

PROJECT SUMMARY

ESTABLISHMENT OF A CFE WITHIN THE *FÉDÉRATION LE LEVIER* NETWORK IN HAITI

(HA-M1055)

In Haiti formal micro, very small and small enterprises, or MSEs, in the context of this project, face special challenges with respect to access to finance, as very few financial intermediaries operate with appropriate lending methodologies for this segment. In fact, it is estimated that formal micro and very small enterprises face a financing gap of slightly above US\$6,000 on average, and small enterprises seek US\$23,000 on average to satisfy their financing needs. Therefore overall, Haitian MSEs face a financing gap of about US\$1.9 billion. Although microfinance institutions (MFIs) and savings and credit cooperatives have started exploring the possibility of moving upmarket to serve these firms, developing a small business financing unit (including financing for growing microenterprises) is a process which takes considerable time and money.

While it would be ideal for each savings and credit cooperative to develop its own small business financing capacity, given the time and financial constraints mentioned above, and the need to close the US\$1.9 billion financing gap, some collective action is needed to significantly increase MSE financing in Haiti. This project seeks to create a specialized MSE financing business unit ***Centre Financier pour Entrepreneurs (CFE)***, linked to the network of savings and credit cooperatives in Haiti - ***Fédération des Caisses Populaires Haïtiennes (FECAPH) – Le Levier***. The idea is that the savings and credit cooperatives in the Le Levier network will extend MSE loans to their clients through the CFE, rather than on their own.

The expected impact of the project is increased sales and net job creation among Haitian MSEs. The intended result of the project is increased access to business loans and saving products and services for MSEs by supporting Le Levier network of savings and credit cooperatives in establishing a professionalized MSE finance unit. The new model to be introduced and tested is the “**Affiliated CFE model**” which was developed by ***Développement international Desjardins (DID)***, Canada. This project will be the first implementation of this model in Latin America and the Caribbean (LAC). The key guiding principle for DID in implementing the CFE model is “build, operate and transfer (BOT).” DID sets up (builds) a CFE, operates the CFE in collaboration with local partners, and gradually transfers the administration of the CFE to these local partners once financial self-sufficiency has been achieved.

The MIF will provide up to US\$1,000,000 in non-reimbursable technical cooperation funds in order to support implementation of DID’s Affiliated CFE model in Le Levier. The MIF will also provide a Haitian gourde (HTG)-denominated unsecured senior loan to Le Levier with an amount of HTG equivalent of up to US\$500,000 which, in turn, will be on-lent to first-tier savings and credit cooperatives that utilize CFE capacity to originate an MSE finance portfolio.