business; maintaining and advancing the technical skills of current employees; and training programs for incorporating new employees within the firm (particularly post-earthquake for new or resuming businesses). In an economy characterized by limited access to formal education and high rates of self-employment, addressing the human capital deficits of micro-entrepreneurs is also a critical challenge.

## **2. The financial sector**

- 1.7 There are 9 commercial banks operating in Haiti, 7 private and 2 public (*Banque Nationale de Credit -BNC-* and *Banque Populaire Haitienne*). The banking sector is highly concentrated with the three largest banks (Sogebank, Unibank and BNC) holding 82% of total assets as of December 2009. In addition, there are 2 development finance institutions (FDI and Sofhides), and some 200 credit cooperatives and micro-finance institutions (MFIs).
- 1.8 Prior to the earthquake, the volume of credit in the economy showed modest growth. Indeed, as of December 2009, the financial system: (i) continued to be small, with total assets of 114 billion Gourdes (US\$2.9 billion or about 36% of GDP); and (ii) reported loan portfolios of only 31% of total assets (36 billion Gourdes or US\$0.9 billion), a ratio well below the regional average of 55-60%.
- 1.9 Some of the key constraints for a greater credit expansion have been: (i) high reserve requirements, representing 25% of total system assets; (ii) crowding out, through high interest rates paid on Central Bank notes (investments in these risk-free assets reached 6% of total assets in December 2009); and (iii) the high perception of risk of lenders, particularly for MSMEs, aggravated by a deficient legal and judicial environment. As a result, and despite the high liquidity of the financial system, there has been a limited provision of credit and high intermediation spreads. Indeed, those spreads have resulted in annual lending rates in excess of 30% in the case of SMEs and over twice as much in the case of micro-enterprises.
- 1.10 According to LFI representatives interviewed during program preparation, the relatively small volume of credit provided by the system is concentrated in large enterprises. In the case of SMEs and micro-enterprises, they estimated that around 19%<sup>10</sup> of the former and 67%<sup>11</sup> of the latter have got access to credit, but mostly short-term loans of relatively small sizes. Clearly, MSMEs' limited access to investment credit at adequate terms constraints their capacity to invest and grow.
- 1.11 One important reason why LFIs are reluctant to lend to MSMEs is the relatively high transaction costs associated with loan origination and administration in that market segment. In the opinion of LFI representatives, several factors explain those relatively high costs. First, most MSMEs do not have the basic financial information required to assess their creditworthiness. Second, if they intend to

---

<sup>10</sup> Idem 5, see first reference on that Footnote, pages 11 and 12.

<sup>11</sup> This is consistent with the number of MFIs' clients reported in the reference of Footnote No. 1, page 16.

undertake expansion plans, often they are unable to formulate adequate BPs that clearly reflect their financial flows, as well as any additional improvement efforts that would have to be made to ensure the successful implementation of their projects. In the case of micro-enterprises, these challenges are compounded by the fact that in most cases they have to be grouped in order to prepare them to gain access to credit. Finally, the lack of systematized information on the business models and market prospects of the sectors in which most MSMEs operate is an additional constraint confronted by LFIs when assessing those firms' credit applications, with potential cost implications.

### **3. Problem description and how it will be addressed by the program**

- 1.12 Following the earthquake and its sequels, one of the main challenges of the country is its rehabilitation, reconstruction and sustainable economic development. The level of economic growth needed to reduce poverty and improve social indicators will demand substantially increased public and private sector investments in infrastructure and key productive sectors such as light manufacturing (garments), agriculture, construction, transport and tourism.
- 1.13 MSMEs, in particular, confront great difficulties to gain access to credit to invest in the rehabilitation, start-up, expansion and modernization of their operations. Indeed, most MSMEs face high interest rates, insufficient collateral, and their managerial and administrative capacities are very limited. In effect: (i) the lending interest rates required by LFIs for riskier investment projects (such as those of MSMEs) exceed their internal rates of return; (ii) the destruction of physical assets and other earthquake induced losses have reduced even further what already was a low availability of capital as collateral for new loans before the quake; and (iii) MSMEs' owners typically lack formal business training, are unable to prepare financial statements, do not know how to make BPs and are therefore unable to effectively present themselves and their projects to lenders.
- 1.14 As will be explained in ¶1.16-¶1.17, the IDB Group, in the context of its Private Sector Strategy for Haiti, is trying to address the first two challenges stated in the previous paragraph through three complementary interventions: (i) a Social Investment Fund (SIF), approved by the IIC in November 2010 (HA2749A-01); (ii) a multi-layer quasi-equity facility, to be approved in 2012; and (iii) a Partial Credit Guarantee Fund for Enterprise Development (PCGF; HA-L1050), approved by the Bank in September 2010. The proposed program, closely linked to the aforementioned interventions, is intended to address the third challenge.<sup>12</sup> Indeed, to the extent that MSMEs can improve the compilation of their financial information, the formulation of more precise BPs that allow for a better projection of their financial flows, and their entrepreneurial management, it would be possible to reduce those firms' perceived risks in the eyes of lenders, increasing

---

<sup>12</sup> It is worth pointing out that the effectiveness of the proposed intervention is based on existing evaluations of interventions in similar contexts, and its applicability in the country can be justified by the preliminary results of a similar initiative. See the Monitoring and Evaluation Arrangements link and the Cost-Benefit Analysis link (Footnote No. 2) for more information.

their credit access, improving its terms and conditions and lowering LFIs traditional high demands for collateral. Furthermore, the improvement in MSMEs managerial and administrative capacities, together with more readily available information on the priority sectors where MSMEs operate, should facilitate LFIs credit risk assessments and reduce the transaction costs that they confront when assessing those firms' investment projects.

- 1.15 To address the third challenge, the GOH has asked the Bank and other donors to support a Business Development and Training Services Program (BDTS) that enhances MSMEs' chances of both gaining access to credit and maximizing the returns on the investment projects financed through new loans.

#### **4. Strategy of the Bank for private sector development in Haiti**

- 1.16 To enable a coordinated and continuous action of the Bank's public and private sector windows and to maximize the additionality of its operations, VPC/HRC has adopted a "programmatic approach"<sup>13</sup> for country programming in the private sector development area.<sup>14</sup> This approach, structured following the guidelines of the Paris Declaration,<sup>15</sup> consists of a set of grant and reimbursable operations that complement each other. It is expected that the grant operations will catalyze and leverage reimbursable operations and resources of the private financial sector and will have demonstration effects that will trigger new investments.
- 1.17 Under this approach, the IDB Group, with donors' support, is putting together a multi-pillar systemic initiative called "Productive Haiti", which seeks to alleviate the fixed and human capital constraints confronted by MSMEs in order to catalyze their sustainable growth and development. The proposed BDTS program is one of its pillars. The other two pillars are: (i) the SIF, to co-finance, with eligible LFIs, new credits to MSMEs at rates and maturities consistent with their investment projects' internal rates of return; and (ii) the multi-layer quasi-equity facility, which would offer "seed grants" and equity funds to enable SME start-ups. Productive Haiti would be complemented with two other systemic interventions. They are the Private Sector Investment and Export Industry Support Program, a TA approved in October 2010 which seeks to help improving the existing legal and regulatory framework that constraints private sector growth, and the PCGF, whose objective is to help enterprises affected by the quake, but which could still be viable, to restructure bank-debt obligations.
- 1.18 The program is consistent with the Bank's Country Strategy Update (GN-2465-2), as it supports private sector development by enhancing the productivity of MSMEs. It is also aligned with the upcoming Country Strategy for 2011-2015,

---

<sup>13</sup> A programmatic approach utilizes all Bank instruments to help countries to implement programs and achieve commonly set objectives in sectors or areas of activities. The combination of instruments to be used in each country or sector is decided through the country dialogue and programming exercise (see GN- 2200-13).

<sup>14</sup> See the draft Private Sector Development Sector Note, IDB, April 2011 ([Link 12](#)).

<sup>15</sup> The Paris Declaration (PD) was signed in April 2005 by 60 countries and several multilateral institutions, including the Bank, and highlights the importance of coordinated strategies.

which seeks to promote the expansion of existing MSMEs through access to both credit and equity as well as to BDTS. The strategy is expected to be approved by the Board in the third quarter of 2011. The program is also consistent with two dimensions of the GCI-9 lending program priorities, namely “Lending to Small and Vulnerable Countries” and “Institutions for Growth and Social Development.”

## **5. Coordination with other donors**

- 1.19 The program has been designed in close consultation with other donors not only to learn from their experiences with this type of programs but also to ensure future close cooperation in this area, including the possibility of co-financing and parallel financing (see ¶2.2). Indeed, the World Bank has already expressed its interest in co-financing the proposed program. Donors have also indicated their willingness to support other private sector development initiatives promoted by the IDB Group. USAID, for instance, has expressed its interest in supporting the multi-layer quasi-equity facility programmed for 2012. Similarly, the World Bank and the IFC are interested in working with the Bank in cross-cutting issues such as the creation of an enabling environment for private sector development. Finally, USAID and the EU plan to support the Bank’s Northern Economic Pole Business Development Program currently under preparation (HA-L1068).

## **B. Objective, characteristics and components**

- 1.20 The program goal is to enhance the productivity of MSMEs. This would be achieved by providing BDTS to eligible MSMEs so as to attain the following expected outcomes: (i) improve their access to credit; and (ii) enhance their repayment capacity. To achieve those outcomes, the program, apart from providing BDTS to eligible MSMEs, will also offer TA and advisory services to: (i) identify eligible MSMEs operating in production chains with high growth potential; (ii) expand and strengthen the supply capacity and performance of local BDTS providers; (iii) strengthen SIF/PCGF-eligible LFIs’ risk analysis capabilities with regard to MSME’s investment projects, as well as their ability to penetrate this market segment through adequate credit strategies and instruments; and (iv) support the program’s strategic, administrative and technical execution.
- 1.21 The program has three components: (i) provision of BDTS to eligible MSMEs; (ii) provision of TA and training to BDTS providers as well as to SIF/PCGF-eligible LFIs; and (iii) TA to support the program’s execution.

### **1. Component I. Provision of Business Development and Training Services.**

- 1.22 Through this component, the program will offer BDTS to eligible MSMEs. These services seek to improve their access to goods and services markets, particularly the credit market, as well as their ability to become more productive and increasingly formal from a financial point of view. Specifically, the component would offer, through two sub-components, two types of services under a

matching-grant scheme:<sup>16</sup> (i) TA to formulate or review MSMEs' BPs; and (ii) TA and training to support the implementation of MSMEs' BPs.

1.23 **Sub-component I.a: BDTS to support the formulation or review of MSMEs' BPs.** This sub-component would include TA on: (i) compilation and systematization of financial information as well as the development of supported financial statements, in the case of SMEs; (ii) technical designs for the preparation of investment plans for the renovation, construction or acquisition of fixed assets; and (iii) the formulation or revision of BPs. Apart from the technical and financial evaluation of a firm's investment project, a BP would identify those critical aspects that, if addressed, would improve its performance. As explained in ¶1.24, the program will provide additional support to firms to address those aspects if they end up gaining access to credit.

1.24 **Sub-component I.b: BDTS to support the implementation of MSMEs' BPs.** As stated above, the program also would provide MSMEs, once they gain access to credit from a SIF/PCGF-eligible LFI, with TA, advisory services, and training support to address entrepreneurial development challenges identified during BP formulation. That support could include: (i) any quality certification or management standard required by the firm; (ii) plant re-designs that could improve production processes; (iii) improvements in administrative and financial management as well as internal controls; (iv) information systems to improve the firm's efficiency and productivity; (v) marketing, managerial and/or productive improvements; (vi) training of existing or new employees; (vii) technology adoption, innovation, entrepreneurial alliances and export promotion; and (viii) access to non-traditional sources of investment financing (such as equity).

## **2. Component II: Support for BDTS providers and SIF/PCGF-eligible LFIs**

1.25 Since the program seeks to help MSMEs through the provision of BDTS to gain access to credit and to improve their managerial and technical capacities, there is also the need to actively promote the program and to support BDTS providers and SIF/PCGF-eligible LFIs to achieve Component I's objectives.

1.26 **Sub-component II.a:** Support to promote the program and identify potential MSME beneficiaries in high-growth sectors and value chains. This sub-component would hire experts on an as needed basis to those effects.

1.27 **Sub-component II.b:** Support to improve the supply of BDTS. Given the relative under-development of the BDTS market and its limited supply capacity in certain areas,<sup>17</sup> this sub-component seeks to support its development through the design, implementation and management of a registry of BDTS providers. The registry

---

<sup>16</sup> The program's and MSME's contributions will be established in the program's Operational Regulations.

<sup>17</sup> Footnote No. 5, particularly the second reference, provides a relatively recent assessment of the supply capacity of the BDTS market, which would be re-assessed with resources of the HA-T1139 TA.

would offer up-to-date and verified information about them, including their names, areas of expertise, work experience, and geographical areas of influence. To participate in the program, BDTS providers would be qualified through a selection process based on their capacity to transfer knowledge and skills to MSMEs through TA and training. To ensure the quality of the BDTS provided under the program, a quality control system for providers based, among other things, on the performance evaluations of beneficiary MSMEs would be designed and implemented. To insure uniformity in the quality of the different BDTS providers, the sub-component would also include resources to: (i) establish, test, and validate quality standards for the more common BDTS demanded; and (ii) train providers on how to improve the quality of their services and their effectiveness in terms of meeting their clients' needs, particularly in areas such as the formulation and implementation of BPs.

- 1.28 **Sub-component II.c:** Support to SIF\PCGF-eligible LFIs. This sub-component will finance the following activities: (i) training for LFI' credit officials on how to analyze the inherent risks of BPs supporting MSMEs' investment projects. The courses would cover aspects such as the productive process of the economy's main productive sectors, their sources of revenue and costs, the different methods of project appraisal, and the relevant factors that would have to be considered to assess project risks in those sectors; (ii) TA on strategies and instruments to serve more effectively MSMEs credit needs; and (iii) the preparation of periodic reports on the structure, performance, and outlook, both from a technical and economic perspective, of the main productive sectors. These reports would be disseminated among LFIs, BDTS providers, and other relevant actors.

### **3. Component III. TA to support the program's administrative, financial and technical management**

- 1.29 Finally, this component will finance the program's operational, administrative and technical management. To that effect, resources would be allocated to: (i) strengthen the operational and administrative capabilities of the FDI, as assessed in the fiduciary analysis; and (ii) to hire a specialized firm (SF) to manage the program technically. This component will also fund the program's annual audits as well as other expenses needed to properly run the program, including an impact evaluation at the end of its execution.

### **C. Key results indicators**

- 1.30 The Results Matrix (Annex II) presents the program's impact as well as its main outcomes and outputs. Its expected impact is an increase in the profit margin of beneficiary firms, as a proxy for total factor productivity, relative to that of comparable untreated firms. It is also expected that the program would deliver the following outcomes: (i) an increase in the access to credit of beneficiary MSMEs, relative to that of comparable MSMEs; and (ii) delinquency rate of beneficiary MSMEs at least as good as the average delinquency rate of their relevant segment of the financial sector.

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Cost and financing

- 2.1 Program cost will amount to US\$12.51 million, of which US\$11 million would be funded from the IDB Grant Facility and the remaining US\$1.51 million from expected contributions of ultimate beneficiaries. Table I and the [POA & PEP](#) provide an indicative distribution of program's costs by components and products, respectively. Given the program's demand-driven nature, that distribution may change during execution in response to actual demand conditions. An already approved US\$100.000 operational input from the Net Income of the FSO will kick start the program's execution (HA-T1139).
- 2.2 In the context of the US\$35-million IHRC approval for this BDTS pillar of the Productive Haiti initiative, some donors have expressed interest in co-financing its still un-funded US\$24 million. If a donor decides to fund a portion of that amount and channel its contribution through the Bank, such resources would be distributed among the program components preferably according to the proportions established in Table 1. If no additional funding materializes, it would not compromise the program's results and objectives; only its scope in terms of the number of MSMEs treated. Donors interested in co-financing this program as described in this document, may channel its resources through the Bank through a project specific grant administered by the Bank according to document SC-114, or as a trust fund contribution (including the HRF). The resources so provided would be administered by the Bank according to the respective agreement. To support the foregoing, the Board is requested to authorize the President to enter into agreements with donors, as necessary, after the approval of this operation, as well as with the Republic of Haiti as beneficiary, to receive, administer, and approve the use of the co-financing resources to finance the activities/components eligible under this operation, without the requirement of preparing or approving in each case a separate operation proposal, subject that the donor accepts the applicable Bank's rules, procedures and timeframes for the execution of this program.

**Table 1. Program Costs (in US\$ millions)**

| Description       | IDB Grant Facility | Beneficiaries' contribution (MSMEs) | Total IDB & MSMEs |
|-------------------|--------------------|-------------------------------------|-------------------|
| Component I       | 6.07               | 1.51                                | <b>7.58</b>       |
| Component II      | 1.69               | 0.00                                | <b>1.69</b>       |
| Component III     | 3.24               | 0.00                                | <b>3.24</b>       |
| <b>Total Cost</b> | <b>11.00</b>       | <b>1.51</b>                         | <b>12.51</b>      |

- 2.3 As stated in ¶1.4 and ¶1.10, there are some 10,000 SMEs and 373,000 micro-enterprises in Haiti, of which around 19% and 67% have credit access, mostly short-term credit. Given the large number of firms that still do not have such access, particularly for investment credit, and the strong increase in the demand for this type of credit in response to the huge financing needs confronted by

MSMEs as a result of the quake and its sequels,<sup>18</sup> the sizing of sub-components I.a and I.b may fall short of actual needs. However, it is estimated that through them some 358 SMEs and 560 micro-enterprises will be treated, a good starting point as additional financing sources are tapped.

- 2.4 **Environmental and social safeguard risks.** Since the program will only provide technical assistance and training to MSMEs, adverse environmental and social impacts are not foreseen. ESR confirmed the environmental and social risk classification of the program as “C” in its Review Meeting 47-10.
- 2.5 **Fiduciary risks.** Based on the Bank’s recent experience with the *Fonds de Développement Industriel* (FDI) and the institutional capacity assessment made by COF/CHA’s fiduciary group, fiduciary risks are estimated to be moderate (see [Fiduciary Arrangements](#)). The main risks identified are the institution’s limited capacities in budget and cash flow planning, as well as its lack of experience in applying IDB projects’ fiduciary policies and procedures. Such risks will be mitigated by providing training and technical assistance to the FDI through COF/CHA’s fiduciary group and by hiring some external support. Apart from other administrative responsibilities, the consultants to be hired will be in charge of generating the necessary information to monitor the management of the program and the use of its resources (see ¶3.3 - ¶3.4).
- 2.6 **Other risks and issues.** The program also has medium-low non-fiduciary risks. The main risks are its degree of ownership by public and private sector entities, and the EA’s execution, monitoring, and evaluation capacity. Regarding public and private sector ownership, the program was designed in close consultation with the government, donors and private stakeholders, under the umbrella of the Action Plan for Recovery and Development of Haiti: Immediate Key Initiatives for the Future,<sup>19</sup> and the IHRC. Moreover, its design took into account the expertise and authority of the EA and the latter’s efforts to develop strategic partnerships with potential relevant actors for the success of the program. With regard to the monitoring and evaluation capacity of the EA, the program, with the support of the SF and budgeted resources to that effect (under Component III), would build on and strengthen that entity’s existing monitoring and evaluation platform.
- 2.7 Since the granting of BDTS is demand driven, there is the possibility that once the program starts its execution, demand for those services is limited. To mitigate this risk, resources will be allocated to hire experts as needed to actively promote the program among LFIs, and to identify and inform potentially eligible MSME beneficiaries in high-potential sectors or value chains about it. Finally, the implicit subsidy embedded in the BDTS should stimulate demand by eligible firms.
- 2.8 Another potential risk has to do with the availability of enough local BDTS providers with the expertise required to serve MSMEs’ BDTS needs. Aware of

---

<sup>18</sup> Idem 1.

<sup>19</sup> Government of the Republic of Haiti, March 2010. [Link 5](#)



the relatively underdevelopment of this market and of potential supply constraints for certain services, the program includes resources to support its development and strengthen the supply capacity of its providers. Furthermore, in the event that local providers do not have the capacity to satisfy those needs, the SF could help MSMEs to identify potential foreign BDTs providers.

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of implementation arrangements

- 3.1 **Beneficiary and executing agency.** The program's beneficiary will be the Republic of Haiti. The Executing Agency (EA) will be the FDI. **Program resources will be transferred to the EA under a *Protocole d'Accord* signed between the Ministry of Finance (MEF) and the FDI, which will be a condition precedent to first disbursement,** subject to the Bank's non objection.
- 3.2 The FDI is a specialized institution of the BRH, endowed with operational and financial autonomy, whose Board of Directors is the same as that of the BRH. The FDI promotes the development of the private sector by offering loans, credit guarantees and technical assistance to sustainable SMEs with employment and value added potential ([Link 7](#)). Despite its relatively small size, the FDI has demonstrated: (i) adequate management and sustainability (30% of its assets correspond to retained earnings); and (ii) institutional capacity to satisfactorily implement programs with international development agencies.<sup>20</sup> Based on the Bank's fiduciary assessment, the FDI, with the assistance of a SF referred above, is deemed capable of managing the program (see [Fiduciary Arrangements](#)).
- 3.3 **Execution arrangements.** The FDI will be responsible for the strategic, financial and administrative management of the program. For its technical execution, it will be supported by a SF, as explained below. The FDI's responsibilities will include: (i) ensuring the fulfillment of the norms established in the contract with the Bank and the program's OR; (ii) presiding over the program's strategic committee; (iii) selecting and hiring the SF and supervising its overall performance; (iv) designating the Program Management Team, including the Program Manager (PM), and supervising its performance, particularly with regard to: (a) execution planning, (b) procurement, (c) disbursements, (d) internal controls, (e) auditing, (f) monitoring and evaluation; (g) periodic reporting; and (v) any other function deemed necessary to run the program efficiently and effectively.
- 3.4 For execution purposes and as a **condition precedent to first disbursement, the FDI will appoint a Program Management Team, including the Program Manager (PM), whose responsibilities will include the program's day-to-day administrative and financial management.** The PM will report to the FDI's General Director and will get all necessary administrative support of the

---

<sup>20</sup> Such as: (i) the World Bank, providing resources to support its start-up in the 1980's with an Industrial Credit Project, and a second program in the 1990's; and (ii) the EU, supporting a microcredit program.

institution to fulfill his/her mandate. A SF will be hired with program resources to manage its technical execution, on the basis of terms of reference agreed with the Bank. Its responsibilities will include: (i) under Component I: (a) the definition of the types of BDTS to be provided, (b) the verification of eligibility of applying firms, (c) the design and implementation of a methodology to pre-screen applying firms in terms of their economic and financial viability, (d) the technical revision of the work plans and budgets of all eligible BDTS applications, (e) the determination of the types of services to be provided to those firms, (f) the presentation of reviewed BDTS applications to the EC for approval, and (g) the maintenance of an up-to-date registry of applying and beneficiary firms; (ii) under Component II: (a) the definition of the high-growth value chains where large numbers of potentially eligible MSMEs could be identified through promotion efforts, (b) the implementation of a methodology for the selection of eligible BDTS providers; (c) the design, implementation, and management of a registry of BDTS providers, (d) the identification of specialized BDTS providers in foreign markets in case such expertise is not available locally, (e) the determination of the type of services to be provided to eligible LFIs, and (f) the technical review of the work plans and budgets of all TA provided under this component prior to their approval by the EC. **The selection of the SF by the FDI is a condition precedent to first disbursement.** See [Link 8](#) for the PM and SF responsibilities.

- 3.5 To ensure transparency and accountability in the program's implementation, and to facilitate its strategic and day-to-day execution, two committees integrated by public and private sector representatives will be established: a Strategic Committee (SC) and an Executive Committee (EC). The SC will approve, among other things, the program's annual work plans, any modification to improve the effectiveness of components' activities, any evaluation exercise, and any adjustment in the program's management, subject to prior Bank approval. The EC, on the other hand, will approve: (i) on a case-by-case basis, the eligibility of beneficiary firms, the projects to be supported, and the allocation of resources to support them; and (ii) any TA for eligible BDTS providers or SIFPCGF-eligible LFI. See [Link 8](#) for the SC and EC composition and responsibilities.
- 3.6 **Beneficiary eligibility.** In the case of SMEs, they have to: (i) be economically and financially viable, following a preliminary assessment made by the SF; (ii) conform to the criteria of a SME, as defined in Footnote No. 4; and (iii) have expansion/improvement plans in a value range to be defined in the program's Operational Regulations (OR). In the case of microenterprises, they have to: (i) conform to the criteria of a microenterprise, as defined in Footnote No. 4; (ii) have credit history with a SIF-eligible MFI or credit cooperative; (iii) have an expansion/improvement plan of a minimum amount to be defined in the OR; and (iv) be able to associate with 5 or more micro-enterprises to receive program support, preferably in the context of a value chain in a client-provider relationship.
- 3.7 **Delivery mechanisms for BDTS support** (see [Link 9](#)). The delivery mechanisms for SMEs and micro-enterprises will be different due to the different nature of their investment needs and the amount of their financing requirements. Once the

eligibility of a SME is confirmed, it receives BDTs for the formulation/revision of its BP. In the case of SMEs that have not had access to credit, they may first require some support to systematize their financial information. These firms would only get support to start the formulation of their BP when the EC approves it, following a creditworthiness analysis by the SF. If a SIF/PCGF-eligible LFI decides to finance a SME's BP, the SME could request additional BDTs support to implement it, provided that the plan contemplates it (See ¶1.23 - ¶1.24).

- 3.8 In the case of micro-enterprises, a modified model of service provision would be used in line with international best practices. Given those firms' relatively simple and homogenous investment needs, and the small size of their financing requirements, they are expected to receive support as a group for the formulation and implementation of their BPs through SIF-eligible MFIs. Otherwise, it would be difficult to justify the cost of the support they would get. After identifying several beneficiary micro-enterprises with similar BDTs and investment needs, preferably in the same value chain in a client-provider relationship with a larger firm, the SIF-eligible MFI, on behalf of those firms, prepares a simple request for BDTs for the formulation of their basic BPs. Once the firms' eligibility and the SIF's potential interest in co-financing their expansion plans is confirmed, the EC approves BDTs support for the preparation of BPs. If a SIF-eligible MFI decides to finance the firms' resulting BPs, it could request additional BDTs support to implement them, provided the BPs contemplate such support (See ¶1.23 - ¶1.24).
- 3.9 The BDTs required by beneficiary MSMEs would be executed under a contract between them and the providers selected by them, or by a MFI in the case of microenterprises, from a registry of BDTs providers. Such a contract would establish the work plan, the products to be developed, the time required to achieve those products and the cost of the services. The fulfillment of the contract will be the responsibility of the beneficiary MSMEs, with the supervision of the FDI.
- 3.10 **Payment mechanisms for BDTs rendered.** BDTs providers will receive an advance of the total amount of their contracts upon their signature and the balance once their products have been approved by the FDI, subject to the SF's technical recommendation. The payment of services for the formulation and implementation of BPs would be shared between the program and the beneficiary firm in proportions to be established in the OR, with the program's contribution capped at a certain dollar amount. The payment modalities of MSMEs' contributions will also be established in the OR.
- 3.11 **Other execution arrangements.** Procurement will be carried out in accordance with the procedures established in the IDB's Policies for the Procurement of Goods and Works (GN-2349-9) and the Selection and Contracting of Consultants (GN-2350-9), complemented by the "Special procurement provisions to address the emergency caused by the January 12, 2010, earthquake in the Republic of Haiti" (OP-387-1); subject to *ex ante* review. See [Fiduciary Arrangements](#).

- 3.12 **Operational regulations.** The OR would contain the regulations for the execution of the program. It should: (i) be consistent with the policies and regulations of the Republic of Haiti, the FDI and the Bank; and (ii) reflect the operational details of the program. **The entry into effect of the OR agreed with the Bank will be a condition precedent to first disbursement.** Actor's responsibilities will be adjusted in the OR to facilitate execution, while minimizing risks.

- 3.13 **Disbursements and disbursement period.** Disbursements will be made through advances. In accordance with Bank policies, the advances will be equivalent to four months of program's liquidity needs as evidenced by a twelve-month cash flow plan to be prepared by the EA. Estimated annual disbursements are:

| Source                     | Year 1    | Year 2    | Year 3    | Year 4    | Year 5  |
|----------------------------|-----------|-----------|-----------|-----------|---------|
| IDB grant allocation       | 1,826,214 | 2,665,304 | 3,294,166 | 2,817,068 | 397,248 |
| Private sector counterpart | 128,757   | 358,813   | 545,531   | 477,999   | 0       |

- 3.14 The program's disbursement and commitment periods will be fifty four and forty eight months, respectively.

**B. Summary of arrangements for monitoring results**

- 3.15 An ex-ante [Cost-Benefit Analysis](#) was performed under very conservative assumptions and it was found that the program has a positive net present value.
- 3.16 The Project Team and the Bank's Country Office will follow up and supervise the program's overall progress. To that effect, the following instruments will be used:
- 3.17 **Progress Reports.** Program execution will be monitored through: (i) semi-annual progress reports; (ii) a mid-term progress report, 24 months after the date of the first disbursement; and (iii) a final report at the end of program execution. These reports will be prepared by the EA and submitted to the Bank by the deadline stipulated in the general contractual conditions. The reports will monitor the fulfillment of agreed commitments, as reflected in the Results Matrix, and should contain data and information supporting the achievement of program activities, outputs and outcomes, as they materialize, execution problems and/or risks identified, and the measures proposed to address or mitigate those problems and/or risks.
- 3.18 **Program Audits** will be performed annually by a firm of independent public accountants, in accordance with Bank's Guidelines for Financial Reports and External Audits. The firm will be selected by the EA according to Bank's procedures and its work will be based on terms of reference agreed with the Bank, which will include testing the eligibility of BDTS beneficiaries following the OR.
- 3.19 A **final external evaluation** will be performed by the Bank at the end of the disbursement period, to assess if the program expected outcomes and development impact were attained. The EA will keep all relevant information to facilitate this evaluation. See Monitoring and Evaluation Arrangements.

## RESULTS MATRIX

| <b>GOAL:</b> Increase the productivity of MSMEs.   |          |        |        |        |        |        |  |
|--|----------|--------|--------|--------|--------|--------|--|
| <b>PURPOSE:</b> Enhance MSMEs access to investment credit as well as their repayment capacity.       |          |        |        |        |        |        |  |
| Impact indicators  | Baseline | Year 1 | Year 2 | Year 3 | Year 4 | Target | Description  |
| Profit margin (as a proxy for productivity) of participating firms increased.                        | 1        |        |        |        |        | 1.2    | <p>Indicator is equal to the average profit margin as a percentage of sales of participating firms over that of comparable firms. As explained in Section III d of the Monitoring and Evaluation Arrangements Link, comparable firms will be drawn from the Enterprise Survey that will be conducted this year by the Bank and the World Bank under a Prospective Matched Cohort study with a ratio of comparable units to beneficiaries of 2 to 1. ,</p> <p>Note that the target ratio will be calculated at the end of the Program.</p> <p>The source of verification will be the results of the base line and follow up surveys.</p> <p>The Program includes budgetary resources to conduct an impact evaluation.</p> |
| Expected outcome Indicators  | Baseline | Year 1 | Year 2 | Year 3 | Year 4 | Target | Description  |
| Access to credit of beneficiary SMEs, relative to that of comparable SMEs, increased.                | 1        |        |        |        |        | 1.5    | <p>Indicator is equal to the number of treated SMEs that gain access to credit over all the SMEs treated by the Program. This ratio is compared with the total number of comparable non-treated firms that gain access to credit over the total number of comparable non-treated firms surveyed in the follow up survey at the end of the Program.</p> <p>Note that the target ratio will be calculated at the end of the Program.</p> <p>The source of verification will be the results of the base line and follow up surveys.</p>   |
| Access to credit of beneficiary micro-enterprises, relative to that of comparable micro-enterprises, | 1        |        |        |        |        | 1.5    | <p>Indicator is equal to the number of treated micro-enterprises that gain access to credit over all the micro-enterprises treated by the Program. This ratio</p>  |

|  |   |  |  |  |  |   |
|--|---|--|--|--|--|---|
| increased.   |   |  |  |  |  | <p>is compared with the total number of comparable non-treated micro-enterprises that gain access to credit over the total number of comparable non-treated micro-enterprises surveyed in the follow up survey at the end of the Program.</p> <p>Note that the target ratio will be calculated at the end of the Program.</p> <p>The source of verification will be the results of the base line and follow up surveys.</p>   |
| Delinquency rate of beneficiary SMEs, relative to the financial system's average delinquency rate, did not deteriorate.                  | 1 |  |  |  |  | <p>Number of SMEs treated by the Program that get access to credit whose loans become non-performing over all the SMEs treated by the Program that gain access to credit. This ratio is compared with the financial system's ratio of non-performing loans.</p> <p>Note that the target ratio will be verified at the end of the Program.</p> <p>The source of verification will be the Program's own information system as well as information coming from SIF/PCGF-eligible local financial institutions and the Central Bank.</p>                        |
| Delinquency rate of beneficiary micro-enterprises, relative to the micro-finance sector's average delinquency rate, did not deteriorate. | 1 |  |  |  |  | <p>Number of micro-enterprises treated by the Program that get access to credit whose loans become non-performing over all the micro-enterprises treated by the Program that gain access to credit. This ratio is compared with the micro-finance sector's ratio of non-performing loans.</p> <p>Note that the target ratio will be verified at the end of the Program.</p> <p>The source of verification will be the Program's own information system as well as information coming from SIF-eligible micro-finance institutions and the Central Bank.</p> |

| <b>Component I. Provision of business development and training services to eligible MSMEs.</b>   |                 |               |               |               |               |               |   |
|--|-----------------|---------------|---------------|---------------|---------------|---------------|---|
| <b>Output indicators</b>   | <b>Baseline</b> | <b>Year 1</b> | <b>Year 2</b> | <b>Year 3</b> | <b>Year 4</b> | <b>Target</b> | <b>Description</b>  |
| Number of SMEs that received BDS and Training Services from the Program  | 0               | At least 36   | At least 90   | At least 125  | At least 107  | At least 358  | This indicator will reflect the actual number of SMEs that received BDS and training support.<br><br>The source of verification will be the Program's own information system.   |
| Number of micro-enterprises that received BDS and Training Services from the Program   | 0               | At least 55   | At least 145  | At least 200  | At least 160  | At least 560  | This indicator will reflect the actual number of SMEs that received BDS and training support.<br><br>The source of verification will be the Program's own information system.   |
| <b>Component II. Support for the provision of business development and training services as well as financial intermediation services.</b> |                 |               |               |               |               |               |   |
| <b>Output indicators</b>   | <b>Baseline</b> | <b>Year 1</b> | <b>Year 2</b> | <b>Year 3</b> | <b>Year 4</b> | <b>Target</b> | <b>Description</b>  |
| Number of consulting days for activities of promotion and identification of potential Program's beneficiaries                              | 0               | 120           | 120           | 120           | 120           | 480           | This indicates the progress in the implementation of the activities for the promotion and identification of potential beneficiaries, estimated as the number of consulting days reported annually.<br><br>The source of verification will be the Program's own information system |
| Registry of BDS and Training Services Providers designed and in full operation.  | 0               | 1             |               |               |               | 1             | The source of verification will be the Program's own information system.  |
| Training courses for BDS providers delivered.  | 0               | 1             | 1             | 1             | 1             | 4             | The source of verification will be the Program's own information system.  |
| Quality standards for the most common BDS and Training Services demanded designed and divulged among BDS providers.                        | 0               | 4             | 0             | 0             | 0             | 4             | The unit of measurement would be 4 reports establishing the required standards of quality of the most demanded BDS and training services.<br><br>The source of verification will be the Program's own information system  |
| Training courses for local financial institutions credit officers on the risks associated with MSMEs' investment projects delivered.       | 0               | 2             | 4             | 3             | 0             | 9             | The source of verification will be the Program's own information system.  |

|  |                 |               |               |               |               |               |   |
|--|-----------------|---------------|---------------|---------------|---------------|---------------|---|
| Reports on the structure, performance and outlook of Haiti's three main productive sectors designed, prepared and divulgated among relevant financial and non-financial private sector actors. | 0               | 6             | 6             | 3             | 0             | 15            | The source of verification will be the Program's own information system.  |
| SIF/PCGF-eligible local financial intermediaries supported in the design and implementation of new financial products, services and/or operational processes.                                  | 0               | 1             | 1             | 0             | 0             | 2             | The unit of measurement will be the number of SIF/PCGF-eligible local financial intermediaries.<br>The source of verification will be the Program's own information system. |
| <b>Component III.</b> Support for the strategic, technical and administrative execution of the program.  |                 |               |               |               |               |               |   |
| <b>Output indicators</b>   | <b>Baseline</b> | <b>Year 1</b> | <b>Year 2</b> | <b>Year 3</b> | <b>Year 4</b> | <b>Target</b> | <b>Description</b>  |
| Specialized Firm/hired   | 0               | 1             |               |               |               | 1             | This component will consist in hiring a Specialized Firm that should support the FDI with the technical and administrative execution of the Program.                        |



## Summary Procurement Table

| Description of Projected Procurement   | Estimated Amount<br>US\$ 000 | Procurement Method | Prequalifies?<br>Yes   No |
|--|------------------------------|--------------------|---------------------------|
| <b>Works</b>   |                              |                    |                           |
| NA   |                              |                    |                           |
| <b>Goods</b>   |                              |                    |                           |
| Office equipment   | 60                           | PC                 | NO                        |
| <b>Services</b>  |                              |                    |                           |
| NA   |                              |                    |                           |
| <b>Consulting Services: Firms</b>  |                              |                    |                           |
| Hire of a Specialized Advisory Firm  | 1,873                        | QCBS               | NO                        |
| Audits   | 80                           | QCBS               | NO                        |
| Evaluation (base line, survey and impact evaluation)                                       | 200                          | QCBS               | NO                        |
| <b>Consulting Services: Individuals</b>  |                              |                    |                           |
| Support Program's promotion as well as identification of potential Program's beneficiaries | 175                          | QCNI               | NO                        |
| Support to BDS and Training Services Providers   | 572                          | QCNI/QCII          | NO                        |
| Support to the Provision of Financial Intermediation Services                              | 942                          | QCII               | NO                        |
| Support the design and launching of the Program's Information System                       | 45                           | QCNI               | NO                        |
| Program Manager (4.5 years)  | 243                          | QCNI               | NO                        |
| Administrative and Financial Officer (4.5 years)   | 162                          | QCNI               | NO                        |
| Legal Advisor (4.5 years)  | 94                           | QCNI               | NO                        |

**Goods and Works:** ICB: International competitive bidding; LIB: limited international bidding; NCB: national competitive bidding; PC: price comparison; DC: direct contracting; FA: force account; PSA: Procurement through specialized agencies; PAs: Procurement agents; IA: Inspection agents; PLFI: Procurement in loans to financial intermediaries; BOO/BOT/BOOT: Build, own, operate/build, operate, transfer/build, own, operate, transfer; PBP: Performance-based procurement; PLGB: Procurement under loans guaranteed by the Bank; PCP: Community participation procurement; **Consulting Firms:** QCBS: Quality- and cost-based selection; QBS: Quality-based selection; FBS: Selection under a fixed budget; LCS: Least-cost selection; CQS: Selection based on the consultants' qualifications; SSS: Single-source selection; **Individual Consultants:** QCNI: Selection based on comparison of qualifications of national individual consultants; QCII: Selection based on comparison of qualifications of international individual consultants.